MERLIN ENTERTAINMENTS

PRICE RANGE PROSPECTUS

OCTOBER 2013

This document comprises a prospectus (the **"Prospectus"**) relating to Merlin Entertainments plc (the **"Company"**) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made under section 73A of the Financial Services and Markets Act 2000 (the **"FSMA"**) and has been prepared in connection with the Global Offer and Admission. This Prospectus has been approved by the Financial Conduct Authority in accordance with section 78A of the FSMA and has been made available to the public in the UK in accordance with paragraph 3.2 of the Prospectus Rules.

The Company, its Directors (whose names appear on page 76 of this Prospectus) and Fru Hazlitt accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Application will be made to the Financial Conduct Authority for all of the Ordinary Shares, issued and to be issued in connection with the Global Offer, to be admitted to listing on the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together **"Admission"**). Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 12 November 2013. It is expected that Admission will become effective and that unconditional dealings will commence in the Ordinary Shares on the London Stock Exchange at 8.00 a.m. on 15 November 2013. **All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.** No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.

For a discussion of certain risk and other factors that should be considered in connection with an investment in the Ordinary Shares, see "Risk Factors" set out in Part 4 of this Prospectus.

Merlin Entertainments plc

(incorporated in England and Wales under the Companies Act 2006
with registered number 08700412)

Global Offer of up to 306,110,253 Ordinary Shares of 1 pence each
at an Offer Price expected to be between 280 pence and 330 pence per Ordinary Share
and admission to listing on the Official List and to trading on the London Stock Exchange

Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners

Goldman Sachs International | Barclays

Joint Bookrunners

Citigroup | Morgan Stanley

Co-Lead Managers

HSBC | UniCredit Group

Financial Adviser

Lazard

Expected issued share capital immediately following Admission
(assuming the Offer Price is set at the mid-point of the Price Range)

Number	Amount
1,015,573,770	£10,155,738

Ordinary Shares of 1 pence each

The Company is offering up to 71,428,571 New Shares in the Global Offer so as to raise expected gross proceeds for the Company of £200 million. The Selling Shareholders are collectively expected to offer up to 242,261,194 Existing Shares so as to raise expected gross proceeds for the Selling Shareholders of up to £799 million (assuming no exercise of the Over-allotment Option, that the Offer Price is set at the top of the Price Range and that the Selling Shareholders sell a sufficient number of Existing Shares to meet the free float requirement of 30 per cent.). The Company will not receive any of the proceeds from the sale of the Existing Shares, all of which will be paid to the Selling Shareholders.

The Price Range and the New Share Offer Size Range have been set by the Company. The Existing Share Offer Size Range has been set by the Major Shareholders. It is currently expected that the Offer Price, New Share Offer Size and Existing Share Offer Size will be set within the Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. A number of factors will be considered in determining the Offer Price, the New Share Offer Size, the Existing Share Offer Size and the basis of allocation, including the level and nature of demand for the Ordinary Shares during the bookbuilding process, the level of demand in the Intermediaries Offer, prevailing market conditions and the objective of establishing an orderly after-market in the Ordinary Shares. Unless required to do so by law or regulation, the Company does not envisage publishing a supplementary prospectus or an announcement triggering the right to withdraw applications for Ordinary Shares pursuant to section 87Q of FSMA on determination of the Offer Price, the New Share Offer Size or the Existing Share Offer Size. If the Offer Price is set within the Price Range, the New Share Offer Size is set within the New Share Offer Size Range and the Existing Share Offer Size is set within the Existing Share Offer Size Range, a pricing statement containing the Offer Price and confirming the number of New Shares and Existing Shares which are comprised in the Global Offer (the **"Pricing Statement"**) and related disclosures are expected to be published on or about 12 November 2013 and will be available on the Company's website at www.merlinentertainments.biz. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above or below the Existing Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Ordinary Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected date of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Ordinary Shares would be made clear in the announcement.

The New Shares to be issued pursuant to the Global Offer will, following Admission, rank *pari passu* in all respects with each other and with the Existing Shares and will rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission.

This Prospectus does not constitute part of any offer to sell, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and is not for distribution in or into the United States, Canada, Australia or Japan. Any failure to observe these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan or South Africa. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in the United States, Australia, Canada, Japan or South Africa or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada, Japan or South Africa. Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, HSBC and UniCredit Group may arrange for the offer and sale of the Ordinary Shares in the United States only to persons reasonably believed to be "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance on Rule 144A or another exemption from, or in transactions not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. There will be no public offer of the Ordinary Shares in the United States. Potential investors are hereby notified that the sellers of Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder. Potential investors with registered addresses in, or otherwise subject to the laws of, overseas territories must inform themselves of and observe any restrictions on the offer, sale or transfer of the Ordinary Shares and the distribution of this Prospectus and should refer to Part 14 — Details of the Global Offer.

Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, Lazard, HSBC and UniCredit Group, each of which is authorised and regulated in the United Kingdom by the Prudential Regulatory Authority are acting for the Company and no one else in connection with the Global Offer. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, Lazard, HSBC or UniCredit Group or for giving advice in relation to the Global Offer, the contents of this Prospectus or any transaction or arrangement referred to herein.

Investors should rely only on the information contained in this Prospectus and any supplementary prospectus produced to supplement the information contained in this Prospectus. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the Company and/or the Global Offer and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Selling Shareholders, Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, Lazard, HSBC or UniCredit Group. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or sale made under this Prospectus will, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to the date of this Prospectus.

The distribution of this Prospectus, the Global Offer and the issue and sale of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Directors, the Selling Shareholders or the Joint Bookrunners to permit a public offering of the Ordinary Shares or to permit the possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required, other than the United Kingdom. Accordingly, neither this Prospectus nor any advertisement nor any other offering or publicity materials may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Global Offer and the distribution of this Prospectus are subject to the restrictions set out in paragraph 13 of Part 14 — Details of the Global Offer.

The Company consents to the use of this document (which comprises a prospectus prepared in accordance with the Prospectus Rules of the FCA made under section 73A of FSMA) by the Intermediaries in connection with the Intermediaries Offer in the UK, the Channel Islands and the Isle of Man on the following terms: (i) in respect of Intermediaries who are appointed by the Company prior to the date of this document, from the date of this document and (ii) in respect of Intermediaries who are appointed by the Company after the date of this document, from the date on which they are appointed to participate in the Intermediaries Offer, in each case until the closing of the Intermediaries Offer. In each case, the consent to use this Prospectus is conditional upon compliance by the Intermediary with the Intermediaries Terms and Conditions and the appointment of such Intermediary not having been terminated by the Company. The Company accepts responsibility for the information contained in this document with respect to any purchaser of or subscriber for Ordinary Shares pursuant to the Offer. **If an Intermediary makes an offer to a retail investor pursuant to the Intermediaries Offer, that Intermediary shall provide to such retail investor at the time the offer is made (i) a copy of the Prospectus or a hyperlink from which the Prospectus may be obtained, and (ii) the terms and conditions of the relevant offer made by the Intermediary to the retail investor. Any application made by investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such investor and such Intermediary**.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to the subscription for or purchase of Ordinary Shares.

The Ordinary Shares offered by this Prospectus have not been approved or disapproved by the US Securities and Exchange Commission or any other US federal or state securities commission or regulatory authority nor have such authorities confirmed the accuracy or adequacy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Until the expiry of 40 days after the commencement of the Global Offer, an offer or sale of Ordinary Shares within the United States by a dealer (whether or not it is participating in the Global Offer) may violate the registration requirements of the Securities Act.

In connection with the Global Offer, Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, Lazard, HSBC, UniCredit Group and any of their affiliates, acting as an investor for its or their own account(s), may subscribe for and/or acquire Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such Ordinary Shares and other securities of the Company or related investments in connection with the Global Offer or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, Lazard, HSBC and UniCredit Group and any of their affiliates acting as an investor for its or their own account(s). Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, Lazard, HSBC and

UniCredit Group do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Notice in connection with Member States of the European Economic Area

This Prospectus has been prepared on the basis that all offers of Ordinary Shares, other than in connection with the Intermediaries Offer within the United Kingdom, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of Ordinary Shares. Accordingly, any person making or intending to make any offer within the EEA of Ordinary Shares which are comprised in the Global Offer contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholders or any of the Underwriters to produce a prospectus for such offer. The Company, the Selling Shareholders and the Underwriters have not authorised, nor will they authorise, the making of any offer of Ordinary Shares through any financial intermediary (other than in connection with the Intermediaries Offer), other than offers made by Underwriters which constitute the final placement of Ordinary Shares contemplated in this Prospectus.

Withdrawals

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied to subscribe for or purchase Ordinary Shares in the Global Offer will have at least two clear Business Days following the publication of the supplementary prospectus within which to withdraw their offer to acquire Ordinary Shares in the Global Offer.

In addition, in the event that (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above or below the Existing Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then applicants who have applied to subscribe for or purchase Ordinary Shares in the Global Offer would have a statutory right to withdraw their offer to subscribe for or purchase Ordinary Shares in the Global Offer in its entirety pursuant to section 87Q of FSMA before the end of a period of two Business Days commencing on the first Business Day after the date on which an announcement of this is published via a Regulatory Information Service announcement (or such later date as may be specified in that announcement).

If the application is not withdrawn within the stipulated period, any offer to apply for Ordinary Shares in the Global Offer will remain valid and binding. Institutional investors and Intermediaries wishing to exercise a statutory right to withdraw their offer to subscribe for or purchase Ordinary Shares in the Global Offer must do so by lodging a written notice of withdrawal by hand (during normal business hours only) at the offices of the Receiving Agent, Computershare, at Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE or by facsimile (during normal business hours only) on 0870 703 6112 so as to be received no later than two Business Days after the date on which the supplementary prospectus is published or the date on which an announcement is made (as described above). Notice of withdrawal given by any other means or which is deposited with or received after the expiry of such period will not constitute a valid withdrawal. Applicants who have applied for Ordinary Shares via the Intermediaries, who wish to withdraw an application following publication of a supplementary prospectus or an announcement is made (as described above) should contact the Intermediary through whom they applied for details of how to withdraw an application.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT THE ORDINARY SHARES ARE EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR THE SHARES OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

HONG KONG

WARNING THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THIS OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

No incorporation of website information

The contents of the Company's website or any website directly or indirectly linked to the Company's website do not form part of this Prospectus and investors should not rely on such website.

Presentation of market and other information

For information on the presentation of market and other information in this Prospectus, see Part 6 — Presentation of Financial and Other Information.

This Prospectus is dated 30 October 2013.

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PART 1 – SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and Warnings		
A.1	**Introduction**	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investors. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Consent for intermediaries**	The Company consents to the use of this document by the Intermediaries in connection with the Intermediaries Offer in the UK, the Channel Islands and the Isle of Man on the following terms: (i) in respect of Intermediaries who are appointed by the Company prior to the date of this document, from the date of this document and (ii) in respect of Intermediaries who are appointed by the Company after the date of this document, from the date on which they are appointed to participate in the Intermediaries Offer and, in each case until the closing of the Intermediaries Offer. In each case, the consent to use this Prospectus is conditional upon the appointment of such Intermediary not having been terminated by the Company and compliance by the relevant Intermediary with the terms and conditions as summarised below. The Intermediaries Terms and Conditions regulate the relationship between the Company, the Selling Shareholders, the Intermediaries Offer Adviser, the Underwriters and the Intermediaries that are accepted by the Company to act as an Intermediary after making an application for appointment in accordance with the Intermediaries Terms and Conditions. ***Capacity and liability*** The Intermediaries have agreed that, in connection with the Intermediaries Offer, they will be acting as agent for retail investors in the United Kingdom, the Channel Islands and the Isle of Man who wish to acquire Ordinary Shares under the Intermediaries Offer (the **"Underlying Applicants"**). None of the Company, any of the Selling Shareholders, the Intermediaries Offer Adviser or any of the Underwriters will have any responsibility for any liability, costs or expenses incurred by any Intermediary. ***Eligibility to be appointed as an Intermediary*** In order to be eligible to be considered by the Company for appointment as an Intermediary, each intermediary must be: (a) authorised by the FCA or the Prudential Regulatory Authority in the United Kingdom; or

		(b) a member firm of the London Stock Exchange conducting business in the Channel Islands or the Isle or Man; or (c) in respect of acting as agents for Underlying Applicants in Jersey, authorised by the Jersey Financial Services Commission to carry on the relevant class of investment business in Jersey; or (d) a person licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) to carry on restricted activities in respect of category 2 controlled investments under such Law, and in each case have appropriate permissions, licences, consents and approvals to act as Intermediary in the United Kingdom, Jersey, Guernsey or the Isle of Man, as applicable. Each Intermediary must also: (a) be a member of CREST; or (b) have arrangements with a clearing firm that is a member of CREST. Each Intermediary must also, to the extent applicable, conduct its business in the Isle of Man in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 or any relevant exclusion or exemption therefrom and all other relevant Isle of Man laws and regulations. ***Applications for Shares*** A minimum of £1,000 per Underlying Applicant will apply. The Intermediaries have agreed not to make more than one application per Underlying Applicant. Allocations of Ordinary Shares under the Intermediaries Offer will be at the absolute discretion of the Company, after consultation with the Joint Global Co-Ordinators. If there is excess demand for Ordinary Shares in the Intermediaries Offer, allocations of Ordinary Shares may be scaled down to an aggregate value which is less than that applied for. Each Intermediary will be required by the Company to apply the basis of allocation to all allocations to Underlying Applicants who have applied through such Intermediary. ***Effect of Intermediaries Offer Application Form*** By completing and returning the Intermediaries Offer Application Form, the Intermediary will be deemed to have irrevocably agreed to invest or procure the investment in Ordinary Shares of the aggregate amount stated on the Intermediaries Offer Application Form or such lesser amounts in respect of which such application may be accepted. The Company, the Selling Shareholders and Barclays reserve the right to reject, in whole or in part, or to scale down, any application for Ordinary Shares in the Intermediaries Offer. ***Commission*** Conditional upon Admission, the Company will pay each Intermediary a commission rate of 1.00 per cent. of the aggregate value (based on the final Offer Price) of the Ordinary Shares allocated to and paid for by such Intermediary. Each Intermediary is prohibited from charging any fees, charges or commissions to an Underlying Applicant for making an application for Ordinary Shares on behalf of such Underlying Applicant in the Intermediaries Offer.

		Information and communications The Intermediaries have agreed to give certain undertakings regarding the use of information provided to them in connection with the Intermediaries Offer (both prior to and following publication of the Prospectus). The Intermediaries have also agreed to give undertakings regarding the form and content of written and oral communications with potential Underlying Applicants. ***Indemnity*** The Intermediaries will indemnify the Company, the Selling Shareholders, the Intermediaries Offer Adviser and the Underwriters against any loss or claim arising out of any breach by them of the Intermediaries Terms and Conditions or as a result of a breach of any duties or obligations under FSMA or under any rules of the FCA or any applicable laws. **Intermediaries are required to provide, at the time of such offer, the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest to such Intermediary in participating in the Intermediaries Offer. Any application made by investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such investor and such Intermediary.**

Section B – Issuer		
B.1	**Legal and Commercial Name**	Merlin Entertainments plc (the “**Company**”).
B.2	**Domicile/ Legal Form/ Legislation/ Country of Incorporation**	The Company’s registered office is in the UK. Merlin Entertainments plc was incorporated and registered in England and Wales on 20 September 2013 with registered number 08700412 under the 2006 Act as a public limited company under the name Arthur Entertainments plc. The Company’s name was subsequently changed to Merlin Entertainments plc on 30 September 2013. The principal legislation under which the Company operates, and under which the New Shares will be created, is the 2006 Act.
B.3	**Current operations and principal activities**	Merlin is a global leader in branded, location based family entertainment, operating 99 Attractions in 22 countries which attracted over 54 million visitors in the 2012 financial year. It is the second largest operator of visitor attractions and theme parks globally and the largest in Europe, in each case by number of visitors in the 2012 financial year[1]. Merlin is also a market leader in the UK, Germany and Italy by total visitor numbers, with a growing presence in the US and Asia Pacific. Merlin owns and/or operates a unique portfolio of brands which are often iconic and possess a strong heritage within their markets and which are supported by the Group’s extensive technical and creative expertise. The Group’s strategy since its formation in 1999 has been to create a high growth, high return, family entertainment company based on strong brands and a global portfolio of assets that is naturally hedged against the impact of external factors. This strategic approach has led to the creation of a portfolio of nationally and internationally recognised premium brands focused on “fun learning” and providing memorable, entertaining, interactive and educational experiences, principally for families and young adults. The Group’s portfolio of Attractions is diversified across a range of brands, geographies and demographics and generated total revenue of £1,074 million and underlying EBITDA of £346 million in the 2012 financial year.

[1] TEA AECOM Report 2012.

		The management of the Merlin business is organised into three operating groups: • Midway Attractions, comprising 86[2] primarily indoor attractions with up to a two hour visit time. There are five key Midway Attractions brands: SEA LIFE, Madame Tussauds, the Dungeons, LEGOLAND Discovery Centre and The Eye Brand; • LEGOLAND Parks, comprising six outdoor parks (one in each of Denmark, Germany, Malaysia and the UK and two in the United States), three hotels and two holiday villages, with each park targeting one to two day visits; and • Resort Theme Parks, comprising six outdoor parks (one in each of Germany and Italy and four in the UK), five hotels, one holiday village and one waterpark, with each park targeting one to two day visits. The three operating groups are supported by Merlin's extensive in-house business development, creative, project management and production group, Merlin Magic Making, which operates from six locations across Europe, North America and Asia Pacific and employs more than 300 people. Merlin Magic Making is responsible for identifying locations and delivering new Attractions and for creating and delivering major investment projects across the Group's existing estate (including new hotels and rides). Merlin Magic Making is also responsible for supporting the Group's three operating groups through its unique Madame Tussauds creative sculptors and LEGO model builders and its SEA LIFE marine biologists. This team worked on 29 major projects across 9 countries involving £120 million of investment in projects completed in the 2012 financial year. The Group's strategy and performance is underpinned by its commitment to operational excellence. This entails an integrated approach to quality management, capital investment, marketing and pricing, together with a focus on health and safety. The Group's strong financial returns are also the result of the highly efficient deployment of capital expenditure across the existing estate and new attractions. The Group has demonstrated the strength of its diversified business model through its track record of annual profit growth. The drivers of this performance can be summarised as: • continued growth in EBITDA from the Group's existing estate, through the application of planned investment cycles, leveraging of strategic synergies and the transformation of Theme Parks to short break destinations. From the 2008 financial year to the 2012 financial year the existing estate as at the end of the 2007 financial year has delivered a compound annual EBITDA growth rate of 5.4 per cent[3]; and • continued roll-out of Midway Attraction brands and the development of new LEGOLAND Parks, each of which has a target of achieving an average annual 20 per cent. incremental ROIC over its first five full years of operation. Since the start of the 2004 financial year to the 2012 financial year, the Group delivered an average incremental ROIC of over 20 per cent.[†] on Midway Attraction openings, single site Midway Attraction acquisitions and the opening of LEGOLAND Florida.

[2] Includes three second gates which are accounted for with the Theme Park where they are located.

[3] The Group's financial statements for the 2004 and 2005 financial years were prepared using UK generally accepted accounting policies. The Group's financial statements for the 2006 and 2007 financial years were prepared using IFRS. The Group's financial statements for the 2008, 2009, 2010, 2011 and 2012 financial years have been prepared using IFRS and in accordance with the policies set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

		The Group has diversified its businesses and revenues internationally with significant growth in revenue in North America and Asia Pacific. As a result, revenues in North America and Asia Pacific have increased as a proportion of total revenues from 11 per cent. and 1 per cent. respectively in the 2008 financial year to 20 per cent. and 14 per cent. respectively in the 2012 financial year.
B.4a	**Significant recent trends affecting the Company and the industries in which it operates**	The Directors consider trends in tourism activity to be an important component of overall leisure spend and attendance at its portfolio of attractions. Increasing globalisation, urbanisation and rising disposable income in developing countries have been major factors for growth in international tourism. In 2012, international tourist arrivals worldwide grew by four per cent., despite volatile economic markets, and exceeded one billion for the first time. Within this increase, Asia Pacific was the fastest growing region with a seven per cent. increase whilst the Americas and western Europe recorded five per cent. and three per cent. increases, respectively. Longer-term, international tourist arrivals are expected to grow on average by 3.3 per cent. per year over the period 2010 to 2030 according to the United Nations World Tourism Organisation. Asia Pacific is expected to be the major growth driver at 4.9 per cent. per year[4]. Revenue from international tourism grew by four per cent. in real terms in 2012 to reach $1,075 billion. Europe had the largest share of tourism receipts at 43 per cent. with Asia Pacific recording 30 per cent. and the Americas 20 per cent. Merlin has attractions in nine of the top ten countries ranked by international tourism receipts in 2012[5]. International visitors are a strong source of demand for Merlin's urban attractions and the Directors expect the continued growth of tourism to support Merlin's urban locations and clustering strategy. Six of Merlin's city locations which have existing clusters – Amsterdam, Bangkok, Berlin, London, New York and Shanghai – feature in the top 30 cities in the world by international tourist arrivals[6]. These six cities collectively exhibited a 20 per cent. growth in international visitors between 2009 and 2011. Of this group, London ranked third overall in terms of total visitor arrivals in 2011, whilst Bangkok and Shanghai experienced growth in excess of 35 per cent. over the same period[7]. Merlin currently has one or more attractions in 11 cities which feature in the top 30 global cities as well as other popular destination cities, such as Sydney, Tokyo and Washington D.C. International visitor arrivals are forecast to continue growing supported by continued globalisation and fewer visa restrictions[8]. The UK continues to be a popular holiday destination for international visitors with the number of visits increasing 11.6 per cent. between 2007 and 2011[9]. For 2012, VisitBritain data highlights a record £19 billion spend by inbound tourists to the UK, up four per cent. on 2011. The global theme park industry continues to see attendance growth with visitors to theme parks across the globe increasing 5.2 per cent. from 2011 to 2012. Within this, attendance growth in Asia and North America was particularly strong. The top 25 theme parks worldwide attracted 205.9 million visitors in 2012, up 5.2 per cent. from 2011[10].

[4] United Nations World Tourism Organisation 2013.
[5] United Nations World Tourism Organisation 2013.
[6] Euromonitor International's Top City Destinations Ranking (2011 edition).
[7] Euromonitor International's Top City Destinations Ranking (2011 edition).
[8] Euromonitor International's Top City Destinations Ranking (2011 edition).
[9] Office for National Statistics.
[10] TEA AECOM Report 2012.

Importantly, visitor attendance at theme parks has maintained growth throughout the recent global economic downturn. From 2008 to 2012, annual attendance at the top 10 theme parks by region grew 0.7 per cent. in Europe, 2.2 per cent. in North America and 4.1 per cent. in Asia Pacific[11].

B.5 **Group structure**

Merlin Entertainments plc has conditionally agreed to acquire Merlin Entertainments S.à r.l. pursuant to the terms of the Reorganisation Agreement. The Reorganisation Agreement will become wholly unconditional at 12:00 noon on the second Business Day following the date on which the Pricing Statement is published.

As at the date of this document Merlin Entertainments S.à r.l. is the holding company of the Group. Merlin Entertainments S.à r.l. holds (through certain wholly-owned intermediate holding companies) a number of operating companies which, as a result of the Group's history of strategic acquisitions and organic growth, are organised by a combination of jurisdiction of operation and Attraction type.

B.6 **Major Shareholders**

Insofar as it is known to the Company, as at 29 October 2013 (being the latest practicable date prior to the publication of this Prospectus), the Shareholders identified below will, on Admission, be directly or indirectly interested in three per cent. or more of the issued share capital of the Company. The indicative interests in Ordinary Shares of such Shareholders immediately prior to Admission (calculated on the basis that the Offer Price is set at the mid-point of the Price Range), together with a corresponding estimate of their interests in Ordinary Shares immediately following Admission (assuming no exercise of the Over-allotment Option) are set out below.

	Interests immediately prior to Admission(1)(2)		**Ordinary Shares to be sold pursuant to the Offer(1)(3)**		**Interests immediately following Admission(1)(2)(3)**	
Shareholder	**No.**	**% of total issue**	**No.**	**% of holding**	**No.**	**% of issued**
KIRKBI	325,830,511	34.3	22,156,475	6.8	303,674,036	29.9
Blackstone	303,852,219	32.0	76,443,524	25.2	227,408,695	22.4
CVC Holdco	250,262,839	26.3	62,961,440	25.2	187,301,399	18.4
Share Plan Nominee(4)	70,054,431	7.4	26,441,948	37.9	43,296,197	4.3

Notes:

(1) Calculated on the basis that (i) the Offer Price is set at the mid-point of the Price Range; and (ii) the Company issues sufficient New Shares to raise proceeds of £200 million.

(2) Assuming Admission occurs on 15 November 2013.

(3) Assuming that the Existing Share Offer Size is set at a level such that a free float of 25 per cent. is achieved.

(4) Share Plan Nominee holds Ordinary Shares on behalf of the Small Beneficial Shareholders and the EBT. It is expected that Share Plan Nominee will sell sufficient Ordinary Shares such that Small Beneficial Shareholders receive proceeds from the sale of between 25 per cent. and 100 per cent. of the Ordinary Shares in which they are beneficially interested immediately prior to Admission.

On Admission, such Shareholders will not have special voting rights and the Ordinary Shares owned by them will rank *pari passu* in all respects with other Ordinary Shares.

The Company has entered into relationship agreements with each of KIRKBI, Blackstone and CVC Holdco to ensure that the Group can operate independently of those Shareholders following Admission.

Save for KIRKBI, Blackstone and CVC Holdco, the Company is not aware of any person who either as at the date of this Prospectus or immediately following Admission exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company.

[11] TEA AECOM Report 2012, TEA AECOM Report 2008.

The Global Offer will provide the Selling Shareholders, including Share Plan Nominee who will hold Ordinary Shares on behalf of the Small Beneficial Shareholders, with a partial realisation of their investment in the Group. To ensure that the Executive Management Beneficial Shareholders remain incentivised, and their interests remain aligned with other Ordinary Shareholders, the Executive Management Beneficial Shareholders will be permitted to sell between 25 and 30 per cent. of the Ordinary Shares in which they have a beneficial interest in the Global Offer.

B.7 **Historical Financial Information**

The selected financial information set out below has been extracted without material adjustment from the audited consolidated financial statements of the Existing Group for the 2008, 2009, 2010, 2011 and 2012 financial years and the 26 weeks ended 29 June 2013 and the unaudited consolidated financial statements of the Existing Group for the 26 weeks ended 30 June 2012 set out in Part 12 of this Prospectus:

Consolidated Income Statement

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Revenue	662	769	801	946	1,074	445	483
Cost of sales	(88)	(104)	(105)	(128)	(163)	(76)	(68)
Gross profit	574	665	696	818	911	369	415
Staff expenses	(164)	(191)	(219)	(229)	(262)	(124)	(137)
Other operating expenses	(209)	(238)	(257)	(285)	(309)	(153)	(170)
Underlying EBITDA(1)	203	236	256	306	346	94	111
Exceptional and non-trading items	(2)	—	(36)	(2)	(6)	(2)	(3)
EBITDA(1)	201	236	220	304	340	92	108
Depreciation, amortisation and impairment	(81)	(59)	(62)	(74)	(141)	(47)	(47)
Operating profit	120	177	158	230	199	45	61
Finance income	46	11	20	8	25	17	17
Finance costs	(241)	(202)	(152)	(142)	(126)	(64)	(79)
(Loss)/profit before tax	(75)	(14)	26	96	98	(2)	(1)
Taxation	(5)	(17)	(28)	(28)	(22)	1	(1)
(Loss)/profit for the period	**(80)**	**(31)**	**(2)**	**68**	**76**	**(1)**	**(2)**
(Loss)/profit attributable to:							
Owners of ME Lux	(79)	(31)	(4)	67	76	(1)	(2)
Non-controlling interest	(1)	—	2	1	—	—	—
(Loss)/profit for the period	**(80)**	**(31)**	**(2)**	**68**	**76**	**(1)**	**(2)**
Earnings per share							
Basic earnings per share (pence)	(58.0)	(22.8)	(2.9)	49.1	55.6	(0.7)	(1.5)
Diluted earnings per share (pence)	(58.0)	(22.8)	(2.9)	49.1	55.6	(0.7)	(1.5)

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

Underlying EBITDA excludes exceptional and non-trading items, details of which are provided in note 2.2 to the consolidated historical financial statements included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Consolidated Statement of Financial Position

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Assets						
Non-current assets	1,935	1,892	1,889	2,103	2,297	2,385
Current assets	192	139	133	133	212	254
Total Assets	**2,127**	**2,031**	**2,022**	**2,236**	**2,509**	**2,639**
Liabilities						
Current liabilities	291	225	229	254	278	333
Non-current liabilities	1,359	1,324	1,298	1,427	1,614	1,666
Total liabilities excluding non-current shareholder loans	**1,659**	**1,549**	**1,517**	**1,681**	**1,892**	**1,999**
Net liability/assets	**(104)**	**(114)**	**505**	**555**	**617**	**640**
Total Equity	**(104)**	**(114)**	**505**	**555**	**617**	**640**

Consolidated Statement of Cash Flows

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Net cash inflow from operating activities	219	234	183	292	348	121	147
Net cash outflow from investing activities	(99)	(101)	(116)	(229)	(233)	(161)	(85)
Net cash (outflow) / inflow from financing activities	(32)	(186)	(85)	(67)	(34)	23	(58)
Net increase/ (decrease) in cash and cash equivalents	**88**	**(53)**	**(18)**	**(4)**	**81**	**(17)**	**4**
Cash and cash equivalent, net of bank overdrafts at end of period	**139**	**87**	**67**	**60**	**142**	**42**	**147**

Certain significant changes to the Group's financial condition and results of operations occurred during the 2010, 2011, 2012 financial years, H1 2012 (unaudited) and H1 2013. These changes are set out below.

- A number of new Attractions were opened between the 2010 financial year and H1 2013 as part of the Group's business development and growth strategy, including 22 new Midway Attractions and two new LEGOLAND Parks (LEGOLAND Florida and LEGOLAND Malaysia, the latter of which the Group operates under a management contract).
- Two new hotels were opened as part of the Group's accommodation development strategy, one at LEGOLAND Windsor and one at LEGOLAND California.
- On 28 June 2013, the Group entered into an amendment agreement amending and restating its Facilities Agreement dated 4 March 2007 (as amended and restated from time to time). The Restated Facilities available under the Restated Facilities Agreement comprise (i) term facilities comprising currency tranches of (a) €500 million, (b) £455,210,000, (c) US$602,262,500 and (d) AU$185 million and (ii) a £150 million revolving credit facility. The Group's aggregate borrowings increased from £1,073 million as at the end of the 2010 financial year to £1,370 million as at 29 June 2013[12].

[12] Aggregate borrowings comprise interest-bearing loans and borrowings (both current and non-current).

		• Revenue increased by £273 million, or 34 per cent., from £801 million in the 2010 financial year to £1,074 million in the 2012 financial year, and increased by £38 million, or 9 per cent., from £445 million in H1 2012 to £483 million in H1 2013, primarily reflecting increases in visitor attendance at the Group's portfolio of Attractions and the expansion of such portfolio of Attractions. • EBITDA increased by £120 million, or 55 per cent., from £220 million in the 2010 financial year to £340 million in the 2012 financial year, and increased by £16 million, or 17 per cent., from £92 million in H1 2012 to £108 million in H1 2013. In comparing EBITDA across the historical period, it should be noted that EBITDA in the 2010 financial year reflected a relatively high amount of exceptional expenses, including staff expenses relating to cash-settled share-based payments and other related costs in connection with a shareholder reorganisation, costs in connection with a group reorganisation and costs in connection with the consideration of future financing options. These exceptional expenses totalled £36 million, and resulted in EBITDA decreasing from £236 million in the 2009 financial year to £220 million in the 2010 financial year. • (Loss)/profit for the period moved by £78 million from a loss of £2 million in the 2010 financial year to a profit of £76 million in the 2012 financial year. Loss for the period increased from £1 million in H1 2012 to £2 million in H1 2013, reflecting, for both periods, the seasonality of the Group's business, as typically a majority of the Group's revenue is generated during the second half of the financial year. There has been no significant change in the financial position or results of operations of the Group since 29 June 2013, the date to which the last audited consolidated financial information of the Existing Group in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. was prepared.
B.8	**Pro Forma Financial Information**	The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effects of the Global Offer on the net assets of the Group, had the Global Offer taken place on 29 June 2013. The pro forma net assets statement is based on the audited historical financial information of Merlin Entertainments S.à r.l. for the 26 week period ended 29 June 2013 contained in Part 12 of this Prospectus and has been prepared in a manner consistent with the accounting policies to be adopted by the Group in preparing its financial statements for the 52 week period ending 28 December 2013. The unaudited combined pro forma statement of net assets has been prepared for illustrative purposes only, and by its nature addresses a hypothetical situation and, therefore, does not reflect the Group's actual financial position or results. The unaudited consolidated pro forma statement of net assets is compiled on the basis set out in the notes below and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II to the Prospectus Rules. No account has been taken of any results or other activity since 29 June 2013.

Unaudited pro forma statement of net assets as at 29 June 2013

	Historical net assets at 29 June 2013	Adjustment Net proceeds from the Global Offer	Pro forma net assets at 29 June 2013
	£m note 1	£m note 2	£m
Non-current assets			
Property, plant and equipment	1,354		1,354
Intangible assets	988		988
Investments	—		—
Other receivables	3		3
Deferred tax assets	40		40
	2,385	—	2,385
Current assets			
Inventories	36		36
Trade and other receivables	70		70
Other financial assets	1		1
Cash and cash equivalents	147	165	312
	254	165	419
Total assets	2,639	165	2,804
Current liabilities			
Bank overdrafts	—		—
Interest-bearing loans and borrowings	1		1
Finance leases	—		—
Other financial liabilities	50		50
Trade and other payables	260		260
Tax payable	10		10
Provisions	12		12
Inter-company	—		—
	333	—	333

	Consolidated net assets at 29 June 2013	Adjustment Net proceeds from the Global Offer	Pro forma net assets at 29 June 2013
	£m	£m	£m
Non-current liabilities			
Interest-bearing loans and borrowings	1,369		1,369
Finance leases	86		86
Other payables	23		23
Provisions	39		39
Employee benefits	4		4
Deferred tax liabilities	145		145
	1,666	—	1,666
Total liabilities	1,999	—	1,999
Net assets	**640**	**165**	**805**

Notes:

1. The financial information as at 29 June 2013 has been extracted, without material adjustment, from the historical financial information of Merlin Entertainments S.à r.l. as set out under "Historical Financial Information" in Part 12 of this document. No separate balance sheet of Merlin Entertainments plc has been presented as, prior to completion of the Reorganisation Agreement, this company does not have material equity or reserves, and therefore has no impact on the pro forma combined balance sheet.

2. The adjustment reflects the receipt of the net proceeds of the Global Offer of £165 million receivable by the Company (gross proceeds of £200 million less estimated transaction costs and tax associated

		with the Global Offer of £35 million). The Company intends to use the net proceeds to reduce net indebtedness owing under the Restated Facilities Agreement by £130 million and to offset costs of £35 million associated with restructuring interest rate swaps after 29 June 2013. The Blackstone Lenders, the CVC Lenders and the KIRKBI Lender are members of the syndicate constituting the lenders under the Restated Facilities Agreement. It is expected that the Blackstone Lenders will receive approximately £3.9 million, the CVC Lenders £3.7 million and the KIRKBI Lender £5.9 million (being their pro rata proportions). Goldman Sachs International, Citibank International PLC, Morgan Stanley Bank International, HSBC Bank plc and UniCredit Bank AG, London Branch are also members of the syndicate constituting the lenders under the Restated Facilities Agreement. It is expected that, they will receive approximately £15.4 million, £0.6 million, £0.2 million, £9.9 million and £4.9 million, respectively (being their pro rata proportions). The gross proceeds of the Global Offer, the net proceeds of the Global Offer and the costs and expenses of the Global Offer are based on the mid-point of the Price Range. 3. The Directors believe that, had the Global Offer occurred at the beginning of the last financial period, the earnings of the Group would have been affected. Assuming that a portion of the net offer proceeds was applied to reduce the borrowings of the Group, the impact would have been to reduce finance costs associated with loans with a corresponding increase in earnings. 4. This pro forma statement of net assets does not constitute a financial statement within the meaning of section 434 of the Companies Act 2006. 5. No adjustment has been made to reflect the trading results of the Group since 29 June 2013 or any other change in its financial position in that period.
B.9	**Profit forecast/ Estimates**	Not applicable. There are no profit forecasts or estimates contained in this document.
B.10	**Qualifications in the audit report**	Not applicable. There are no qualifications to the Accountant's Reports in this document.
B.11	**Insufficient Working Capital**	Not applicable. The Company is of the opinion that, taking into account the net proceeds receivable by the Company pursuant to the Global Offer, the Group has sufficient working capital for its present requirements, that is for at least the 12 months from the date of this document.

Section C – Securities		
C.1	**Type and class of securities being offered**	The Ordinary Shares will have an International Security Identification Number of GB00BDZT6P94. The Ordinary Shares will, on Admission, comprise the entire issued and to be issued ordinary share capital of the Company.
C.2	**Currency**	The Ordinary Shares are denominated in Pounds Sterling.
C.3	**Issued Share Capital**	On Admission, there will be up to 1,021,428,571 Ordinary Shares of 1 pence each in issue. The exact number of Ordinary Shares that will be in issue on Admission is dependent on the Offer Price (which will determine the number of New Shares to be issued by the Company pursuant to the Global Offer) and will be announced in the Pricing Statement. All Ordinary Shares in issue on Admission will be fully paid.

C.4	**Rights attaching to the Ordinary Shares**	The Ordinary Shares rank *pari passu* in all respects with each other, including for voting purposes and in full for all dividends and distributions on Ordinary Shares declared, made or paid after their issue and for any distributions made on a winding up of the Company. Subject to the provisions of the 2006 Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The 2006 Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company. The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on- or off-market, subject to the 2006 Act and the requirements of the Listing Rules.
C.5	**Restrictions on transfer**	Not applicable. The New Shares are freely transferable and there are no restrictions on transfer.
C.6	**Admission to trading**	Application will be made for the ordinary share capital of the Company to be admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities. No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any another exchange.
C.7	**Dividend policy**	The Directors intend to adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover. This dividend policy will reflect the long-term earnings and cash-flow potential of the Group and retain sufficient capital in the Group to fund continued investment. It is therefore the Board's current intention to target an initial payout ratio of approximately 35 to 40 per cent. of net income normalised for Merlin's long term expected effective tax rate of 28 per cent. There are no guarantees that the Company will pay dividends or regarding the level of any such dividends. Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The first dividend to be paid by the Company is intended to be the interim dividend in respect of the 26-week period ending 28 June 2014, to be announced with the interim results in August 2014 and paid in October 2014. The Directors intend to declare a final dividend in March 2015 in respect of the financial year ending 27 December 2014 which will be paid in May 2015. Merlin may revise its dividend policy from time to time.

Section D – Risks		
D.1	**Key information on the key risks that are specific to the issuer or its industry**	• The Group's business is influenced by general economic trends and in particular, discretionary consumer spending, which is the principal economic driver for attendance at the Attractions. A significant deterioration or sustained decline in economic conditions could cause a decrease in discretionary consumer spending and could cause a reduction in visitor volumes. • The Group's business could be adversely affected by actual, attempted and threatened terrorist, sabotage and other criminal activities as well

		as natural disasters and significant power outages. Such occurrences could cause the temporary or permanent cessation of operations of one or a number of the Attractions and could adversely affect visitor volumes. • Unfavourable weather conditions could cause a reduction in visitor numbers. Visitor volumes at the Group's Theme Parks can be significantly affected by inclement weather and forecasts of inclement weather and at Midway Attractions by hot, sunny weather. • The roll-out of Midway Attractions into new locations and countries is a key component of the Group's growth strategy. The failure to open new Midway Attractions (or once opened, their failure to attract the anticipated volumes of visitors) could negatively impact the Group's ability to generate the desired returns from its roll-out of Midway Attractions. • The Group's growth strategy partly depends on regular, planned investments that are intended to increase visitor volumes, support price increases and drive revenue growth at its Attractions. Any failure by the Group in maintaining the planned approach to these investment cycles and/or any investment by the Group that does not result in increased visitor volumes, that otherwise does not recover the amount invested by the Group or that does not maintain the long-term attractiveness of the relevant Attraction, could adversely affect the Group's results of operations. • The Group depends on its senior management team and may face operational challenges if such persons leave the Group. In addition, the Group's future success depends in part on its ability to continue to recruit, train, motivate and retain employees and, in particular, creative employees and consultants. • Serious accidents or significant ride stoppages at the Group's Attractions, or at attractions operated by the Group's competitors, could negatively impact on the Group's brands, reputation and visitor volumes. • Any termination of the LEGOLAND Licence and Co-operation Agreement would result in the loss by the Group of its rights to use the LEGO and LEGOLAND trademarks and could have a negative effect on visitor volumes. • Visitor volumes at the Attractions are partly dependent on both domestic tourists and overseas tourists. There can be no assurance that in the future the number of tourist visitors to the Attractions will continue at current levels. • Although the Group prepares its financial statements in Pounds Sterling, it has significant operations in several countries and continues to pursue a global expansion strategy. As a result, a strengthening of the Pound Sterling against the Euro or US Dollar, or fluctuations in currency exchange rates, may materially adversely affect the Group's translated results of operations.
D.3	**Key information on the key risks that are specific to the Ordinary Shares**	• Immediately following Admission the maximum percentage of Ordinary Shares that KIRKBI will own is 29.9 per cent., Blackstone 25.3 per cent. and CVC Holdco 20.9 per cent. (assuming that the Offer Price is set at the bottom of the Price Range). As a result, each of them will be able to exercise a significant degree of influence over the outcome of certain matters to be considered by Shareholders. • Future sales of the Ordinary Shares, or the possibility of such future sales, may affect the price of the Ordinary Shares.

Section E – Offer		
E.1	**Total net proceeds of the Offer and estimated expenses**	Through the issue of New Shares pursuant to the Global Offer, the Company expects to raise gross proceeds of £200 million. The aggregate expenses of, or incidental to, Admission and the Global Offer to be borne by the Company are estimated to be approximately £35 million (including VAT), which the Company intends to pay out of the proceeds of the Global Offer. Through the sale of Existing Shares pursuant to the Global Offer, the Company expects the Selling Shareholders to raise in aggregate approximately £573 million (assuming that the Offer Price is set at the mid-point of the Price Range, that the Existing Share Offer Size is set at a level so as to achieve a free float of 25 per cent. and no exercise of the Over-allotment Option) before taking into account expenses. On that basis, the aggregate underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Global Offer are estimated to be up to approximately £16 million. No expenses will be charged to investors in connection with Admission or the Global Offer by the Company or the Selling Shareholders.
E.2a	**Reasons for the Global Offer and use of proceeds**	The Directors believe that the Global Offer and Admission will position the Group for its next stage of development, including by further raising the profile of the Group, assisting in retaining and incentivising employees and providing it with a structure for future growth. The Group expects to receive approximately £200 million from the subscription of New Shares in the Global Offer before estimated underwriting commissions and other fees, taxes and expenses incurred in connection with the Global Offer of approximately £35 million. As a result, the Company expects to receive net proceeds of £165 million from the Global Offer. The Directors intend to use the net proceeds of the Global Offer as follows: • £130 million to reduce net indebtedness owing under the Restated Facilities Agreement; • £35 million to offset costs associated with restructuring interest rate swaps after 29 June 2013; and • the balance (if any) for general corporate purposes. The Blackstone Lenders, the CVC Lenders and the KIRKBI Lender are members of the syndicate constituting the lenders under the Restated Facilities Agreement. It is expected that, as a result of the reduction in net indebtedness described above, the Blackstone Lenders will receive approximately £3.9 million, the CVC Lenders £3.7 million and the KIRKBI Lender £5.9 million (being their pro rata proportions). Goldman Sachs International, Citibank International PLC, Morgan Stanley Bank International, HSBC Bank plc and UniCredit Bank AG, London Branch are also members of the syndicate constituting the lenders under the Facilities Agreement. It is expected that, as a result of the Group's pre-payment described above, they will receive approximately £15.4 million, £0.6 million, £0.2 million, £9.9 million and £4.9 million, respectively (being their pro rata proportions). The Global Offer will also provide (i) the Major Shareholders, the Executive Management Beneficial Shareholders and certain of the Small Beneficial Shareholders with a partial realisation of their investment in the Group and (ii) the remainder of the Small Beneficial Shareholders with a full realisation of their investment in the Group.
E.3	**Terms and conditions of the Offer**	The Company was incorporated on 20 September 2013 and has conditionally agreed to acquire Merlin Entertainments S.à r.l (the current holding company of the Existing Group) pursuant to the terms of the Reorganisation Agreement. The Reorganisation Agreement will become

		wholly unconditional at 12:00 noon on the second Business Day following the date on which the Pricing Statement is published. There are no other conditions to the Reorganisation Agreement. All Ordinary Shares subject to the Global Offer will be issued or sold at the Offer Price, which will be determined by the Company, certain of the Selling Shareholders and the Joint Global Co-ordinators. The Offer Price, the New Share Offer Size and the Existing Share Offer Size are expected to be announced on or around 12 November 2013. The Pricing Statement, which will contain, among other things, the Offer Price, the New Share Offer Size and the Existing Share Offer Size, will (subject to certain restrictions) be published on the Company's website at www.merlinentertainments.biz. The Price Range and the New Share Offer Size have been set by the Company. The Existing Share Offer Size Range has been set by the Major Shareholders. It is currently expected that the Offer Price, the New Share Offer Size and the Existing Share Offer Size will be set within the Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. A number of factors will be considered when setting the Offer Price, including the level and nature of demand for Ordinary Shares during the book-building process, the level of demand in the Intermediaries Offer and the objective of encouraging the development of an orderly after-market in the Ordinary Shares. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above or below the Existing Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Ordinary Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected date of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Ordinary Shares would be made clear in the announcement. The Global Offer comprises an Institutional Offer and an Intermediaries Offer. Under the Institutional Offer, the Ordinary Shares are being made available (i) to certain institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Under the Intermediaries Offer, the Ordinary Shares are being offered to certain intermediaries appointed by the Company to enable them to facilitate the participation of their retail investor clients in the UK, the Channel Islands and the Isle of Man. In addition, Existing Shares (representing up to 10 per cent of the total number of Ordinary Shares that are subject to the Global Offer) are being made available pursuant to the Over-allotment Option granted by Blackstone and CVC Holdco.

		It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 15 November 2013. Prior to Admission, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 12 November 2013. The earliest date for settlement of such dealings will be 15 November 2013. All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice. The Global Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature, including Admission becoming effective by no later than 8.00 a.m. on 15 November 2013 and on the Underwriting Agreement not having been terminated prior to Admission. None of the Ordinary Shares comprising the Global Offer may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this document and any other offering material in relation to the Ordinary Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration, other than the UK. Investors agreeing to subscribe for New Shares and/or purchase Existing Shares pursuant to the Global Offer agree with each of the Company and the Selling Shareholders to be bound by certain terms and conditions upon which Ordinary Shares will be issued and/or sold in the Global Offer. Upon being allocated Ordinary Shares pursuant to the Global Offer, each investor agrees to become a member of the Company, to acquire the Ordinary Shares allocated to it at the Offer Price and to pay the Offer Price for the Ordinary Shares allocated to it. If an investor fails to pay as required, the relevant investor will remain liable to pay such amount and will be deemed to have appointed the Joint Global Co-ordinators to sell any or all of the Ordinary Shares allocated to it at such price as the Joint Global Co-ordinators may achieve subsequent to any such failure to pay. Under the terms and conditions of the Global Offer, each investor makes certain representations, warranties and acknowledgements to the Company and the Selling Shareholders customary for an offer of this type, including but not limited to: (i) in relation to certain characteristics of the investor; (ii) the investor's compliance with restrictions contained in the Global Offer and with specified laws and regulations; (iii) reliance, responsibility and liability in respect of this document, the Global Offer and information outside of this document; (iv) compliance with laws; (v) jurisdiction; and (vi) liability for duties or taxes. On request, an investor may be required to disclose certain information, including any information about the agreement to subscribe for and/or purchase Ordinary Shares, the investor's nationality (if an individual) and jurisdiction in which the investor's funds are managed or owned (if a discretionary fund manager). The terms and conditions also provide for the following issues: the sending of documents to the investor; the investor being bound by the Articles upon transfer or issue of Ordinary Shares; the application of English law to the contract to subscribe for and/or purchase Ordinary Shares; and joint agreements to subscribe for and/or purchase Ordinary Shares.

		From Admission, the Global Offer will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.
E.4	**Material interests**	The Directors consider that: • KIRKBI has interests that are material to the Global Offer by virtue of the size of its existing shareholding in the Company; • Blackstone has interests that are material to the Global Offer by virtue of the size of its existing shareholding in the Company; and • CVC Holdco has interests that are material to the Global Offer by virtue of the size of its existing shareholding in the Company. The Company does not consider that these are conflicting interests, or that there are any other interests, that are material to the Global Offer.
E.5	**Selling Shareholders/ Lock-up Arrangements**	(A) ***Expected interests of Selling Shareholders immediately prior to and following Admission***

Up to 242,261,194 Existing Shares will be sold by Selling Shareholders pursuant to the Global Offer (representing 24 per cent. of the Existing Shares on Admission (assuming that the Offer Price is set at the top of the Price Range and that the Selling Shareholders sell a sufficient number of Existing Shares to achieve a free float of 30 per cent.). The indicative interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission (calculated on the basis that the Offer Price is set at the mid-point of the Price Range), together with a corresponding estimate of their interests in Ordinary Shares immediately following Admission, are set out in the table below.

	Interests immediately prior to Admission[(1)(2)]		**Ordinary Shares to be sold pursuant to the Global Offer**[(1)(3)]		**Interests immediately following Admission**[(1)(2)(3)]	
Shareholder	**No.**	**% of total issued**	**No.**	**% of holding**	**No.**	**% of total issued**
KIRKBI	325,830,511	34.3	22,156,475	6.8	303,674,036	29.9
Blackstone	303,852,219	32.0	76,443,524	25.2	227,408,695	22.4
CVC Holdco	250,262,839	26.3	62,961,440	25.2	187,301,399	18.4
Share Plan Nominee[(4)]...	70,054,431	7.4	26,441,948	37.9	43,296,197	4.3

Notes:

(1) Calculated on the basis that (i) the Offer Price is set at the mid-point of the Price Range; and (ii) the Company issues sufficient New Shares to raise proceeds of £200 million.

(2) Assuming Admission occurs on 15 November 2013.

(3) Assuming that the Existing Share Offer Size is set at a level such that a free float of 25 per cent. is achieved.

(4) Share Plan Nominee holds Ordinary Shares on behalf of the Small Beneficial Shareholders and the EBT. It is expected that Share Plan Nominee will sell sufficient Ordinary Shares such that Small Beneficial Shareholders receive proceeds from the sale of between 25 per cent. and 100 per cent. of the Ordinary Shares in which they are beneficially interested immediately prior to Admission.

(B) ***Lock-up arrangements***

Pursuant to the Underwriting Agreement:

(i) the Company has undertaken, amongst other things, during the period beginning on the date of this document and continuing to and including the date 180 days after the date of Admission, not to (and to procure that no member of the Group will) issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Ordinary Shares or any

		securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of the Underwriting Agreement and in each case described in this document) or to enter into any agreement, commitment or arrangement which provides for the issue, offer or sale of Ordinary Shares or to do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed; (ii) each Major Shareholder has undertaken, amongst other things, during the period beginning on the date of this document and continuing to and including the date 180 days after the date of Admission, not to offer, pledge, sell, contract to sell or pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of the Underwriting Agreement and in each case described in this document), in each case, which are held by such Major Shareholders on Admission or do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Co-ordinators not to be unreasonably withheld or delayed; and (iii) none of the Directors or Share Plan Nominee (in respect of the Ordinary Shares it holds for the benefit of the Directors or the Senior Managers) will, amongst other things, be permitted, during the period beginning on the date of this document and continuing to and including the date 360 days after the date of Admission, to offer, sell, pledge, contract to sell, pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Ordinary Share, or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive Ordinary Shares or any such substantially similar securities (other than upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of the Underwriting Agreement and in each case described in this document), in each case which are held by such Director or Share Plan Nominee on Admission or do anything with the same economic effect as any of the foregoing without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed. In addition, none of the Small Beneficial Shareholders who retain a beneficial interest in Ordinary Shares following Admission will be permitted to sell Ordinary Shares in which they have a beneficial interest for a period of 360 days after the date of Admission, except for customary exceptions.
E.6	**Dilution**	The Existing Shares will be diluted by the issue of up to 71,428,571 New Shares pursuant to the Global Offer. Assuming that the Company issues sufficient New Shares to raise proceeds of £200 million, the Existing Shares will represent between approximately 93 per cent. (if the Offer Price is set at the bottom of the Price Range) and approximately 94 per cent. (if the Offer Price is set at the top of the Price Range) of the total issued Ordinary Shares immediately following Admission.

E.7	**Estimated expenses charged to investors**	No expenses will be charged to investors by the Company or the Selling Shareholders. The Company intends to pay for the expenses of, or incidental to, Admission and the Global Offer to be borne by it out of cash resources. Any expenses incurred by an Intermediary are for its own account. The Intermediaries are not permitted to charge any fees, charges or commissions to Underlying Applicants for making an application for shares through the Intermediaries Offer. Information contained on the Company's website is not incorporated into and does not form part of this document.

PART 2 – EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the following times and dates are indicative only and subject to change without further notice. References to a time of day are to London time.

Latest time and date for receipt of completed application forms from the Intermediaries in respect of the Intermediaries Offer	5.00 p.m. on 8 November 2013
Latest date for receipt of applications from Retail Investors by the Intermediaries	8 November 2013
Latest time and date for receipt of indications of interest from institutional investors in the Institutional Offer	5.00 p.m. on 11 November 2013
Publication of the Pricing Statement containing the Offer Price(1)	12 November 2013
Conditional dealings in Ordinary Shares commence on the London Stock Exchange(2)	8.00 a.m. on 12 November 2013
Admission and unconditional dealings in Ordinary Shares commence on the London Stock Exchange	8.00 a.m. on 15 November 2013
Ordinary Shares credited to CREST accounts where applicable(3)	15 November 2013
Commencement of posting of share certificates in respect of Ordinary Shares (where applicable)(3)	29 November 2013

(1) The Pricing Statement will not automatically be sent to persons who receive this Prospectus but it will be available free of charge at the registered office of the Company at 3 Market Close, Poole, Dorset BH15 1NQ. In addition, the Pricing Statement will be published (subject to certain restrictions) in electronic form and available on www.merlinentertainments.biz. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above or below the Existing Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Ordinary Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected date of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Ordinary Shares would be made clear in the announcement.

(2) It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

(3) Or as soon as practicable thereafter. No temporary documents of title will be issued. Underlying applicants who apply to Intermediaries for Ordinary Shares under the Intermediaries Offer will not receive share certificates.

PART 3 – GLOBAL OFFER STATISTICS

Price Range (per Ordinary Share)[1]	280p to 330p
Number of Existing Shares in issue immediately prior to Admission	950 million
Maximum number of Ordinary Shares which may be comprised in the Global Offer[2][3][6]	up to 306,110,253
Expected maximum number of New Shares in the Global Offer[2][4]	71,428,571
Expected minimum number of New Shares in the Global Offer[4][5]	60,606,061
Expected maximum number of Existing Shares which may be comprised in the Global Offer[3][5][6]	242,261,194
Expected minimum number of Existing Shares which may be comprised in the Global Offer[2][6][7]	132,538,824
Maximum number of Ordinary Shares in issue on Admission[2]	1,021,428,571
Indicative number of Ordinary Shares in the Global Offer as a percentage of total number of Ordinary Shares in existence on Admission[6]	Between 20% and 30%
Maximum number of Existing Shares subject to the Over-allotment Option[8]	30,611,025
Estimated net proceeds of the Global Offer receivable by the Company[9]	£165 million
Estimated gross proceeds of the Global Offer receivable by the Selling Shareholders at the mid-point of the Price Range and assuming sufficient Existing Shares are sold to achieve a free float of 25 per cent.[10]	£573 million
Indicative market capitalisation of the Company at mid-point of the Price Range[11]	£3,098 million

(1) It is currently expected that the Offer Price will be within the Price Range. It is expected that the Pricing Statement containing the Offer Price and the number of Ordinary Shares which are comprised in the Global Offer (being the aggregate of the New Share Offer Size and the Existing Share Offer Size) will be published on or about 12 November 2013 and will be available (subject to certain restrictions) on the Company's website at www.merlinentertainments.biz. If the Offer Price is set above the Price Range, then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Ordinary Shares pursuant to section 87Q of FSMA.

(2) Assuming that the Offer Price is set at the bottom of the Price Range and that the Company issues sufficient New Shares pursuant to the Global Offer to raise gross proceeds of £200 million.

(3) Assuming that the Existing Offer Share Size is set at a level so as to achieve a free float of 30 per cent. and assuming no exercise of the Over-allotment Option.

(4) It is currently expected that the New Share Offer Size will be set by the Company within the New Share Offer Size Range. If the New Share Offer Size is set above or below the New Share Offer Size Range, then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Ordinary Shares pursuant to section 87Q of FSMA. It is expected that the Pricing Statement containing the Offer Price and the number of New Shares and Existing Shares which are comprised in the Global Offer will be published on or about 12 November 2013 and will be available (subject to certain restrictions) on the Company's website at www.merlinentertainments.biz.

(5) Assuming that the Offer Price is set at the top of the Price Range and that the Company issues sufficient New Shares pursuant to the Global Offer to raise gross proceeds of £200 million.

(6) It is currently expected that the Existing Share Offer Size will be set by the Major Shareholders within the Existing Share Offer Size Range, such that the total number of Ordinary Shares comprised in the Global Offer represents between 20 per cent. and 30 per cent. of the total number of Ordinary Shares in issue immediately following Admission (assuming no exercise of the Over-allotment Option). However, the Company does not know with certainty the exact number of Existing Shares that will be sold by the Major Shareholders and the number of Ordinary Shares comprised in the Global Offer may represent a higher or lower percentage than that indicated (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority). If the Existing Share Offer Size is set above or below the Existing Share Offer Size Range, then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Ordinary Shares pursuant to section 87Q of FSMA. It is expected that the Pricing Statement containing the Offer Price and the number of Ordinary Shares which are comprised in the Global Offer (being the aggregate of the New Share Offer Size and the Existing Share Offer Size) will be published on or about 12 November 2013 and will be available (subject to certain restrictions) on the Company's website at www.merlinentertainments.biz.

(7) Assuming that the Existing Offer Share Size is set at a level so as to achieve a free float of 20 per cent. and assuming no exercise of the Over-allotment Option.

(8) The maximum number of Existing Shares comprised in the Over-allotment Option is, in aggregate, equal to 10 per cent. of the maximum number of Ordinary Shares comprised in the Global Offer.

(9) The net proceeds receivable by the Company are stated after deduction of estimated underwriting commissions and other fees and expenses of the Global Offer payable by the Company, expected to be approximately £35 million. The Company will not receive any of the net proceeds from the sale of the Existing Shares in the Global Offer.

(10) Assuming no exercise of the Over-allotment Option. Proceeds are stated without the deduction of underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Global Offer, which, based on the foregoing assumptions, are estimated to amount to up £16 million.

(11) Assuming the Offer Price is set at the mid-point of the Price Range and that the Company issues sufficient New Ordinary Shares to raise proceeds of £200 million. The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will be equal to or exceed the Offer Price.

PART 4 – RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Accordingly, prospective investors should carefully consider the risks and uncertainties described below, together with all other information contained in this document, before making any decision to invest in the Ordinary Shares. The Group's business, financial condition, results of operations and prospects could be materially and adversely affected by any or a combination of the risks described below. Additional risks and uncertainties relating to the Group's business that are not currently known to the Directors, or that the Directors currently deem immaterial, could also have a material adverse effect on the Group's business, financial condition, results of operations or prospects. If any such circumstances were to occur, the market price of the Ordinary Shares could decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances. If investors are in any doubt about any action they should take, they should consult a competent independent professional adviser who specialises in advising on the acquisition of listed securities.

Prospective investors should note that the risks relating to the Group, the Group's industry and the Ordinary Shares summarised in the section of this document headed "Summary" are those risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

This document also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks faced by the Group described in this Part 4. See paragraph 1 of Part 6 – Presentation of Financial and Other Information. Subject to any obligations under applicable law, including the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, the Company undertakes no obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus.

Risks relating to the Group's industry and business

Economic conditions beyond the Group's control could have an adverse effect on the Group

The Group's business is influenced by general economic trends. Discretionary consumer spending, which is the principal economic driver for visitor attendance at the Attractions, has been adversely affected by global economic conditions. Visitor volumes at the Attractions, and the amount that visitors spend at the Attractions when they visit, may decrease if relative disposable income decreases, unemployment increases or the spending habits of potential visitors change to reflect any increased uncertainty or apprehension regarding economic conditions. For example, the Directors believe that the economic uncertainty in southern Europe was a major factor in the decline in visitor numbers and revenues at Gardaland (the Group's Resort Theme Park in Italy) in the 2012 financial year, which contributed to an overall decline in revenues and EBITDA for the Resort Theme Parks operating group in the 2012 financial year, and a slight dip in the Group's like-for-like revenue in the 2012 financial year. A significant deterioration or sustained decline in economic conditions could reduce spending at the Attractions, and if the current economic conditions continue or worsen in any of the markets in which the Group operates, there can be no assurance that this will not have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the volatility of economic conditions in Europe increased in the second half of 2011 and continued in 2012 and 2013 as a result of the continuing uncertainty regarding the stability of numerous European banks and the ability of certain Member States to service their sovereign debt obligations. As a result, the credit ratings of a number of these Member States were downgraded by credit rating agencies in the summer of 2012. The increased risk of sovereign default by certain Member States and the concerns the effect such a default would have on other EU economies has contributed to increased uncertainty regarding the future of the eurozone and the ongoing viability of the euro currency. The Group has significant operations in Europe and accordingly continued economic uncertainty in the eurozone could have a significant adverse impact on the Group's business.

Terrorist activities, political direct action, natural disasters and significant power outages may adversely affect the Group

Actual, attempted and threatened terrorist, sabotage and other criminal activities (such as trespass and other direct action by politically motivated groups) as well as natural disasters and significant power outages may adversely affect visitor volumes and spending at Attractions, delay or cause the abandonment of the development or expansion of Attractions or cause the temporary or permanent cessation of operations of one or a number of the Attractions which could have a material adverse effect on the Group's business, financial condition and results of operations.

In the event of any terrorist or other disruptive activity successfully targeting or otherwise impacting, or a natural disaster or significant power outage impacting, an Attraction, there can be no assurance that the Group would seek to or receive approval to rebuild, restore or otherwise repair any damage to the Attraction, or that visitor volumes could be restored to levels experienced prior to the occurrence of such event. While the Group has insurance cover designed to mitigate the financial impact of direct terrorist or other disruptive activities or natural disasters or power outages on its operations, such insurance cover is subject to exclusions, exceptions, deductibles and limits on liability which mean that it may not reimburse in whole or part any resulting loss to the Group.

The Group operates a number of clusters of Midway Attractions. Any actual, attempted or threatened terrorist or other disruptive activity targeting a location where the Group operates a cluster of Midway Attractions could have a disproportionately negative effect on visitor numbers and the Group's business, financial condition and results of operations.

In addition, the Group operates a number of aquaria and other animal attractions, including 41[13] stand-alone SEA LIFE attractions. Despite the Group's involvement with various conservation charities, certain animal rights activists are known to campaign against such operations. If the Group was to become the subject of any such campaigns, this could impact public opinion about or interfere with the Group's operations and consequently reduce visitor volumes at the Group's Attractions. Any significant reduction in visitor volumes could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be adversely affected by unfavourable weather conditions

In the 2012 financial year, 56 per cent. of the Group's revenue was derived from its LEGOLAND Parks and Resort Theme Parks operations, which are primarily organised around outdoor activities. Accordingly, visitor volumes at the LEGOLAND Parks and Resort Theme Parks can be significantly negatively affected by excessive rain or heat, other inclement weather and forecasts of inclement weather. Moreover, since the majority of the Resort Theme Parks are concentrated in northern Europe, the Group is exposed to the risk that any single inclement weather pattern that affects the whole region could have a significant adverse effect on the Resort Theme Parks operations.

In the 2012 financial year, 43 per cent. of the Group's revenue was derived from its Midway Attractions operating group, which is primarily organised around indoor activities. Accordingly, visitor volumes at the Midway Attractions can be negatively affected by unusually hot weather and forecasts of unusually hot weather, particularly during the summer months.

Furthermore, due to the seasonal nature of the Group's business, inclement weather during July and August, the peak months of the Group's opening period, and other peak periods across the globe (for example, the Easter holiday period in the UK and the relatively short snow season in Australia), can have a greater negative impact on visitor volumes at the LEGOLAND Parks, Resort Theme Parks and the Midway Attractions ski resorts than inclement weather at other times. In addition, because weekend days are typically peak days for visitor volumes at the Attractions, unusually hot weather on weekends can have a greater negative impact on visitor volumes at Midway Attractions than on weekdays and inclement weather on weekends can have a greater negative impact on visitor volumes at the LEGOLAND Parks and Resort Theme Parks than on weekdays.

The different natures and locations of the Attractions mean that adverse weather conditions resulting in reduced visitor numbers at the outdoor Attractions do not always result in a corresponding increase in the number of visitors to the indoor Attractions (and vice versa).

A significant reduction in visitor volumes at the Attractions due to unfavourable weather conditions could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not generate the desired returns from its roll-out of Midway Attractions and LEGOLAND Parks and its development of new resort hotels

The continued roll-out of Midway Attractions into new locations and countries is a key component of the Group's growth strategy, with a priority on expanding the Midway Attractions brands into new markets, including new locations in the United States and Asia. The Group plans to open approximately six or seven Midway Attractions per year, balancing the growth of the portfolio across geographies and brands and building clusters of Midway Attractions where appropriate. Although a number of sites have been identified and secured by the Group for roll-out of Midway Attractions in the 2013, 2014 and 2015 financial years, there can be no assurance that the Group's site search team will be able to continue successfully to identify and secure suitable roll-out locations for new site openings each year or successfully execute such openings.

[13] Excluding the SEA LIFE Weymouth Tower.

The Group intends to develop new resort hotels at LEGOLAND Florida and LEGOLAND Malaysia and to expand the hotel at Chessington World of Adventures and holiday village at LEGOLAND Deutschland. The Group also plans to open additional LEGOLAND Parks.

New Midway Attractions, the proposed new resort hotels and other accommodation and additional LEGOLAND Parks may fail to become operational on the timetable expected or fail to open due to setbacks such as: planning delays or refusals; development requests from local authorities over and above the norm; infrastructure issues; construction delays; financing delays; the delay or inability of the Group, for any reason, to recruit, manage and contol appropriately skilled employees and consultants; the financial failure of any key suppliers, development partners or finance providers; or otherwise. Furthermore, once opened, the Midway Attractions, the proposed resort hotels and other accommodation and additional LEGOLAND Parks may not attract anticipated volumes of visitors or guests, either in the short or long term.

The occurrence of any of these factors could negatively impact the ability of the Group to generate the desired returns from its roll-out of Midway Attractions, its development of additional resort hotels and other accommodation and its development of additional LEGOLAND Parks.

The Group may not generate the desired returns from its planned capital investment strategy

The Group's growth strategy is dependent in part upon regular, planned investments that are intended to increase visitor volumes, support price increases and drive revenue growth at its existing Attractions, as well as to maintain the long term attractiveness of the Attractions. Such investments include: installing new rides and attractions; replacing old attractions with new, more up-to-date attractions; upgrading and/or re-theming existing attractions; and the general maintenance of existing attractions (including ensuring health and safety standards are met). The Group's planned approach with regard to its investment cycles is to invest in a major new product feature or a major refurbishment at each Midway Attraction approximately every five years; to complete a significant new development in each LEGOLAND Park approximately every four years; and to open a major new ride or experience in each of its Resort Theme Parks approximately every three to four years. Going forward, the Directors expect to maintain annual capital expenditure relating to the development of the Group's existing estate broadly in line with the level of its annual depreciation and amortisation charge. In the past, in some circumstances, investments have not yielded the anticipated increase in visitor volumes and revenues and there can be no assurance that future planned investments by the Group will result in revenue growth at levels anticipated by the Group (or at all), or that, if revenues do increase, the additional revenues will be sufficient to recover the amounts invested by the Group and provide a return on such investments.

Any failure by the Group in maintaining the planned approach to these investment and maintenance cycles and/or any investment by the Group that does not result in increased visitor volumes, that otherwise does not recover the amount invested by the Group or that does not maintain the long-term attractiveness of the relevant Attraction, could adversely affect revenues at the relevant Attraction and consequently have a material adverse affect on the Group's business, financial condition and results of operations.

The Group relies on key personnel and on its ability to attract and retain employees

The successful management and operation of the Group are reliant upon the contributions of its senior management team and other key personnel. In addition, the Group's future success depends in part on its ability to continue to recruit, train, motivate and retain employees and on its ability to continue to employ creative employees and consultants. In addition, the Group's ability to roll-out new Midway Attractions in new geographies is dependent in part on its ability to recruit, manage and control employees in those locations. The loss of service of any of the Group's senior management team or other key personnel, or an inability of the Group to attract, retain and appropriately manage new employees or qualified employees and consultants, could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is exposed to the risk of serious accidents and other safety incidents

Despite the health and safety measures that the Group has imposed, the Group has experienced one accident involving loss of life in the last three financial years (being a skiing accident in Australia, where no liability was attributed to the Group) and other incidents involving harm to persons at certain of its Attractions, as well as damage to property and assets. There can be no assurance that such events will not occur in the future. In addition, the Group is exposed to the risk of other safety incidents, including social disturbances and health concerns such as instances of food-borne illnesses at the Group's restaurants, water-borne illnesses on its water rides and air-borne illnesses at any of the Attractions. Any accident or other safety incident involving loss of life or harm to any persons or damage to property or assets (or the public perception of risk thereof) could expose the Group to financial risk, including personal injury and other liability claims and criminal proceedings. Investigations by the Group, insurers or other interested parties following an accident or other incident involving a ride or attraction could cause the affected ride or attraction to be closed for a period of time or indefinitely which could negatively impact on the Group's brands, reputation and visitor volumes. In addition, rides (including high profile rides) at the Group's Theme Parks could be subject to stoppages as a result of mechanical or technical faults. The occurrence of any such accident, other safety incident or material stoppage could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, accidents or other safety incidents at attractions operated by the Group or the Group's competitors (for example, a recent incident involving marine animals at a competitor of the Group) may generate adverse media coverage of the Group or the visitor attractions industry generally and adversely affect the general attitudes of potential visitors towards the Group and the Group's brands. Any such events could adversely affect visitor volumes at the Attractions which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's use of the LEGOLAND and LEGO trademarks, content and other intellectual property rights is subject to the terms and conditions of the LEGOLAND Licence and Co-operation Agreement

The right to use the LEGOLAND and LEGO trademarks in the LEGOLAND Parks and LEGOLAND Discovery Centres is granted to members of the Group by KIRKBI, a significant shareholder in the Group, on an exclusive, perpetual and worldwide basis pursuant to the terms of the LEGOLAND Licence and Co-operation Agreement (a summary of which is set out in paragraph 15.1 of Part 15 – Additional Information). Although the Directors who are independent of KIRKBI believe that the termination provisions in the LEGOLAND Licence and Co-operation Agreement are such that termination by KIRKBI of the agreement is highly unlikely, the agreement includes rights for KIRKBI to terminate the rights to use the LEGOLAND and LEGO trademarks in certain circumstances. KIRKBI also has the right to terminate the LEGOLAND Licence and Co-operation Agreement on a change of control of the Company, but only where this would result in any of the LEGOLAND companies being controlled by a LEGO competitor or an inappropriate person (as determined in accordance with the agreement).

The loss by the Group of its rights to use the LEGOLAND and LEGO trademarks in relation to all or any of the LEGOLAND Parks or LEGOLAND Discovery Centres would require the Group to direct significant levels of capital expenditure to removing the LEGOLAND and LEGO trademarks from the relevant LEGOLAND Parks and/ or LEGOLAND Discovery Centres and to introducing new trademarks and theming to, and marketing of, such Attractions. In addition, the loss of the benefit of association with these trademarks and the operational disruption could have a negative effect on visitor volumes which could have a material adverse effect on the Group's business, financial condition and results of operations. The loss of the rights to use the trademarks could also delay completion of or cause the abandonment of any LEGOLAND Parks and LEGOLAND Discovery Centres under development which could restrict the Group's ability to pursue its growth strategy. The termination of the LEGOLAND Licence and Co-operation Agreement could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business is partly dependent on tourism

Visitor volumes at the Attractions are partly dependent on the tourism industry, both domestic tourists and, particularly in the case of the cluster of Attractions located in London, overseas tourists. The tourism industry is influenced by a number of external factors beyond the Group's control, any of which may affect the number of tourists visiting the Attractions. Such factors include the general state of the global economy and the regional economies of an Attraction and the tourist's home country, reliance on tour operators, exchange rates (particularly in the UK, and the detrimental impact any strengthening of Pound Sterling may have on visitor numbers at the London cluster of Midway Attractions) and international and regional geopolitical landscapes (including any actual, attempted or threatened terrorist activity) as well as visa requirements for countries where Merlin's Attractions are located. In addition, if transport links to, and related infrastructure such as car parks at, Attractions for any reason become inadequate, this could have a negative effect on visitor volumes at the relevant Attractions. There can be no assurance that in the future the number of tourist visitors to the Attractions will match current levels or that any decline in overseas tourists will be wholly or partly offset by any staycation effect. A significant reduction in the number of tourist visitors to the Attractions could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to risks resulting from exchange rate fluctuations

Although the Group prepares its financial statements in Pounds Sterling, it has material operations in several countries and continues to pursue a global expansion strategy. In the 2012 financial year, the Group generated approximately 60 per cent.† of its revenue in currencies other than Pounds Sterling, principally in Euro and

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

US Dollars. As a result, a strengthening of the Pound Sterling against the Euro or US Dollar may materially adversely affect the Group's translated results of operations and vice versa. Fluctuations in currency exchange rates, which have experienced volatility due to, among other reasons, the global financial downturn, have affected and may continue to affect the Group's operating results. As the Group grows its overseas operations, particularly its expansion of Midway Attractions and LEGOLAND Parks into the United States and Asia, this effect could increase. Fluctuations in exchange rates for these or other reasons could have a material adverse effect on the Group's reported results of operations.

Public health concerns may adversely affect the Group

The outbreak of a prolonged pandemic or epidemic disease (such as H1N1/swine flu and H5N1/bird flu) or the occurrence of any other public health concern could negatively impact the public's willingness to gather in public spaces or travel domestically or overseas or result in health or other government authorities imposing restrictions on travel, any of which individually or together could reduce visitor volumes or revenues at the Attractions. In addition, any such public health concerns may severely restrict the level of economic activity in affected areas. Any of these events, particularly if they occur during July or August, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business may be adversely affected by competition

The Attractions compete directly with (i) other theme parks (both international destination parks and national/regional destination parks); (ii) other regional amusement parks; (iii) other visitor attractions (such as museums, galleries, parks and aquaria) and (iv) zoos and wildlife attractions and indirectly with all other types of recreational and cultural facilities and alternative forms of entertainment, tourism and recreation activities, including cinemas, shopping malls, new media, in-home entertainment, sporting events (both regular and "one-off" events such as the 2012 London Olympics) and vacation travel. Within each Attraction's regional market, the principal factors affecting competition include the brand positioning of attractions, location, price, customer-friendliness, the uniqueness and perceived quality of the rides, activities, installations, entertainment and/or attractions, the atmosphere and cleanliness of the Attraction and the quality of its food and other services. Competition may limit the Group's ability to raise admission and other prices and may require the Group to make significant new investments or reduce pricing to avoid losing visitors to competitors and competing alternatives. There can be no assurance that competition from other free and paid-for attractions or other forms of entertainment will not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group could be adversely affected by changes in public and consumer tastes

The success of the Attractions depends substantially on consumer tastes and preferences that can change in often unpredictable ways and on the ability of the Group to ensure that the Attractions meet the changing preferences of the broad consumer market. Although the Group carries out extensive research and analysis before opening new Midway Attractions or opening new rides or attractions at Theme Parks, the Group often invests substantial amounts before it learns the extent to which new Midway Attractions and new rides or attractions will earn consumer acceptance. Visitor volumes at the LEGOLAND Parks and the LEGOLAND Discovery Centres could be adversely affected if the value of the LEGO and/or LEGOLAND brands were to diminish as a result of changes in public and consumer tastes or for any other reason. If visitor volumes at the LEGOLAND Parks or LEGOLAND Discovery Centres were to decline significantly or if the new Midway Attractions or new rides and entertainment offerings at the Attractions do not achieve sufficient consumer acceptance, visitor volumes may decline, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The operation and development of the Attractions may be subject to planning and other consents, laws and regulations

The operation, development and redevelopment of rides, other entertainment offerings and other structures (including hotels) at the Attractions and the roll-out of new Attractions may require consent from the relevant local planning authorities as well as from third parties, such as landlords, development partners, finance providers and regulatory bodies. There can be no assurance that the requisite planning or other consents can be obtained by the Group as and when required in respect of developments or redevelopments or the roll-out of new Attractions or that they will not be withdrawn in relation to existing offerings at any of the Attractions.

The Group is required to submit a report to Lambeth Borough Council (the local planning authority) in relation to The EDF Energy London Eye by November 2023. The report must assess the continued acceptability of The EDF Energy London Eye on the basis of planning considerations. If the outcome of the review is adverse, planning permission for The EDF Energy London Eye will expire in November 2028 and the Group will be required to remove it. Although the Directors believe that this is highly unlikely, given The EDF Energy London Eye's importance to the London tourism industry, the closure of The EDF Energy London Eye could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's relationships with the relevant local planning authorities are significant factors contributing to the success and development of the Group's business. The Group engages with its local planning authorities with regard to issues of shared concern that impact the development and redevelopment of the Group's estate and the roll-out of new Attractions including sensitivities to site noise, listed structures, road congestion and other traffic issues and health and safety issues. If the Group fails to maintain such relationships, or if such relationships were adversely affected for any reason, this could negatively impact the ability of the Group to obtain the planning and other consents necessary for the development and redevelopment of its existing estate or expansion into new sites or could result in the withdrawal of existing consents.

Any refusal or delay in the granting of planning or other consents to the Group or the application of any special conditions to such consents (or breach by the Group of such conditions) could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, future grants of planning consents are likely to impose further conditions and/or require the entry of the Group into new planning agreements. In addition, proposed regeneration schemes may adversely impact visitor access to or the operation of individual Attractions, particularly those in city centres. There can be no assurance that the constraints placed on the Group's operations by future planning consents or regeneration schemes will not be more onerous than those currently applying, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business is also subject to numerous other laws and licensing and authorisation regimes in the jurisdictions in which it operates, regulating a number of operating issues relevant to the Group, including health and safety procedures, equipment specifications, employment requirements, environmental laws and regulations and requirements relating to the handling of animals. These laws and regimes are constantly subject to change and there can be no assurance that any or all of the regulatory and licensing and authorisation frameworks in which the Group operates will not become more restrictive in the future. The Group's strategy to expand its operations into new countries and regions, including its plans to open Midway Attractions in China and the Far East, LEGOLAND Dubai and potentially, LEGOLAND Parks in Japan and/or South Korea and, in the medium to long term, China and further into the United States, means that the Group's risk exposure to political and regulatory changes is increasing. The impact of, and costs associated with, complying with changes in interpretation of existing, or the adoption of new, legislation, regulations or other laws or licensing and authorisation regimes in the jurisdictions in which the Group operates or in which the Group has plans to operate, can be difficult to anticipate or estimate and could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is also subject to taxation legislation in the jurisdictions in which it operates which may be subject to future changes or to changes in interpretation or application by the relevant tax authorities, including changes in respect of the tax rates applicable to the Group's operations. Any such changes could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks associated with leases on certain of the Group's properties may have a material adverse effect on the Group

The Group leases Alton Towers, Heide Park, Madame Tussauds London, Thorpe Park and Warwick Castle from the Prestbury Group, following completion of the Group's sale and leaseback of the properties to the Prestbury Group in the 2007 financial year. The leases granted back to the Group as part of the transaction were for an initial term of 35 years, expiring in 2042, and the Group has a right to renew each lease for two additional, consecutive 35-year periods on materially similar terms. Although the Heide Park lease contains the same contractual rights of renewal as the other leases under the sale and leaseback arrangements, as a matter of German law, the Prestbury Group has the right to terminate the lease after 30 years, notwithstanding the terms of the lease.

In addition, a significant number the Group's properties are leased from third party landlords. The Group may not be able to renew its leasehold interests on their expiry or to renew them on terms which are as favourable as current terms. Further, part of The EDF Energy London Eye site is operated in its current location pursuant to a licence granted to the Group by the Port of London Authority (the remainder is held by the Group pursuant to various leases). Although the Directors believe that it is highly unlikely that such licence will be revoked, revocation is possible by the Port of London Authority on three months' notice (subject to the right of appeal to the UK Government) in certain exceptional circumstances (including an unremedied breach of the licence, the insolvency of the licensee or if the Port of London Authority exercises its statutory powers for navigational or river regime reasons). If the licence were terminated, the Group would be unable to continue to operate The EDF Energy London Eye.

A number of the Group's property leases and licences, including those relating to the sale and leaseback properties and The EDF Energy London Eye, may be terminated in the event of breach and certain other circumstances. The termination of the leases on any of the Group's properties (and in particular on any of the sale and leaseback properties or The EDF Energy London Eye) could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's level of indebtedness could, in certain circumstances, have a material adverse effect on the Group's operations and its ability to pay dividends

As at 29 June 2013 the Group's bank borrowings on a pro forma basis amounted to £1,370 million (for further details see Part 13 – Pro Forma Statement of Net Assets). The Group's debt levels, debt service obligations and compliance with the related covenants under the Restated Facilities, which are summarised in paragraph 13 of Part 15 – Additional Information, could have important consequences for the Group, including the following:

- the Group's financial and operational flexibility in planning for, or responding to, changes in its business and industry could be limited;
- a substantial portion of the cash flow from the Group's operations may be dedicated to the payment of interest on existing indebtedness, thereby reducing the funds available for other purposes (including the ability of the Group to make distributions to Shareholders);
- the Group's ability to obtain additional financing in the longer term, including its ability to refinance its bank borrowings on comparable terms, or at all, could be limited;
- in the event of a downturn in revenue, the Group's leverage could have a disproportionately negative effect on its profitability; and
- a proportion of the Group's indebtedness bears interest at variable rates and an increase in interest rates will therefore have a negative effect on the Group's profitability and cash flow,

each of which, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's insurance coverage may not be adequate to cover all possible losses that it could suffer and its insurance costs may increase

The Group seeks to maintain comprehensive insurance coverage at commercially reasonable rates. Although the Group carries property and casualty insurance to cover certain risks, its insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurance that the Group's insurance will be sufficient to cover the full extent of all losses or liabilities for which it is insured and the Group cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all. In addition, if the Group or other visitor attraction operators sustain significant losses or make significant insurance claims, then the Group's ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected.

The Group may be subject to privacy or data protection failures

The Group is subject to regulation regarding the use of personal customer and credit card data. The Group processes sensitive personal customer data (including name, address, bank details and credit card details) as part of its business and therefore must comply with strict data protection and privacy laws in the jurisdictions in which the Group operates. Such laws restrict the Group's ability to collect and use personal information relating to customers and potential customers including the use of that information for marketing purposes. The Group is also at risk from cyber-theft. The Group seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers, and also implements security measures to help prevent cyber-theft. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection regulation. If the Group or any of the third party service providers on which it relies fails to store or transmit customer information and online payment details in a secure manner, or if any loss of personal customer data were otherwise to occur, the Group could face liability under data protection laws or sanctions by card merchants. This could also result in the loss of the goodwill of its customers and deter new customers which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on its IT systems, which may fail or be subject to disruption

The Group's operations, including in particular its online booking systems, are dependent in part on its IT systems, and there is a risk that such systems could fail. There can be no assurance that the Group's IT systems are or will continue to be able to support a significant increase in online traffic or increased customer numbers. Although the Group has in place business continuity procedures and security measures in the event of IT failures or disruption, including backup IT systems for business critical systems, generally in different geographic locations from the main system, these are not, and are not intended to be, a full duplication of the Group's operational systems. Should any of these procedures and measures not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur to a system for which there is no duplication, there may be a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to the Ordinary Shares

Minority Shareholders may have difficulty affecting the outcome of Shareholders' votes

Following the Global Offer the maximum percentage of Ordinary Shares that KIRKBI will own is 29.9 per cent., Blackstone 25.3 per cent. and CVC Holdco 20.9 per cent. (assuming the Offer Price is set at the bottom of the Price Range). Following the Global Offer, KIRKBI, Blackstone and CVC Holdco will, through the votes each of them will be able to exercise at general meetings of the Company, continue to be able to exercise a significant degree of influence over, and in some cases determine, the outcome of certain matters to be considered by Shareholders, including:

- the election of Directors;
- a change of control in the Company, which could deprive Shareholders of an opportunity to earn a premium for the sale of their Ordinary Shares over the then prevailing market price;
- substantial mergers or other business combinations;
- the acquisition or disposal of substantial assets;
- the issuance of equity securities; and
- the payment of any dividends on the Ordinary Shares.

The Company has entered into the KIRKBI Relationship Agreement, the Blackstone Relationship Agreement and the CVC Relationship Agreement with KIRKBI, Blackstone and CVC Holdco respectively, which contain contractual obligations on KIRKBI, Blackstone and CVC Holdco to ensure that the Company operates independently of those Shareholders after Admission. In particular, the Relationship Agreements contain undertakings from each of these Shareholders not to (i) influence the day-to-day running of the Company at an operational level nor (ii) vote its shares in a manner which would prevent the Company from operating and making decisions for the benefit of the Shareholders as a whole. Pursuant to such agreements, KIRKBI, Blackstone and CVC Holdco have each been granted the right to appoint a Non-Executive Director to the Board (for so long as KIRKBI, Blackstone or CVC Holdco, as the case may be, holds at least ten per cent. of the Company's Ordinary Shares) and as a result are in a position to exercise a significant degree of influence over matters requiring the approval of the Board. The Relationship Agreements also provide that the director appointed by each such Shareholder shall abstain from voting at board meetings on any matter giving rise to a conflict of interest. The concentration of ownership in these Shareholders may have the effect of delaying, deferring or preventing a change of control, merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could have an adverse effect on the trading price of the Ordinary Shares. There can be no assurance that the interests of any of KIRKBI, Blackstone and CVC Holdco will be aligned with those of the Group or of other Shareholders.

Substantial future sales of Ordinary Shares could impact their market price

The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial amounts of Ordinary Shares in the public market following the Global Offer, or the perception or any announcement that such sales could occur, for example, during the period immediately prior to the expiration of any lock-up arrangements, could adversely affect the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price which they deem appropriate, or at all.

Immediately following the Global Offer, assuming the Offer Price is set at the mid-point of the Price Range, approximately 1,015,573,770 Ordinary Shares will be in issue. Each of Blackstone, CVC Holdco and KIRKBI have agreed to lock-up arrangements in respect of Ordinary Shares held by them prior to Admission. During the periods immediately prior to and following the end of the periods of sales restriction provided for by these lock-up arrangements, the market price of the Ordinary Shares may fall in anticipation of a sale of Ordinary Shares. Following the expiration of these arrangements, there will be no contractual restriction on the sale of the Ordinary Shares owned by the Shareholders which were previously subject to them. Furthermore, the Joint Global Co-ordinators may, in their sole discretion, and at any time or from time to time, without notice, release these lock-up arrangements in respect of all or any portion of the Ordinary Shares.

Assuming the Offer Price is set at the mid-point of the Price Range and that the Selling Shareholder sell such a number of Existing Shares to achieve a free float of 30 per cent., approximately 70 per cent. of the Ordinary Shares in issue after Admission will be subject to these lock-up arrangements. See paragraph 10 of Part 14 – Details of the Global Offer and paragraph 12 of Part 15 – Additional Information for further information relating to these lock-up arrangements.

An active trading market for the Ordinary Shares may not develop or be sustained

Prior to the Global Offer there has been no public trading market for the Ordinary Shares. The Company will apply to the UK Listing Authority for admission to the Official List and will apply to the London Stock Exchange for admission to trading of the Ordinary Shares on its main market for listed securities. However, there is no assurance that an active trading market for the Ordinary Shares will develop or, if developed, be sustained following the closing of the Global Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Offer Price, perhaps substantially. As a result of fluctuations in the market price of the Ordinary Shares, investors may not be able to sell their Ordinary Shares at or above the Offer Price, or at all.

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which will be out of the Company's control

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the company that has issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are and will be beyond the Company's control, including variations in operating results in the Company's reporting periods, changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by the Company of significant contracts, acquisitions, planned investments or other capital commitments, strategic alliances, joint ventures, additions or departures of key personnel, any loss by the Group of its use of the LEGOLAND and LEGO trademarks, content and other intellectual property rights, any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts, and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

There are no guarantees that the Company will pay dividends or regarding the level of any such dividends

The Group's results of operations could fluctuate and the ability of the Company to pay dividends is dependent on, amongst other things, its achieving sufficient profits. The Company might not pay dividends if the Directors believe this would cause any Group member to be less than adequately capitalised (including taking into account any regulatory restrictions that may be applicable), or if for any other reason the Directors conclude it would not be in the best interests of the Company. Future dividends will depend on, amongst other things, the Group's future profits, financial position, accounting changes, general economic conditions and other factors that the Directors deem significant from time to time. There can be no assurance that the Company will pay dividends or if it does pay dividends, regarding the amount of such dividends and consequently Shareholders may not receive their anticipated income stream.

Pre-emption rights may not be available to US and other overseas Shareholders

In the case of certain increases in the issued share capital of the Company, existing holders of Ordinary Shares are generally entitled to pre-emption rights to subscribe for such shares, unless such rights are waived by a resolution at a meeting of the Shareholders, or in certain other circumstances as stated in the Company's Articles of Association. US and certain other overseas Shareholders are customarily excluded from exercising any such pre-emption rights they may have unless a registration statement under the Securities Act or other applicable laws is effective with respect to those rights or an exemption from the registration requirements or similar requirements in other jurisdictions thereunder is available.

The Company has no current intention to file any such registration statement, and cannot assure prospective investors that any exemption from any such registration requirements would be available to enable US or other overseas Shareholders to exercise such pre-emption rights or, if available, that it will utilise any such exemption, which could lead to US or other overseas Shareholders having their shareholdings in the Company diluted.

PART 5 – DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Sir John Sunderland (Non-Executive Chairman) Nick Varney (Group Chief Executive Officer) Andrew Carr (Group Chief Financial Officer) Charles Gurassa (Senior Independent Non-Executive Director) Ken Hydon (Non-Executive Director) Miguel Ko (Non-Executive Director) Rob Lucas (Non-Executive Director) Dr. Gerry Murphy (Non-Executive Director) Søren Thorup Sørensen (Non-Executive Director)
Company Secretary	Colin Armstrong
Registered Office and Directors' Address	3 Market Close Poole Dorset BH15 1NQ
Joint Sponsor, Joint Global Co-ordinator and Joint Bookrunner	Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB
Joint Sponsor, Joint Global Co-ordinator and Joint Bookrunner	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB
Joint Bookrunner	Citigroup Global Markets Limited 33 Canada Square London E14 5LB
Joint Bookrunner	Morgan Stanley Securities Limited 25 Cabot Square London E14 4QA
Co-Lead Manager	HSBC Bank plc 8 Canada Square London E14 5HQ
Co-Lead Manager	UniCredit Bank AG, London Branch Moor House 120 London Wall London EC2Y 5ET
Financial Adviser	Lazard & Co., Limited 50 Stratton Street London W1J 8LL
Legal Advisers to the Company as to English and US law	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA
Legal Advisers to the Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners as to English and US law	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
Auditors to the Company and Reporting Accountants	KPMG LLP 15 Canada Square London E14 5GL
Registrar	Computershare Investor Services Plc The Pavilions Bridgwater Road Bristol BS99 6ZZ
Intermediaries Offer Adviser	Solid Solutions Associates (UK) Limited 5 St John's Lane London EC1M 4BH

PART 6 – PRESENTATION OF FINANCIAL AND OTHER INFORMATION

1. FORWARD-LOOKING STATEMENTS

Some of the statements included in Part 1 – Summary, Part 4 – Risk Factors, Part 7 – Market Overview, Part 8 – Business of the Group, Part 11 – Operating and Financial Review and elsewhere in this Prospectus include forward-looking statements which reflect the Company's or, as appropriate, the Directors' or third parties' current views with respect to, among other things:

- the Group's financial performance;
- the Group's business strategies, plans and objectives for growth and future operations;
- market opportunities for the Attractions; and
- market dynamics.

These statements include forward-looking statements both with respect to the Group and the sectors in which the Group operates. Statements that include the words "expects", "intends", plans", "believes", "projects", "forecasts", "predicts", "assumes", "anticipates", "will", "targets", "aims", "may", "should", "shall", "would", "could", "continue", "risk", "estimates", "plans", "annualised", "goal" and similar statements of a future or forward-looking nature can be used to identify forward-looking statements.

All forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Undue reliance should not be placed on such forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Group's control. Forward-looking statements are not guarantees of future performance and actual results of operations or financial condition, and the development of the sectors and industries in which the Group operates may differ materially from those indicated in or suggested by the forward-looking statements contained in this Prospectus. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in or suggested by these statements. These factors include, among others, changes in general economic and business conditions and the risks and other factors set forth in Part 4 – Risk Factors and elsewhere in this Prospectus. Such factors, which could affect the Group's ability to achieve its objectives and which could cause actual results of operations or financial condition to differ materially from those in the forward-looking statements should be read in conjunction with the other cautionary statements that are included in this Prospectus. Any forward-looking statements in this Prospectus reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations (including development plans relating to the Attractions), results of operations, financial performance and business strategy. Although the Company believes the expectations reflected in the forward-looking statements to be reasonable, no assurance can be given that such expectations will prove to be correct.

The following are important factors that could cause the Group's actual financial performance and results of operations to differ materially from those suggested in the forward-looking statements made in this Prospectus:

- developments adversely affecting visitor attendance and secondary spending at the Group's Attractions, including without limitation:
  - adverse economic conditions in the jurisdictions in which the Group operates, such as recessions or weak recoveries, increased unemployment or a decline in consumer confidence;
  - adverse weather conditions in the jurisdictions in which the Group operates;
  - adverse changes in tourism patterns; and
  - changes in consumer tastes and competition from other events and attractions;
- the inability of the Group to effectively manage its investment strategy or to effectively manage the roll-out of new Attractions and accommodation facilities;
- the inability to protect the Group's intellectual property or the infringement by the Group on intellectual property rights of others;
- the loss of, or any adverse change in, any of the Group's important commercial relationships, including the Group's LEGOLAND Licence and Co-operation Agreement with KIRKBI, pursuant to which the Group has the right to use the LEGOLAND trademark and the ancillary use of the LEGO trademarks;
- increases in staff expenses;
- the loss of any of the Group's senior management or key managers or employees;

- safety incidents at, or adverse publicity concerning, the Group's Attractions;
- adverse changes in interest rates or foreign exchange rates;
- the loss of licenses and permits necessary to carry on the Group's business;
- the inability to compete effectively with competitors in the family entertainment and leisure markets;
- the inability to contract with third-party manufacturers or service providers for the development and maintenance of rides and other attractions;
- the Group's failure to comply with laws and regulations and any changes in laws and regulations;
- the cumulative effect of adverse litigation or arbitration awards against the Group;
- new types of taxes or increases in taxes in the jurisdictions in which the Group operates; and
- interruption or failure of IT systems upon which the Group's operations are reliant.

These forward-looking statements speak only as of the date of this Prospectus. Subject to any obligations under the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules and save as required by law, the Company undertakes no obligation to update, review or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, or to disseminate any information regarding any change in events, conditions or circumstances on which any such statement is based. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this section. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ from those indicated in or suggested by the forward-looking statements in this Prospectus before making an investment decision.

2. MARKET, ECONOMIC AND INDUSTRY DATA

The market, economic and industry data used in this Prospectus has been obtained by the Company from various third party reports, as identified in this Prospectus including:

- Euromonitor International's Top City Destinations Ranking (2011 edition);
- Mintel Short/City Breaks – United Kingdom (2012);
- Office for National Statistics;
- TEA AECOM Report 2012;
- VisitBritain; and
- United Nations World Tourism Organisation 2013.

Where third party information has been used in this Prospectus the source of such information has been identified.

The Company confirms that information provided by third parties has been accurately reproduced. So far as the Company is aware and has been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

3. PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated on 20 September 2013 and has conditionally agreed to acquire Merlin Entertainments S.à r.l. (and the Existing Group), pursuant to the terms of the Reorganisation Agreement. The Reorganisation Agreement will become wholly unconditional at 12:00 noon on the second Business Day following the date on which the Pricing Statement is published. There are no other conditions to the Reorganisation Agreement. Further details of the Reorganisation Agreement are set out at paragraph 15.8 of Part 15 – Additional Information. As at the date of this document, the Company has and, prior to its acquisition of Merlin Entertainments S.à r.l., will have no operations. The consolidated historical financial information included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. is the consolidated historical financial information of Merlin Entertainments S.à r.l. The pro forma financial information contained in Part 13 – Pro Forma Statement of Net Assets reflects the consolidated historical financial information of Merlin Entertainments S.à r.l. as adjusted to reflect the Global Offer. In the 2008 and 2009 financial years, the Group's consolidated financial statements were issued in the name of its previous parent company, Merlin Entertainments Group Luxembourg S.à r.l. ("**MEG Luxembourg S.à r.l.**"). The entire issued share capital of MEG Luxembourg S.à r.l. was acquired by Merlin Entertainments S.à r.l. on 23 July 2010, which was accounted for as a reverse acquisition. As a result, the consolidated financial statements of the Existing Group in 2010 were issued in the name of Merlin Entertainments S.à r.l. but were a continuation of the consolidated financial statements of MEG Luxembourg S.à r.l. The consolidated historical financial information in this Prospectus has been presented as if Merlin Entertainments S.à r.l. were the Group's parent company throughout the periods under review.

The financial information contained in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), including International Accounting Standards ("**IAS**") and Interpretations, adopted by the International Accounting Standards Board ("**IASB**"). The significant IFRS accounting policies applied in the financial information of Merlin Entertainments S.à r.l. are applied consistently in the financial information in this Prospectus. In making an investment decision, prospective investors must rely on their own examination of the information regarding the Group, the terms of the Global Offer and the financial and other information in this Prospectus.

The audits of the financial information included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. were performed in accordance with standards issued by the Auditing Practices Board in the United Kingdom. None of the financial information used in this Prospectus has been audited in accordance with auditing standards generally accepted in the United States ("**US GAAS**") or auditing standards of the Public Company Accounting Oversight Board in the United States ("**PCAOB**") or presented in accordance with accounting principles generally accepted in the United States ("**US GAAP**"). There could be differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the information in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l and the implications of differences between the auditing standards noted herein.

Prospective investors should consult their own professional advisers for an understanding of the differences between IFRS and US GAAP. The financial information included in this Prospectus is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification or exclusion of certain financial measures and the presentation of certain other information not included herein.

Visitor numbers, as used in this document, represent the number of customers entering an Attraction, as measured by the Group's admissions systems, for the period indicated. Unless otherwise stated, visitor numbers include visitors to Attractions operated under management contracts (including LEGOLAND Malaysia) and joint ventures.

4. NON-IFRS FINANCIAL INFORMATION

This document contains certain financial measures that are not defined or recognised under IFRS, including underlying trading measures, EBITDA, underlying EBITDA, segment EBITDA, financial information on a constant currency basis, "like-for-like" revenue, "like-for-like" EBITDA, incremental ROIC, operating free cash flow, cash conversion and revenue per cap.

EBITDA, underlying EBITDA, segment EBITDA and EBITDAR

EBITDA, as used in this document, represents profit before finance income and costs, taxation, depreciation, amortisation and impairment and is after taking account of profit after tax of joint ventures. EBITDA is presented to enhance a prospective investor's understanding of the Group's results of operations and financial condition and to enhance a prospective investor's evaluation of the Group's ability to employ its earnings towards capital expenditures, working capital and repayment of debt. Underlying EBITDA, as used in this document, also excludes exceptional and non-trading items. These exceptional and non-trading items, which include acquisition and integration costs, impairment charges and other one-off, non-recurring items and fair value remeasurements of financial instruments, are set out in note 2.2 of the consolidated historical financial statements included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. The Directors consider underlying EBITDA to be a more accurate reflection of the underlying business performance of the Group and believe that this measure provides additional useful information for prospective investors on the Group's performance, and enhances comparability from period to period and with other companies, and is consistent with how business performance is measured internally. The Group's consolidated income statement separately identifies EBITDA, underlying EBITDA and exceptional and non-trading items.

Segment EBITDA, as used in this document, represents segment profit before exceptional and non-trading items, finance income and costs, taxation, depreciation, amortisation and impairment and is after taking account of profit after tax of joint ventures. Certain costs are not allocated to individual operating groups and are therefore not included within segment EBITDA. Segment EBITDA is presented to enhance a prospective investor's understanding of the Group's results of operations and financial condition by operating group. Merlin's segments are the Midway Attractions, LEGOLAND Parks and Resort Theme Parks.

EBITDAR, as used in this document, represents profit before finance income and costs, taxation, depreciation, amortisation, impairment and rent and is after taking account of profit after tax of joint ventures. Neither rent nor

EBITDAR are identified in the Group's consolidated income statement and are therefore unaudited. Where rent or EBITDAR amounts are presented in this document, the amounts have been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

The Directors use EBITDA, underlying EBITDA, segment EBITDA and EBITDAR as key performance indicators of the Group's business. The Group uses EBITDA, underlying EBITDA, segment EBITDA and EBITDAR in its business operations to, among other things, evaluate the performance of its operations, develop budgets and measure its performance against those budgets. The Group finds EBITDA, underlying EBITDA, segment EBITDA and EBITDAR to be useful supplemental tools to assist in evaluating operating performance because, in the case of EBITDA, it eliminates items related to taxes, exceptional items and certain non-cash charges, in the case of EBITDAR, it eliminates items related to taxes, exceptional items and certain non-cash charges and eliminates the impact of rent, and in the case of segment EBITDA, it measures operating group results. Further, the Directors believe that EBITDA, underlying EBITDA, segment EBITDA and EBITDAR are commonly reported by comparable businesses and used by investors in comparing the performance of businesses on a consistent basis without regard to depreciation and amortisation, which can vary significantly depending upon accounting methods. However, EBITDA, underlying EBITDA, segment EBITDA and EBITDAR are not defined under IFRS and other companies may calculate EBITDA underlying EBITDA, segment EBITDA or EBITDAR differently or may use such measures for different purposes than the Group does, limiting the usefulness of such measures as comparative measures. Prospective investors should not consider EBITDA, underlying EBITDA, segment EBITDA or EBITDAR in isolation, as an alternative to consolidated profit before tax, as an indication of operating performance, as an alternative to cash flows from operations or as a measure of the Company's profitability or liquidity.

Constant currency

Financial information on a constant currency basis is unaudited and reflects an adjustment to eliminate the effect of exchange rate movements on the Group's financial results. The Directors use financial information, including revenue and EBITDA, on a constant currency basis to eliminate the impact of exchange rate movements and to enhance comparability between periods in evaluating the Group's business performance and like-for-like growth.

In this document, financial information on a constant currency basis has been presented using the Group's exchange rates for the financial year ended 29 December 2012.

The weighted average exchange rates for the Group's principal currencies in respect of revenue in the 2012 financial year were as follows:

€ / £	1.24
US$ / £	1.58
A$ / £	1.53
DKK / £	9.27
HK$ / £	12.26
YEN / £	124.85
WON / £	1,790.05
MYR / £	4.90
NZ$ / £	1.96
RMB / £	10.01
THB / £	49.30

The Group believes that constant currency measures have limitations, particularly as the currency effects that are eliminated may constitute a significant element of the Group's revenue and expenses and could materially impact the Group's performance. The Directors do not evaluate the Group's results and performance on a constant currency basis without also evaluating the Group's financial information prepared in accordance with IFRS. Constant currency measures should be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS.

Like-for-like revenue, underlying EBITDA and other financial information

Like-for-like revenue, underlying EBITDA or other financial information, as used in this document, represents the revenue, underlying EBITDA or other financial information attributable to the estate of Attractions and other businesses owned by the Group and operational on the first day of the previous financial year or, where the comparison is in respect of a period longer than two consecutive financial years, owned and operational on the first day of the earliest financial year in the comparison period.

Like-for-like information is unaudited and is presented to enhance comparability of the Group's results of operations from period to period by disregarding the impact of acquisitions and new Attractions and other businesses, including new hotels and other accommodation. The Directors use like-for-like data as a key performance indicator of the Group's business and as a tool for assessing the performance of specific operating segments, Attractions and other businesses from period to period.

Unless otherwise stated, like-for-like revenue and like-for-like underlying EBITDA growth in respect of each financial year reflect the growth in revenue and underlying EBITDA, respectively, attributable to the estate of Attractions and other businesses owned by the Group and operational on the first day of the immediately preceding financial year, on a constant currency basis. In calculating like-for-like revenue growth, the results of the first week of the 2011 financial year (which was a 53-week financial year) have been excluded to enhance comparability. In calculating like-for-like underlying EBITDA growth, revenues, cost of sales and certain operating expenses in respect of the first week of the 2011 financial year have been excluded, but certain other operating expenses in respect of the first week of the 2011 financial year have not been excluded, as the Group does not apportion those operating expenses week-by-week. As a result, like-for-like revenue growth and like-for-like underlying EBITDA growth with respect to the 2011 financial year were not prepared on an entirely comparable basis.

The following tables provide a reconciliation of Group revenue (on a constant currency basis) to Group like-for-like revenue (on a constant currency basis) and the resulting like-for-like revenue growth between the 2008 to 2012 financial years:

	2008-2009 Like-for-like revenue growth		**2009-2010 Like-for-like revenue growth[(1)]**	
	52 weeks ended 27 December 2008 [(1)]	**52 weeks ended 26 December 2009[(1)]**	**52 weeks ended 26 December 2009[(1)]**	**52 weeks ended 25 December 2010[(1)]**
Revenue for the financial year (£m)	683	742	742	783
Revenue from Attractions or businesses opened or acquired since the start of the first financial year being compared and Central revenue[(2)] (£m)	(23)*	(45)*	(12)*	(14)*
Like-for-like revenue (£)	660*	697*	730*	769*
Percentage growth (%)		6%†		5%†

	2010-2011 Like-for-like revenue growth		**2011-2012 Like-for-like revenue growth/(decline)**	
	52 weeks ended 25 December 2010[(1)]	**53 weeks ended 31 December 2011[(1)]**	**53 weeks ended 31 December 2011[(1)]**	**52 weeks ended 29 December 2012**
Revenue for the financial year (£m)	783	922	922	1,074
Revenue from Attractions or businesses opened or acquired since the start of the first financial year being compared and Central revenue (£m)	(8)*	(90)*	(41)*	(211)*
Revenue in respect of first week (2011 financial year only) (£m)	—	(13)#	(13)#	—
Like-for-like revenue (£)	775*	819*	868*	863*
Percentage growth/(decline) (%)		6%†		(1)%†

	H1 2012-H1 2013 Like-for-like revenue growth	
	H1 2012	**H1 2013[(1)]**
Revenue for the financial period (£m)	446	475
Revenue from Attractions or businesses opened or acquired since the start of the first financial period being compared and Central revenue (£m)	(48)*	(60)*
Like-for-like revenue (£)	398*	415*
Percentage growth (%)		4%†

(1) Presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in "– Constant Currency" above.

(2) Attractions and businesses opened during the 2008 financial year include seven Midway Attractions (including the re-branding of the London Aquarium and two second gates). Attractions opened during the 2009 financial year include three Midway Attractions (including one second gate). Attractions and businesses opened during the 2010 financial year include four Midway Attractions. Attractions and businesses opened during the 2011 financial year include six Midway Attractions, and LEGOLAND Florida. Attractions acquired in the 2011 financial year include six Attractions acquired in connection with the acquisition of the Sydney Attractions Group. Attractions and businesses opened during the 2012 financial year include six Midway Attractions, the LEGOLAND Windsor Hotel, and LEGOLAND Malaysia. Attractions acquired in the 2012 financial year include ten Attractions acquired in connection with the acquisition of Living and Leisure Australia.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

The following tables provide a reconciliation of Group underlying EBITDA (on a constant currency basis) to Group like-for-like underlying EBITDA (on a constant currency basis) and the resulting like-for-like underlying EBITDA growth between the 2008 and 2012 financial years:

	2008-2009 Like-for-like underlying EBITDA growth		2009-2010 Like-for-like underlying EBITDA growth(1)	
	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)
Underlying EBITDA for the financial year (£m)	209	228	228	251
Underlying EBITDA from Attractions or businesses opened or acquired since the start of the first financial year being compared(2) (£m)	(6)*	(14)*	(1)*	(2)*
Like-for-like underlying EBITDA (£)	203*	214*	227*	249*
Percentage growth (%)		5%†		10%†

	2010-2011 Like-for-like underlying EBITDA growth		2011-2012 Like-for-like underlying EBITDA growth	
	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012
Underlying EBITDA for the financial year (£m)	251	296	296	346
Underlying EBITDA from Attractions or businesses opened or acquired since the start of the first financial year being compared(2) (£m)	(1)*	(21)*	(6)*	(61)*
EBITDA in respect of first week (2011 financial year only)	—	(10)#	(10)#	—
Like-for-like underlying EBITDA (£)	250*	265*	280*	285*
Percentage growth (%)		6%†		2%†

	H1 2012-H1 2013 Like-for-underlying EBITDA growth	
	H1 2012	H1 2013(1)
Underlying EBITDA for the financial period (£m)	94	108
Underlying EBITDA from Attractions or businesses opened or acquired since the start of the first financial period being compared (£m)	(5)*	(14)*
Like-for-like underlying EBITDA (£)	89*	94*
Percentage growth (%)		7%†

(1) Presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in "– Constant Currency" above.

(2) Attractions and businesses opened during the 2008 financial year include seven Midway Attractions (including the re-branding of the London Aquarium and two second gates). Attractions opened during the 2009 financial year include three Midway Attractions (including one second gate). Attractions and businesses opened during the 2010 financial year include four Midway Attractions. Attractions and businesses opened during the 2011 financial year include six Midway Attractions and LEGOLAND Florida. Attractions acquired in the 2011 financial year include six Attractions acquired in connection with the acquisition of the Sydney Attractions Group. Attractions and businesses opened during the 2012 financial year include six Midway Attractions, the LEGOLAND Windsor Hotel and LEGOLAND Malaysia. Attractions acquired in the 2012 financial year include ten Attractions acquired in connection with the acquisition of Living and Leisure Australia.

Like-for-like revenue, underlying EBITDA and other financial information are not defined under IFRS and other companies may calculate like-for-like revenue, underlying EBITDA and other financial information differently or may use such measures for different purposes than the Group does, limiting the usefulness of such measures as comparative measures. Prospective investors should not consider like-for-like revenue, underlying EBITDA and other financial information in isolation, as alternatives to revenue or profit before tax, as indications of operating performance or as measures of the Company's profitability.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Incremental ROIC

Incremental ROIC, as used in this document, is used in conjunction with the roll-out of new Attractions or new businesses (such as new hotels and other accommodation) and represents the contribution to Group EBITDA from the new Attraction or business on an annual basis over the first five full years of operation of such Attraction or business, divided by the aggregate development costs of the relevant Attraction or business and expressed as a percentage.

Incremental ROIC is unaudited and is presented as a supplemental measure to enhance a prospective investor's understanding of the returns generated by the Group on capital invested and the Group's effectiveness in utilising its capital resources. The Directors use incremental ROIC in setting hurdles for the approval of, and for measuring the performance of, all revenue generating capital expenditure projects.

Incremental ROIC is not defined under IFRS and other companies may calculate incremental ROIC differently or may use such measure for different purposes than the Group does, limiting the usefulness of such measures as a comparative measure. Prospective investors should not consider incremental ROIC in isolation, as an alternative to profit before tax, as an indication of operating performance, as an alternative to cash flows from investing activities or as a measure of the Company's profitability or liquidity.

Operating free cash flow

Operating free cash flow, as used in this document, represents underlying EBITDA after changes in working capital and capital expenditure.

Operating free cash flow is unaudited and is presented to enhance a prospective investor's understanding of the Group's cash generation and provide prospective investors with a useful supplemental measure for comparing the Group's liquidity in respect of its operations from period to period without the distortions of exceptional and other non-operating items. The Directors use operating free cash flow as a key performance indicator of the Group's business and as an indicator of the Group's ability to make strategic investments, repay its debt and meet other payment obligations.

Operating free cash flow is not defined under IFRS and other companies may calculate operating free cash flow differently or may use such measure for different purposes than the Group does, limiting the usefulness of such measure as a comparative measure. Prospective investors should not consider operating free cash flow in isolation, as an alternative to profit before tax, as an indication of operating performance, as an alternative to cash flows from operating activities or as a measure of the Company's profitability or liquidity.

Cash conversion

Cash conversion, as used in this document, is defined as operating free cash flow divided by underlying EBITDA, expressed as a percentage.

Cash conversion information is unaudited and is presented to enhance a prospective investor's understanding of the Group's cash generation and provide prospective investors with a useful measure for comparing the Group's liquidity in respect of its operations from period to period and to evaluate the efficiency with which the Group converts underlying EBITDA into cash.

Cash conversion is not defined under IFRS and other companies may calculate cash conversion differently or may use such measure for different purposes than the Group does, limiting the usefulness of such measure as a comparative measure. Prospective investors should not consider cash conversion in isolation, as an alternative to profit before tax, as an indication of operating performance, as an alternative to cash flows from operating activities or as a measure of the Company's profitability or liquidity.

Revenue per cap and admissions revenue per cap

Revenue per cap, as used in this document, is calculated by dividing total visitor revenue by the number of visitors (excluding visitors to Attractions operated under management contracts, including LEGOLAND Malaysia, and under joint ventures). Visitor revenue includes both revenue generated from admissions fees and secondary spend, including spend on food and beverages, retail purchases, souvenir photography, participation games, parking and guide books. Revenue generated from the Group's hotel operations, private functions and sponsorships, as well as revenue generated at Attractions operated under management contracts, including LEGOLAND Malaysia, and under joint ventures, is not included in visitor revenue or revenue per cap.

The following tables set out the calculation of revenue per cap for the Group and each of the operating groups for the 2008 to 2012 financial years, on a constant currency basis:

Group

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012
Visitor revenue (£m)	601#	658#	700#	824#	945#
Visitors(2) (m)	34.7	38.3	40.8	47.0	52.7
Revenue per cap (£)	17.30*	17.19*	17.17*	17.55*	17.93*

Midway Attractions

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012
Visitor revenue (£m)	202#	233#	260#	342#	434#
Visitors(2) (m)	17.7	19.7	21.7	27.1	32.7
Revenue per cap (£)	11.45*	11.80*	12.00*	12.62*	13.29*

LEGOLAND Parks

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012
Visitor revenue (£m)	163#	176#	189#	222#	275#
Visitors(2) (m)	6.3	7.0	7.3	8.0	9.6
Revenue per cap (£)	26.02*	25.18*	26.06*	27.70*	28.67*

Resort Theme Parks

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012
Visitor revenue (£m)	236#	249#	251#	260#	236#
Visitors(2) (m)	10.8	11.5	11.8	11.8	10.5
Revenue per cap (£)	21.81*	21.57*	21.21*	21.98*	22.57*

(1) Presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in "– Constant Currency" above.

(2) For the purposes of calculating revenue per cap, visitor numbers exclude visitors to LEGOLAND Malaysia, which is reported under a management contract, and visitors to Attractions operated as joint ventures.

Admissions revenue per cap, as used in this document, represents total revenue from admission fees divided by the number of visitors (excluding visitors to Attractions operated under management contracts and under joint ventures). Unlike "revenue per cap", admissions revenue per cap does not take account of revenue from secondary spend.

Revenue per cap data is unaudited and is presented to provide prospective investors with a supplemental measure to evaluate the Group's financial performance, enhancing comparison of results from period to period and by operating group or Attraction by highlighting the visitor revenues achieved per visitor, as opposed to aggregate visitor revenues which depend largely upon visitor numbers. The Directors view revenue per cap as an indicator of profitability and yield and use revenue per cap to evaluate the performance of operating groups and Attractions from period to period.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Revenue per cap and admissions revenue per cap are not defined under IFRS and other companies may calculate revenue per cap and admissions revenue per cap differently or may use such measures for different purposes than the Group does, limiting the usefulness of such measure as a comparative measure. Prospective investors should not consider revenue per cap or admissions revenue per cap in isolation, as an alternative to revenue or profit before tax, as an indication of operating performance or as a measure of the Company's profitability.

Average organic revenue and EBITDA growth

Average organic annual revenue and EBITDA growth, as used in this document, represent average annual revenue and EBITDA growth from the 2008 financial year to the 2012 financial year (i) excluding the growth attributable to the Sydney Attractions Group and Living and Leisure Australia acquisitions in the year of acquisition but including the change in revenue and EBITDA attributable to those businesses in subsequent financial years under the Group's management and (ii) including the growth attributable to all other acquisitions, which included the LEGOLAND Florida site and a number of smaller single site acquisitions, from the date of completion or, if later, the opening of the Attraction.

Average organic revenue growth and average organic EBITDA growth are presented because the Directors believe that, by eliminating the impact of revenue or EBITDA attributable to the Group's transformative business acquisitions in the year of acquisition, these measures provide prospective investors with useful supplemental measures to evaluate the growth of the Group's business attributable to results achieved under the Group's management. In calculating average organic revenue growth and average organic EBITDA growth, the results of LEGOLAND Florida were not excluded because this site was redeveloped by the Group prior to opening under the Group's ownership and the Directors therefore regard the results of LEGOLAND Florida as being attributable to the Group's management from the date of opening. Similarly, the results of smaller single site acquisitions were not excluded because such sites were either redeveloped by the Group prior to opening under the Group's ownership or were otherwise operated under the Group's management from the date of acquisition.

Average organic revenue and EBITDA growth are not defined under IFRS and other companies may calculate average organic revenue and EBITDA growth differently or may use such measure for different purposes than the Group does, limiting the usefulness of such measure as a comparative measure. Prospective investors should not consider average organic revenue or EBITDA growth in isolation, as an alternative to revenue or profit before tax, as an indication of operating performance or as a measure of the Company's profitability.

5. CURRENCY PRESENTATION

Unless otherwise indicated, all references in this Prospectus to "Pounds Sterling", "Sterling", "£", "pence" or "p" are to the lawful currency of the UK, all references to "€", "Eur" or "Euro" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, all references to "US$", "US Dollars" or "US dollars" are to the lawful currency of the United States, all references to "DKK", "Danish Kroner" or "Danish kroner" are to the lawful currency of Denmark, all references to "A$" or "Australian dollars" are to the lawful currency of Australia, all references to "HK$" or "Hong Kong Dollars" are to the lawful currency Hong Kong and all references to "CNY" are to the lawful currency of China. The Company and Merlin Entertainments S.à r.l. prepare their financial statements in Pounds Sterling.

6. AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Ordinary Shares sold in the Global Offer are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or Section 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

7. ROUNDINGS

Certain figures contained in this Prospectus, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

8. DEFINITIONS

Certain terms used in this Prospectus, including capitalised terms and certain technical and industry related terms, are defined and explained in Part 16 – Definitions.

9. OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offer, the Stabilising Manager or any of its agents, may (but will be under no obligation to), to the extent permitted by law, over-allot or effect transactions with a view to supporting the market price of the Ordinary Shares at a level higher than which might otherwise prevail in the open market. Such transactions may be effected on the London Stock Exchange and any other securities market, over-the-counter or otherwise and may only be undertaken between commencement of conditional trading of the Ordinary Shares on the London Stock Exchange and 30 days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and no assurance is given that stabilising transactions will be undertaken. Such stabilising transactions, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price.

Save as required by any legal or regulatory obligation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotment and/or stabilisation transactions under the Global Offer.

In connection with the Global Offer, the Stabilising Manager may (but will be under no obligation to), for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Global Offer. For the purposes of allowing it to cover over-allotments (if any) and/or to cover short positions relating to stabilisation transactions, the Stabilising Manager has entered into the Over-allotment Option with Blackstone and CVC Holdco pursuant to which the Stabilising Manager may purchase or procure purchasers for the Over-allotment Shares at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before 30 days after the commencement of conditional trading of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects and will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Global Offer and will form a single class for all purposes with the other Ordinary Shares.

10. ENFORCEMENT OF CIVIL LIABILITIES

An overseas Shareholder may not be able to enforce a judgment against the Company or some or all of the Directors and executive officers of the Company. The majority of the Directors and executive officers are and are anticipated to continue to be residents of the United Kingdom. Consequently, it may not be possible for an overseas Shareholder to effect service of process upon the Company or the Directors and executive officers within the overseas Shareholder's country of residence or to enforce against the Company or the Directors and executive officers judgments of courts of the overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than England against the Company or the Directors or executive officers who are residents of countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

PART 7 – MARKET OVERVIEW

1. OVERVIEW OF THE ATTRACTIONS INDUSTRY

With its portfolio of Midway Attractions and Theme Parks, Merlin serves the global leisure market (of which the attractions industry forms a part), which has seen spending increase at a CAGR of four per cent. between 2007 and 2011 and is forecast to grow by approximately five per cent. per annum from 2011 to 2016[14]. The Directors believe that the long-term growth of the attractions industry may be driven by a number of factors including: (i) rising income and more affluent populations in developing countries; (ii) growth of the short break market; (iii) demand for higher quality entertainment; (iv) increased leisure time to enjoy entertainment; and (v) improving transport infrastructure, including increased access to long-distance travel.

Merlin segments the attractions industry into a commercial sector, including paid-for attractions, and a public sector, including state-owned, mostly free entry attractions such as museums and parks. Within the commercial attractions sector (and as set out in paragraph 2 of this Part 7 – Market Overview), Merlin has identified four key categories: (i) theme parks, both international destination and national/regional destination; (ii) regional amusement parks; (iii) smaller visitor attractions, such as Merlin's Midway Attractions; and (iv) larger zoos and wildlife attractions. Merlin is mainly focused on the national/regional destination theme parks and visitor attractions sectors.

2. INDUSTRY OVERVIEW BY TYPE OF ATTRACTION

2.1 Theme parks

Theme parks can be defined as outdoor sites with rides and shows as the main attractions and are typically seasonally operated. They often focus on a central concept or multiple themes and are aimed at appealing to families and/or young adults. Revenue is driven by visitor volumes, upfront admission fees and, because of the duration of stay, secondary spend which may include sale of retail merchandise (for example, LEGO and related toys in the case of the LEGOLAND Parks), food and beverages, accommodation and ancillary products such as souvenir photography.

Theme parks can be sub-categorised between international and national/regional destination theme parks.

International destination theme parks

International destination theme parks typically target visitors from a wide catchment area, including international "fly-in" tourists, and attract families as their prime demographic. The majority of such sites are located in the United States (e.g. Disney, Universal Studios, SeaWorld), with only one in Europe (Disneyland Paris) and a small number in Asia. Merlin categorises international destination theme parks as theme parks which typically attract more than five million visitors annually and cost approximately £2,000 per visit (with lodging) for a family of four. Attractions tend to be themed experiences, with a focus on storytelling, and are based on owned or licensed intellectual property. Lengths of visitor stays are generally longer than for national/regional destination theme parks and can reach up to two weeks as part of a resort package. Secondary spend is a significant source of revenue with on-site accommodation comprising an important part of the international destination theme park.

National/regional destination theme parks

National/regional destination theme parks target visitors from the surrounding area (generally a two hour drive but up to five hours), in some cases complemented by a limited number of international visitors from neighbouring countries. Merlin categorises national/regional destination theme parks as theme parks which typically attract between one and three million visitors annually and cost approximately £125 per daily visit for a family of four. Attractions tend to be themed experiences, typically attracting families and teens for one to three day visits. Retail merchandise, food and beverages and ancillary products are key secondary sources of revenue, and accommodation including on-site hotels are becoming more relevant to national/regional destination theme parks. In Europe, most theme parks can be categorised as national/regional destination theme parks. PortAventura in Spain, Efteling in the Netherlands and Europa Park in Germany are examples of European national/regional destination theme parks. Merlin's European Theme Parks (including the LEGOLAND Parks) are examples of European national destination theme parks, although they do also receive a significant proportion of visitors from neighbouring regions. The Busch Gardens theme parks, in Florida and Virginia, are examples of national/regional destination theme parks in the United States.

[14] Marketline "Global Hotels, Restaurants and Leisure" report (2012). The term "leisure market" includes hotels and restaurants.

2.2 Regional amusement parks

Regional amusement parks have historically developed from travelling shows and are now characterised by having thrill rides with limited theming as their main attractions. Regional amusement parks generally attract older children and young adults with an average stay of half a day and a typical journey time of up to two hours.

Merlin categorises regional amusement parks as amusement parks which typically attract between 300,000 and one million visitors annually and cost approximately £100 per daily visit for a family of four. Rather than charge admission fees up front, some amusement parks offer a 'pay-as-you-go' format where secondary spend is typically limited. The Directors consider Blackpool Pleasure Beach in the UK and the various Six Flags parks in the United States to be examples of regional amusement parks. The Group has no Attractions which fall within this sector.

2.3 Smaller visitor attractions

Smaller visitor attractions can be defined as generally indoor, commercial venues aimed at appealing to a broad range of visitors or a specific target group and offering various forms of entertainment (excluding cinemas, theatres and sporting venues), typically located in city centre or coastal environments or close to other significant population centres. They can be standalone buildings or part of shopping malls or other entertainment centres.

Visitors to smaller visitor attractions include tourists (both domestic and international) and local residents and the length of stay is generally up to two hours. As the length of stay is shorter than that of a theme park or amusement park, a higher proportion of revenue is generated through admission fees than through ancillary products. Capital expenditure for smaller visitor attractions is generally less than for theme parks and amusement parks as smaller visitor attractions are to some degree less reliant on repeat visitors and thrill rides. Examples of smaller visitor attractions include Ripley's Believe It or Not and Kidzania. Merlin's Midway Attractions predominantly fall into this category.

2.4 Zoos and wildlife attractions

Zoos and other wildlife attractions can generally be categorised as targeting a family audience, travelling for a half day visit from the surrounding area (up to a three hour drive). Locations vary between city centre attractions, targeting tourists and local residents, and standalone wildlife centres, often geared towards families or groups on a day trip. Given the relatively short length of stay (typically up to five hours), revenues are more geared to admission fees, with a limited amount of secondary spend. There is often an emphasis on education, conservation and understanding wildlife and animal habitats.

3. INDUSTRY OVERVIEW BY DEMOGRAPHIC MARKET

The Group also classifies the attractions industry by demographic appeal. While most visitor attractions target multiple visitor segments, there are three main demographic categories that the commercial attractions industry seeks to target:

- **Families with young children:** Attractions and parks that target families with young children generally have the backing of a strong family brand (for example, LEGO or Disney) or appeal to both children and adults who are seeking an enjoyable experience alongside an element of education (for example, SEA LIFE Centres, Kidzania and zoos/wildlife attractions);
- **Families and young adults:** Most visitor attractions and a number of theme parks target the broader segment of families (including grandparents with their grandchildren) and young adults, including Madame Tussauds, The EDF Energy London Eye, Gardaland, Alton Towers and Ripley's Believe It or Not; and
- **Teenagers and young adults:** Parks that target teenagers, young adults and families with older children tend to be positioned as regional theme and amusement parks with a focus on thrill rides, with visitors typically spending no more than a day at the park given the intense nature of the entertainment. State-of-the-art rides and the introduction of new rides are key drivers of visitor volume. Parks of this type include Thorpe Park in the UK and Six Flags and Cedar Point in the United States. Certain visitor attractions, such as Merlin's "Dungeons" brand, are also targeted at this visitor segment.

4. KEY DRIVERS OF DEMAND

The performance of the attractions industry is influenced by a number of factors, some of which are external drivers and affect the overall number of visitors to sites, and some of which are internal drivers, within the control of each operator. Over the longer term, the demand for leisure attractions has proven to be relatively resilient to short term changes in external factors such as the economic situation or weather. The main drivers identified by Merlin as influencing the industry are as follows:

- **Visitor supply:** The majority of attractions are reliant on existing resident and tourist markets as a key determinant of attendance levels (although the scale of market required to support an urban/coastal visitor attraction is typically considerably lower than for a theme park). The visitor supply within a given target market is influenced by the scale and growth of both residents and tourists, as well as the propensity of individuals to visit attractions.

- **Economic conditions:** During economic upturns (as currently being experienced in the United States), disposable income grows and individuals have more to spend on leisure activities. Conversely, during economic downturns (as currently being experienced in southern Europe), individuals have less to spend. During downturns, however, regional/national theme parks, amusement parks and visitor attractions tend to benefit from a staycation effect, as individuals opt to trade down from destination holidays but do not entirely stop their spend on entertainment. Over the longer term, growth in disposable income is an important driver of the demand for entertainment, while, as a result of the staycation factor, short term fluctuations in income appear to have limited impact on the demand for high quality, regional or local attractions.
- **Demographic changes:** Demographic shifts within an attraction's catchment area influence the number of potential visitors within that attraction's target market. According to the United Nations, individuals aged 15 to 24 represent approximately 13 per cent. of the population in Europe and approximately 14 per cent. in North America as of 2010. This demographic represents a core target audience for certain regional theme and amusement parks and visitor attractions. In addition, the Directors believe that the ageing baby boomer generation has been a beneficial demographic shift for leisure attractions, with an increase in the number of grandparents taking their grandchildren to attractions. According to the United Nations, this trend is expected to continue with an estimated 40 per cent. of the global population expected to be aged 45 and over by 2050, up from approximately 25 per cent. as of 2005[15]. Countries in Asia are also experiencing growth in their middle classes, with greater number of families having a higher level of disposal income which may lead to increased spend on leisure activities. In particular, the number of Chinese middle class households is anticipated to increase to approximately 225 million by 2022 (representing a CAGR of 18 per cent. from 2012)[16].
- **Weather:** Weather conditions (good or bad) have a larger influence at regional/national destination theme parks (which generally involve day trips planned at shorter notice) than international destination theme parks (where trips and travel are generally planned longer in advance). Poor weather conditions are generally beneficial to indoor visitor attractions, although they may be affected adversely by hot weather. Generally, Merlin has found that only extreme weather conditions (excessively hot, cold or wet) significantly affect visitor volumes over the course of an entire season.
- **Transportation infrastructure and accommodation:** Improvements in transport services and accommodation may positively affect customer satisfaction and visitor numbers at leisure attractions. Transport costs form part of the target audience's overall spend on a visit and hence any reduction in transport costs for a given attraction relative to alternative leisure industry competitors generally make such attractions more appealing to visitors. Improvements in accommodation offerings at leisure attractions encourage multi-day visits as well as higher levels of secondary spending.
- **External events:** Extraordinary or one-off events can have a significant impact on travel patterns and consequently visitor numbers at leisure attractions. International destination theme parks and some visitor attractions derive revenues from international tourism, which has proven susceptible to extraordinary events, such as terrorism, SARS, bird flu and swine flu outbreaks and sporting events such as the football World Cup and the Olympics. Conversely, national/regional destination theme parks in unaffected locations tend to benefit from the corresponding decline in domestic holidaymakers travelling abroad.
- **Capital expenditure:** Most theme and amusement parks introduce a new significant attraction every few years to support the growth in visitor volumes. The success of capital expenditure in attracting visitors is critically linked to the marketing, brand and pricing strategy of the operator. Depending on the nature of the attraction, the timing and scale of new developments will vary. In addition to driving visitor growth, investment in new rides or features can also enable operators to drive premium admission prices. In the case of visitor attractions, which require a less significant level of ongoing investment to maintain visitor volumes, investment in new experiences can be used to justify higher admission prices.

[15] United Nations World Tourism Organisation 2013.

[16] Derived from McKinsey, "Mapping China's Middle Class" (2013). The term "middle class" means urban households with an annual disposable income of $16,000 or more.

5. MARKET TRENDS

Global Trends

The Directors consider trends in tourism activity to be an important component of overall leisure spend and attendance at its portfolio of attractions. Increasing globalisation, urbanisation and rising disposable income have been major factors for growth in international tourism.

In 2012, international tourist arrivals worldwide grew by four per cent., despite volatile economic markets, and exceeded one billion for the first time. Within this increase, Asia Pacific was the fastest growing region with a seven per cent. increase whilst the Americas and western Europe recorded five per cent. and three per cent. increases, respectively. Longer-term, international tourist arrivals are expected to grow on average by 3.3 per cent. per year over the period 2010 to 2030 according to the United Nations World Tourism Organisation. Asia Pacific is expected to be the major growth driver at 4.9 per cent. per year[17].

Revenue from international tourism grew by four per cent. in real terms in 2012 to reach $1,075 billion. Europe had the largest share of tourism receipts at 43 per cent. with Asia Pacific recording 30 per cent. and the Americas 20 per cent. Merlin has attractions in nine of the top ten countries ranked by international tourism receipts in 2012[18].

International visitors are a strong source of demand for Merlin's urban attractions and the Directors expect the continued growth of tourism to support Merlin's urban locations and clustering strategy. Six of Merlin's city locations which have existing clusters – Amsterdam, Bangkok, Berlin, London, New York and Shanghai – feature in the top 30 cities in the world by international tourist arrivals[19]. These six cities collectively exhibited a 20 per cent. growth in international visitors between 2009 and 2011. Of this group, London ranked third overall in terms of total visitor arrivals in 2011, whilst Bangkok and Shanghai experienced growth in excess of 35 per cent over the same period[20]. Merlin currently has one or more attractions in 11 cities which feature in the top 30 global cities as well as other popular destination cities, such as Sydney, Tokyo and Washington D.C. International visitor arrivals are forecast to continue growing supported by continued globalisation and fewer visa restrictions[21].

The UK continues to be a popular holiday destination for international visitors with the number of visits increasing 11.6 per cent. between 2007 and 2011[22]. For 2012, VisitBritain data highlights a record £19 billion spend by inbound tourists to the UK, up 4 per cent. on 2011.

The global theme park industry continues to see attendance growth with visitors to theme parks across the globe increasing 5.2 per cent. from 2011 to 2012. Within this, attendance growth in Asia and North America was particularly strong. The top 25 theme parks worldwide attracted 205.9 million visitors in 2012, up 5.2 per cent. from 2011[23].

Importantly, visitor attendance at theme parks has maintained growth throughout the recent global economic downturn. From 2008 to 2012, annual attendance at the top 10 theme parks by region grew 0.7 per cent. in Europe, 2.2 per cent. in North America and 4.1 per cent. in Asia Pacific[24].

The Directors believe that these global trends support the Group's international growth and diversification strategy.

Short Break Trends

The Directors believe that the short break market (typically one to three day stays) is growing in many of the countries and regions in which the Group operates and, in particular, in key gateway cities, such as London, Berlin, Sydney and Shanghai, where the Group has a strong presence. Within its national/regional theme parks, the Group has identified this short break market as a key sector in which it aims to increase its market share.

In particular, domestic holidays (including short breaks) in the UK have risen by 12 per cent. by volume over the five years between 2007 and 2012 as the economic downturn has forced customers to switch from overseas trips (down 19 per cent. by volume over the same period)[25]. The Directors estimate the UK short break market to be worth about £7 billion and growing at about 4 per cent. per annum. By creating attractive accommodation

[17] United Nations World Tourism Organisation 2013.
[18] United Nations World Tourism Organisation 2013.
[19] Euromonitor International's Top City Destinations Ranking (2011 edition).
[20] Euromonitor International's Top City Destinations Ranking (2011 edition).
[21] Euromonitor International's Top City Destinations Ranking (2011 edition).
[22] Mintel Report, Visitor Attractions-UK, October 2012.
[23] TEA AECOM Report 2012.
[24] TEA AECOM Report 2012, TEA AECOM Report 2008.
[25] Office for National Statistics.

on-site and/or working with hotel partners, as well as continuing to develop second gates, where appropriate, the Group aims to capitalise on this trend and encourage customers to increase both the duration of their stay at Attractions and also their overall spend.

6. COMPETITIVE ENVIRONMENT

As an operator in the leisure industry, Merlin has a broad set of competitors in addition to other attractions industry participants, including cinemas, museums, sporting events and large shopping malls that compete for both the time and money that consumers spend on leisure and entertainment.

Within the attractions industry, Merlin's Midway Attractions compete with other local attractions operators and tourist destinations within the locations where the Midway Attractions operate. Major competitors include both individually owned attractions, such as the Eden Project and the Warner Bros. Studio Tour in the UK, Madurodam in Holland and Sydney Bridge Climb in Australia, as well as larger attractions groups, such as Ripley's Entertainment, and third sector groups, such as royal historic palaces and the National Trust.

Merlin's Resort Theme Parks and LEGOLAND Parks compete against other theme parks which also attract local residents and tourists from within a two to five hour drive time. Major competitors in each country of operation include Blackpool Pleasure Beach, Paulton's Park and Drayton Manor in the UK; Europa Park and Phantasialand in Germany; Mirabilandia and Rainbow Magicland in Italy; Tivoli Gardens, Djurs Sommerland and Bakken in Denmark; and Disneyland Paris on a Europe-wide basis. Disney, Universal Studios, Six Flags, Cedar Point and SeaWorld Parks and Resorts are competitors in the United States. LEGOLAND Malaysia competes with Universal Studios on Sentosa Island, Singapore.

PART 8 – BUSINESS OF THE GROUP

1. BUSINESS OVERVIEW

Merlin is a global leader in branded, location based family entertainment, operating 99 Attractions in 22 countries which attracted over 54 million visitors in the 2012 financial year. It is the second largest operator of visitor attractions and theme parks globally and the largest in Europe, in each case by number of visitors in the 2012 financial year[26]. Merlin is also a market leader in the UK, Germany and Italy by total visitor numbers, with a growing presence in the US and Asia Pacific. Merlin owns and/or operates a unique portfolio of brands which are often iconic and possess a strong heritage within their markets and which are supported by the Group's extensive technical and creative expertise.

The Group's strategy since its formation in 1999 has been to create a high growth, high return, family entertainment company based on strong brands and a global portfolio of assets that is naturally hedged against the impact of external factors. This strategic approach has led to the creation of a portfolio of nationally and internationally recognised premium brands focused on "fun learning" and providing memorable, entertaining, interactive and educational experiences, principally for families and young adults. The Group's portfolio of Attractions is diversified across a range of brands, geographies and demographics and generated total revenue of £1,074 million and underlying EBITDA of £346 million in the 2012 financial year.

The Group is organised into three operating groups:

FY2012	Midway Attractions	LEGOLAND Parks	Resort Theme Parks
Description	• Branded indoor visitor attractions with up to two hour visitor duration	• Interactive outdoor theme parks offering one to two day visits targeted at families with children aged 2 – 12 • Increasingly with on-site accommodation	• National destination outdoor theme parks offering one to two day visits in densely populated European markets • Increasingly with on-site accommodation
Attractions / Parks (as at the date of this Prospectus)	86 attractions[27]	6 parks	6 parks / 1 waterpark
Hotels / Holiday Villages	—	3 hotels / 2 holiday villages	5 hotels / 1 holiday village
Visitors (m)	33.1	10.5	10.5
Revenue (£m)	458	308	290
EBITDA (£m)	179	113	73

The three operating groups are supported by Merlin's extensive in-house business development, creative, project management and production group, Merlin Magic Making, which operates from six locations across Europe, North America and Asia Pacific and employs more than 300 people. Merlin Magic Making is responsible for identifying locations and delivering new Attractions and for creating and delivering major investment projects across the Group's existing estate (including new hotels and rides). Merlin Magic Making is also responsible for supporting the Group's three operating groups through its unique Madame Tussauds creative sculptors and LEGO model builders and its SEA LIFE marine biologists. This team worked on 29 major projects across 9 countries involving £120 million of investment in projects completed in the 2012 financial year.

[26] TEA AECOM Report 2012.

[27] Includes three second gates which are accounted for with the Theme Parks where they are located.

The Group's strategy and performance is underpinned by its commitment to operational excellence. This entails an integrated approach to quality management, capital investment, marketing and pricing, together with a focus on health and safety. The Group's strong financial returns are also the result of the highly efficient deployment of capital expenditure across the existing estate and new attractions.

The Group has demonstrated the strength of its diversified business model through its track record of annual profit growth. The drivers of this performance can be summarised as:

- continued growth in EBITDA from the Group's existing estate, through the application of planned investment cycles, leveraging of strategic synergies and the transformation of Theme Parks to short break destinations. From the 2008 financial year to the 2012 financial year the existing estate as at the end of the 2007 financial year has delivered a compound annual EBITDA growth rate of 5.4 per cent[†]; and
- continued roll-out of Midway Attraction brands and the development of new LEGOLAND Parks, each of which has a target of achieving an average annual 20 per cent. incremental ROIC over its first five full years of operation. Since the start of the 2004 financial year, the Group delivered an average incremental ROIC of over 20 per cent. on Midway Attraction openings, single site Midway Attraction acquisitions and the opening of LEGOLAND Florida[28].

The Group has diversified its businesses and revenues internationally with significant growth in revenue in North America and Asia Pacific. As a result revenues in North America and Asia Pacific have increased as a proportion of total revenues from 11 per cent. and 1 per cent., respectively, in the 2008 financial year to 20 per cent. and 14 per cent., respectively, in the 2012 financial year.

Revenue	**2008 (£m)**	**2009 (£m)**	**2010 (£m)**	**2011 (£m)**	**2012 (£m)**
UK	321	356	382	404	425
Continental Europe	260	294	282	324	280
North America	74	108	120	154	217
Asia Pacific	7	11	17	64	152
Total	662	769	801	946	1,074

2. HISTORY OF THE GROUP

The Group was formed in 1999, with the backing of Nick Varney (the current Group Chief Executive Officer), Andrew Carr (the current Group Chief Financial Officer), a number of the other current senior management team and Apax Partners through a buy-out of Vardon Attractions Limited from Vardon plc. At that time, the business comprised 17 SEA LIFE Centres in the UK, Germany, the Republic of Ireland, the Netherlands and Spain, and the London and York Dungeons. The Group has since changed ownership a number of times, with Hermes Private Equity acquiring the business in 2004 and Blackstone becoming majority owner in May 2005. During this period, the Group undertook a major expansion of its SEA LIFE and Dungeons brands in continental Europe.

During Blackstone's period of majority control, the Group completed a number of acquisitions, including the LEGOLAND Parks from KIRKBI (then named LEGO Holding A/S) in August 2005 and Gardaland, Italy's largest theme park (together with its accompanying hotel), in November 2006. The Group further strengthened its portfolio of assets in May 2007 by acquiring The Tussauds Group from Dubai International Capital. As part of the acquisitions of the LEGOLAND Parks and The Tussauds Group, each of KIRKBI and Dubai International Capital, respectively, became shareholders. In July 2010, through a combination of a sale by Dubai International Capital of its remaining shareholding and a sale by Blackstone of a proportion of its shareholding, CVC Holdco became a significant shareholder in the Group. Details of each of the Major Shareholders' percentage holding immediately prior to and following Admission are set out at paragraph 6.3 of Part 15 – Additional Information.

[28] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Incremental ROIC for an explanation of incremental ROIC and the basis of its calculation. The Group's financial statements for the 2004 and 2005 financial years were prepared using UK generally accepted accounting policies. The Group's financial statements for the 2006 and 2007 financial years were prepared using IFRS. The Group's financial statements for the 2008, 2009, 2010, 2011 and 2012 financial years have been prepared using International Financial Reporting Standards and in accordance with the policies set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

The Group has continued to expand with the following additional significant Attraction openings or acquisitions between the 2010 financial year and the 2012 financial year:

- In January 2010, the Group acquired the 150 acre Cypress Gardens theme park in Florida, which was converted into LEGOLAND Florida and opened in October 2011;
- In January 2011, the Group acquired the Sydney Attractions Group, which owned six attractions (five in Australia and one in New Zealand), including three aquaria which have since been re-branded as SEA LIFE Centres;
- In February 2012, the Group acquired Living and Leisure Australia, adding a further nine ongoing attractions to its portfolio, which it intends to rebrand during the 2013 to 2016 financial years;
- In September 2012, LEGOLAND Malaysia was opened (operated by the Group pursuant to a management contract), the first Theme Park to be operated by the Group in Asia; and
- 16 Midway Attractions opened in seven countries, comprising four Madame Tussauds, four SEA LIFE Centres, five LEGOLAND Discovery Centres, two observation attractions and one Dungeon.

The Group has also carried out major investments in its existing portfolio of Attractions, opening 12 major rides or experiences since the beginning of the 2010 financial year, including The Smiler, a major new rollercoaster at Alton Towers, Polar X-Plorer, a family coaster ride at LEGOLAND Billund, Zufari – Ride Into Africa, a family safari experience at the Chessington World of Adventures Resort, Kraken, a new thrill ride at Heide Park, The Swarm, a major new extreme thrill rollercoaster at Thorpe Park, Raptor, a major new extreme thrill rollercoaster at Gardaland, a “World of Chima” experience at LEGOLAND Florida, Atlantis by SEA LIFE at LEGOLAND Windsor as well as the relocation and relaunch of the London Dungeon at the cluster site at County Hall, London.

The Group has also been investing significantly in accommodation to increase the number of short break and multi-day visitors and intends to continue to do so. Hotels have been opened over the last two financial years at LEGOLAND California and LEGOLAND Windsor. The Chessington World of Adventures Resort hotel is being converted from a Holiday Inn into a themed Safari hotel with a 69 room extension planned for the 2014 financial year. As part of the Group’s ongoing strategy of positioning the Group’s Theme Parks as short break destinations, the Group has carried out accommodation trials in 2013 at Thorpe Park and Warwick Castle.

Relationship with KIRKBI

The use of the LEGOLAND trademark and ancillary use of the LEGO trademark to develop and operate LEGOLAND Parks (as well as other visitor attractions) is granted to members of the Group by KIRKBI on an exclusive, perpetual and worldwide basis in return for the payment of a royalty, subject to a licence agreement described in more detail in paragraph 15.1 of Part 15 – Additional Information. The strength of the LEGOLAND and LEGO brands, combined with Merlin’s expertise in operating branded attractions, has led to a successful relationship between KIRKBI and Merlin. This is reflected in continued investment in and development of the existing LEGOLAND Parks and associated accommodation since acquisition, and the profitable growth delivered across the LEGOLAND Parks since acquisition. Under Merlin’s ownership, the LEGOLAND Parks’ EBITDA on a constant currency basis has grown from £60.3 million in the 2008 financial year to £112.8 million in the 2012 financial year. In addition, Merlin has successfully developed the LEGOLAND Discovery Centre brand with the opening of ten Attractions under this brand since 2007, and LEGOLAND Parks with the development and opening of LEGOLAND Florida in October 2011 and LEGOLAND Malaysia in September 2012. The arrangement may also be beneficial for KIRKBI, as in addition to the fees payable by the Group to KIRKBI under the LCA, the opening of LEGOLAND Parks in new locations may help raise the profile of LEGO as a brand in those countries and help drive sales of LEGO at the LEGOLAND Parks.

The Directors believe that the arrangement provides Merlin and KIRKBI with the mutual benefit of broader global exposure of the LEGOLAND and LEGO brands and the benefit of the continued success of market-leading attractions. The relationship with KIRKBI has enabled Merlin to develop and operate uniquely branded, interactive family theme parks. For example, the development of LEGOLAND Florida was funded in part by an equity investment in the Group of $30 million made by KIRKBI in January 2010. As Merlin continues the development of the LEGOLAND brand, KIRKBI has reaffirmed its intention to continue to support the development of further LEGOLAND Parks by the Group, which may include the provision of additional investment directly in individual LEGOLAND Parks if both KIRKBI and Merlin consider it appropriate.

KIRKBI is a significant shareholder in Merlin and intends to remain a long-term strategic shareholder in the Company following Admission.

Further details relating to the Company’s arrangements and relationship with KIRKBI are set out in paragraph 1.1 of Part 9 – Directors, Senior Management and Corporate Governance and paragraph 15.6 of Part 15 – Additional Information.

3. STRATEGY

The Group's strategy since its formation in 1999 has been to create a high growth, high return, family entertainment company based on strong brands and a global portfolio of assets that is naturally hedged against the impact of external factors.

The implementation of this strategy has resulted in the creation of a global leader in location based leisure and entertainment. The Group remains focused on the following six strategic growth drivers as it continues to progress towards its long-term targets of which the first three (together) are intended to deliver mid-single digit like-for-like EBITDA growth per annum:

- Existing estate growth via the application of planned investment cycles;
- Leveraging of strategic synergies;
- Transformation of Theme Parks to short break destinations;
- Roll-out of Midway Attractions;
- LEGOLAND Park developments; and
- Strategic acquisitions.

Geographically, the Group has a long-term target to derive approximately an equal percentage of total revenues from each of the three regions of Europe (including the UK), the Americas and Asia Pacific. In the 2012 financial year, Europe (including the UK), North America and Asia Pacific represented 66 per cent., 20 per cent. and 14 per cent. of Group revenue, respectively.

Existing estate growth via the application of planned investment cycles

The Group continues to invest in its existing Attractions to improve the visitor experience so as to increase visitor numbers and revenue growth. To improve its product appeal, maintain its high levels of customer satisfaction and drive organic growth, the Group has developed planned investment cycles for each of its three operating groups. Investments are made across the Group according to the forecast potential returns and the capital requirements of the respective operating groups. This investment is divided between adding new rides and attractions, replacing old features with newer, more compelling ones and general maintenance (including ensuring health and safety standards are met or exceeded).

These capital expenditure cycles are designed to develop the product portfolio over time so as to increase visitor numbers and visitors' length of stay and to support value added increases in admissions fee prices and secondary spend, thereby delivering growth in revenue and profitability. The Directors expect the Group to maintain annual capital expenditure relating to the Group's existing estate broadly in line with the level of its annual depreciation and amortisation charge on these Attractions.

Specifically, the Group's planned approach in these cycles is to deliver higher levels of investment in new features in each Midway Attraction approximately once every five years and open a major new ride or experience in each Theme Park approximately every four years. These cycles are carefully managed so as to smooth capital expenditure across the portfolio of Attractions, to ensure the investment is funded out of the Group's operating free cash flow and to provide each Attraction or cluster of Attractions with the visibility and autonomy to plan effectively. The high degree of planning for future development also allows the Group to form and integrate its marketing strategy in advance and facilitate optimum utilisation of its Merlin Magic Making group. The Directors believe that this cyclical strategy, integrated with marketing and pricing initiatives, allows the Group to maximise capital expenditure efficiency and drive incremental organic demand growth in its existing estate. Historically these investment cycles have meant that, once they have reached maturity (with the timeline to maturity differing among different types of Attraction), the Group's Attractions have on average exhibited revenue growth independent of their age or the period since their acquisition.

In addition to major rides and developments, the Group makes smaller investments at most Attractions each year that support a continually refreshed marketing message and sustained level of visitor satisfaction. For Midway Attractions, the Group has developed the concept of a 'black box', or area within each site, in which a themed exhibition can be displayed, for example the "Jellyfish Discovery" and "Claws" displays at SEA LIFE Centres. After approximately one year at a SEA LIFE Centre, these exhibitions can be transferred around the estate on a rotating basis to help grow new and repeat visitor numbers. The Group has also developed touring displays of wax work figures which can be rotated around the Group's Madame Tussauds visitor attractions.

Investments are planned well in advance of implementation in order to allow time to develop a concept and associated "compelling proposition" that is intended to drive significant incremental demand from each Attraction's target market. The significant existing estate investments currently planned to open in the 2014 financial year include a new CBeebies Land at Alton Towers, a “Haunted House” experience at LEGOLAND Billund, a significant expansion of the LEGOLAND California waterpark under the “Chima” brand (to also act as a second gate opportunity) and a thrill “wing” rollercoaster at Heide Park.

Leveraging strategic synergies

There are four major strategic initiatives that the Board believes will allow the Group to leverage its scale to continue to generate substantial synergy opportunities for the Group.

Merlin Annual Passes

Merlin offers customers a Merlin Annual Pass that is purchased for a one-off price that enables them to visit all Attractions within a particular country for one year for no additional admission fee.

Merlin has successfully launched Merlin Annual Passes in the UK and Germany, where there were 208,894 and 73,623 Annual Passes sold in the 2012 financial year, respectively. In the 2012 financial year, 10 per cent. of visitors to the Resort Theme Parks were Merlin Annual Pass holders. Merlin currently offers two different types of Annual Passes in the UK: premium Merlin Annual Passes, which offer year round entry, with no exclusions, to Attractions in the UK, exclusive short break offers, complimentary standard car parking and certain other benefits (for example, reserved seating at shows); and standard Merlin Annual Passes, which offer year round entry to all Attractions in the UK except certain Attractions at peak times but which do not provide complimentary car parking. The Group has also recently launched a Merlin membership scheme in the UK, pursuant to which customers can pay for their Annual Passes by monthly direct debit.

The Group has launched Merlin Annual Passes in the United States and Australia where there were 17,076 and 28,506 sold in the 2012 financial year, respectively. The Group has also launched Merlin Annual Passes in Malaysia and plans to launch similar promotions in other jurisdictions where it owns or operates multiple Attractions. The Group uses its Merlin Annual Pass to drive visitor loyalty and brand awareness. Merlin Annual Passes also provide the Group with revenue visibility and increase levels of secondary spending at the Attractions.

Online and e-commerce

The Group is increasing its focus on online sales and bookings (including through mobile devices), with increasing numbers of visitors booking through Merlin’s brand websites and in many cases booking visits more than seven days in advance, thereby reducing visitor volatility. Online advance bookings are increasingly made through Merlin’s proprietary system which offers a lower cost of sale than bookings made through third party intermediaries.

Online advance bookings represent guaranteed revenue streams and help to hedge against the effects of poor weather and volatile market conditions on visitor numbers. They also offer opportunities to cross sell secondary spend items, such as overnight accommodation and priority ride passes. The Group estimates that the percentage of admission fee revenue which is derived from bookings on its website has grown from approximately 11 per cent.[†] in the 2010 financial year to approximately 15 per cent.[†] in the 2012 financial year. In addition, in the 2012 financial year, approximately 45 per cent. of group visits were either pre-booked online or were visits from groups holding Merlin Annual Passes. The Group’s website booking engines allow for dynamic pricing systems whereby advance booking discounts can be altered to reflect changes in demand. The use of online advanced booking information is a valuable source of customer data for Merlin, which can be used to communicate upcoming events and to help drive visitor numbers and incremental revenue.

Promotions and Marketing

Merlin can apply flexible pricing to manage visitor numbers through peaks and troughs of attendance, to extend the length of stay and to encourage repeat visits and to enhance overall revenue from each Attraction. Such pricing strategies can include promotional discounts (for example, selling admission through a retailer’s loyalty card programme) or form part of a wider national marketing campaign (for example, in conjunction with a newspaper advertising promotion or an “on pack” promotion of a major consumer brand). The Group has conducted successful national promotions in the UK, including promotions with Tesco, News International and Kellogg’s. Similar marketing promotions have been used in several countries in which the Group owns or operates Attractions. The Group strategically uses these methods to drive demand for the Attractions at times when they are less busy to raise awareness through third party communications, to encourage repeat visits and to increase penetration into customer segments that might not otherwise visit the Attractions.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS. historical financial information presented in Part 12 – Accountants’ Report and Financial Information on Merlin Entertainments S.à r.l.

Procurement Synergies

Merlin's scale allows it to exploit procurement cost efficiencies within a country or region and across clusters. Merlin expects further benefits from such savings as it continues to increase its global scale via opening and acquiring new Attractions.

Transformation of Theme Parks to short break destinations

Whilst the Group's Theme Parks are currently well positioned to capture local market share with the four most visited theme parks in the UK[29], the Group has been pursuing a strategy to position its Theme Parks as short break destinations to benefit from the growing short break tourism market, and intends to continue to do so. In particular, the Group has been positioning its Theme Parks as "national destination" parks with the aim that all of the Theme Parks should continue to generate an increasing part of their business from short breaks, to complement the business generated by its day visit market.

The Group currently has eight hotels, three holiday villages and four second gates at its Theme Parks and intends to continue to develop hotels, holiday villages and where appropriate second gates. The Directors believe this will assist in the continued migration of Theme Parks to short break destinations and continue to create new revenue and profit opportunities. The Directors believe that this destination positioning has extended visitor market reach to over five hours drive time and has enhanced revenues from both primary admissions (including multi-day tickets and second gate admission fees) and secondary spend. The latter is typically comprised of the sale of accommodation, food and beverages, merchandise and souvenirs as a result of longer average lengths of stay. The Group will not open new accommodation unless it believes that such accommodation will achieve an average annual 15 per cent. incremental ROIC[30] over the first five full years of operation.

Merlin opened a 150 room hotel at LEGOLAND Windsor in March 2012, a 250 room hotel at LEGOLAND California in April 2013 and a 34 room "Knight's Castle" hotel at LEGOLAND Deutschland at the start of the 2013 season. In addition, a 249 room hotel (which will be managed, but not owned, by Merlin) is currently under construction at LEGOLAND Malaysia, as is a 69 room extension to the hotel at Chessington World of Adventures and a further 68 room "Knight's Castle" extension at LEGOLAND Deutschland. The Group's branded accommodation forms an integral part of the customer experience and demand has exceeded the Group's expectations in both peak and off-peak seasons with the hotel at LEGOLAND Windsor achieving 95 per cent. occupancy rates for the duration of the 2012 peak season (being July and August). At the Group's Theme Parks, off-peak occupancy has benefitted from business usage, particularly at sites offering conference centre and other business facilities, such as Chessington World of Adventures. The Company intends to continue to develop new accommodation offerings as part of its Resort Theme Parks and LEGOLAND Park operating groups.

The Group is also continuing its strategy of investing in second gate and up-sell attractions, where appropriate, to lengthen overall visitor times and enhance revenues. Second gates are visitor attractions situated alongside Theme Parks with a separate entrance and for which additional admission fees are charged. The Group has already opened four second gate attractions at its Theme Parks in Europe and the United States. The Group has also opened a waterpark at LEGOLAND Malaysia in October 2013 and currently intends to significantly expand the waterpark at LEGOLAND California in 2014.

By improving the breadth of its offering the Group aims to increase the average length of stay and intends to invest carefully in accommodation to support this trend. The Group has a long-term target of 50 per cent. of Merlin Theme Park visitors staying overnight at Merlin-owned or other accommodation.

Roll-out of Midway Attractions

The Group has developed a disciplined programme, focused on strict investment criteria, to roll-out additional Midway Attractions in suitable locations across the globe. The Group has a track record of expanding its Midway Attractions brands into new locations with 47 new Midway Attractions opened, acquired or re-branded since the beginning of the 2008 financial year in 14 different countries. The branded, chainable nature of Midway Attractions enables the concept to be quickly recognised and accepted in new locations. The Group is actively considering developing a sixth Midway Attraction brand.

The Group's minimum return hurdle of 20 per cent. incremental ROIC[31] and breakeven thresholds for new investments ensure that the business case for each of the Group's new Midway Attractions openings has been rigorously tested.

[29] TEA AECOM Report 2012.

[30] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Incremental ROIC for an explanation of incremental ROIC and the basis of its calculation.

[31] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Incremental ROIC for an explanation of incremental ROIC and the basis of its calculation.

Due to the comparatively small size, self-contained, simple layout and standardised indoor format of most Midway Attractions, relatively limited investment is typically required to open a new site and deliver a high quality visitor experience. New Midway Attractions are often profitable within the first full year of operation. In addition, there is a relatively low requirement for ongoing investment in marketing due to the Group's strong brands, which require a relatively lower budget for promotions. Midway Attractions are capable of being located in most major cities in the world, as well as smaller urban locations, creating a significant opportunity for future growth.

Destination shopping malls are also an important opportunity for Midway Attractions, providing high traffic destinations in large residential catchment areas where the Midway Attractions can act as the key leisure anchor tenant and consequently the Group may benefit from low rent deals. The Group currently has Midway Attractions in 20 mall locations. Through building relationships with major mall developers, particularly in the United States and Asia, the Group is able to identify and develop additional opportunities to roll out Midway Attractions.

An integral and expanding part of the Group's Midway Attractions strategy includes the clustering of Midway Attractions to exploit the Group's marketing leverage. The Group aims to continue to build clusters of Midway Attractions within cities, resorts or malls where appropriate in order to benefit from strong cross-promotional and operational synergies. In particular, clusters give Merlin the ability to sell tickets to visitors for multiple Midway Attractions thereby increasing visitor numbers within the resulting cluster and enhancing revenue. Clustered sites also benefit from economies of scale and reduced management and operating costs. On average, Midway Attractions which are situated in clusters generally achieved a higher EBITDAR margin in the 2012 financial year than non-clustered Midway Attractions. In the 2012 financial year, revenue from Midway Attractions situated in clusters[32] represented 56 per cent.[†] of the Midway Attractions operating group's total revenue for that year.

As a result of in-depth analysis, including local tourism and wealth per capita trends, the Group has identified over 100 opportunities across the world with the potential to establish new Midway Attractions of which 67 are in cluster markets, with the potential for 50 cluster cities. The Directors believe that these sites meet the population size, demographic profile and level of disposable income required to support a new Midway Attraction with roughly two thirds of these sites being based in existing or potential cluster markets, including 20 major cities including Beijing, Hong Kong, New York, Paris, San Francisco and Shanghai. The Group's current strategic focus is on Asia Pacific, where, by the end of the 2014 financial year, the Group expects to have 25 Midway Attractions in 8 countries. The Group has opened two Midway Attractions in the Asia Pacific region in the 2013 financial year (a Madame Tussauds in Wuhan and Tokyo), with the intention of opening a further Madame Tussauds in Beijing in the 2014 financial year. The Group's aim is to open two to three new Midway Attractions per annum in the region from the beginning of the 2015 financial year. The Group is continuing to build an organisational infrastructure in the Asia Pacific region, with a regional head office now set up in Hong Kong.

The scale of the Group's Theme Parks and available undeveloped land at some locations may also provide an opportunity to utilise Midway Attraction brands as second gates alongside (or up-sells within) the Group's Theme Parks.

LEGOLAND Park developments

The Group has a proven track record of developing and operating LEGOLAND Parks globally and has opened new LEGOLAND Parks in 2011 (Florida) and 2012 (Malaysia) which were both delivered on time and on budget and which are performing in line with the Group's expectations. Given the strength of the LEGO and LEGOLAND brands and the success of its existing LEGOLAND Parks, the Group sees significant scope for new LEGOLAND Parks, particularly in Asia, and is committed to ensuring that future expansion is carefully planned and executed in order to maintain core brand values. The Group intends to open a new LEGOLAND Park on average every two to three years. The success of LEGOLAND Parks may also be beneficial to KIRKBI, raising the profile of the LEGO brand as well as contributing to increased sales of LEGO in the relevant locations.

Merlin adopts a flexible approach to new LEGOLAND Park developments, depending on various factors including the location of the proposed new LEGOLAND Park, and has three broad strategies in this regard. Merlin intends to be the operator of each new LEGOLAND Park, irrespective of which strategy is used to develop it.

Firstly, in more proven locations, the Group follows an operated and owned model. Under this approach, the Group makes the necessary capital investment to acquire the land and develop the infrastructure itself. The Group used this model in acquiring the existing 150 acre Cypress Gardens theme park and redeveloping it as LEGOLAND Florida. Since opening, LEGOLAND Florida has performed in line with the Group's expectations.

[32] Comprising cluster sites in Amsterdam, Bangkok, Berlin, Blackpool, Dallas, Kansas City, London, Shanghai, Sydney and Weymouth.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Secondly, the Group may choose to follow an operated and leased model. Under this approach, the acquisition of the park site, the development of the infrastructure and the basic construction will be funded by a third party partner. The Group will fund and build the rides and the necessary theming, lease the site on a long term basis, and operate the LEGOLAND Park. It is possible that the potential LEGOLAND Park in Japan or South Korea (as described below) could be developed using this approach.

Thirdly, in new and unproven locations, it uses a low capital commitment model, whereby the capital investment is provided by a third party, and the Group operates the park pursuant to an operating contract arrangement and is paid annual operating fees. An example of this approach is LEGOLAND Malaysia, where the Group does not own the park but instead operates it pursuant to a development and management contract with Malaysian partners with funds provided by the Malaysian government. Further details of the contractual arrangements in respect of LEGOLAND Malaysia are set out in paragraph 15.4 of Part 15 – Additional Information. LEGOLAND Malaysia has performed ahead of the Group's expectations, with strong attendance from visitors from Malaysia and neighbouring Singapore, in addition to strong annual pass sales. The Group is planning to open LEGOLAND Dubai in the United Arab Emirates in 2016, using a similar management contract model.

The success of LEGOLAND Malaysia, Merlin's first LEGOLAND Park in Asia, has reinforced the high level of interest from other Asian countries to develop LEGOLAND Parks. The Group has identified sites for potential LEGOLAND Parks in Japan and South Korea and it is anticipated that a LEGOLAND Park in one of these countries will open in the 2017 financial year. In connection with a potential LEGOLAND Park in South Korea, the Group has entered into an undertaking agreement with the Gangwon Provincial Government, pursuant to which the parties have agreed to finance and develop a LEGOLAND Park in Gangwon-Do, South Korea. Should all the conditions to this agreement be satisfied, Merlin will be required to provide approximately US$100 million of investment over several years, of which the first US$10 million is likely to be required before the end of the 2014 financial year. Further details of this agreement are set out at paragraph 15.11 of Part 15 – Additional Information. The Group is also in discussions with KIRKBI in relation to the funding of the development of potential new LEGOLAND Parks. Should any of these projects proceed with KIRKBI'S involvement this could constitute a related party transaction under the Listing Rules, in which case the Company would be required to seek shareholder approval before progressing the transaction. The Group has also identified potential opportunities to expand into China and further into the United States in the medium to long term.

Strategic acquisitions

The Group continues to actively consider acquisitions of, or investments in, visitor attractions, sites and brands that could strategically enhance the Group's portfolio and enable it to grow into new geographies. The Group has demonstrated a track record of identifying, implementing and integrating both large and small acquisitions and delivering significant value uplift through improving the acquired operations. Examples of this strategy include the original acquisition of LEGOLAND Billund, LEGOLAND California, LEGOLAND Deutschland and LEGOLAND Windsor; the acquisition of Gardaland; and the recent acquisitions of Sydney Attractions Group and Living and Leisure Australia. The Directors believe that there remain further attractive acquisition opportunities that would meet the Group's investment criteria in the future.

4. KEY STRENGTHS

Portfolio of leading global entertainment brands and iconic assets

The Group owns and/or operates a unique global portfolio of brands and assets which are widely recognised by consumers and possess a strong heritage. Examples include Alton Towers, Gardaland, Madame Tussauds, SEA LIFE and the EDF Energy London Eye. These brands, which are iconic in many cases, are supported by the Merlin Magic Making group. The strength and breadth of this brand portfolio enable Merlin to offer compelling entertainment propositions through a wide variety of activities and visitor experiences across a broad range of geographies and demographic groups. The Group's portfolio focuses on delivering high quality family entertainment with an emphasis on "fun learning".

As leisure spending can be relatively impulse-driven, brand recognition has been and is expected to continue to be critical to driving attendance. The strength of the Group's brands has enabled the continued roll-out of Midway Attractions to new locations around the world. In addition, access to the LEGO brand provides the Group with opportunities to leverage third party brands (for example, the LEGO Star Wars exhibits at each of the LEGOLAND Parks). Merlin's experience and expertise in opening new sites and its broad brand recognition reduce the risks of such expansion, which is an important driver of Merlin's organic growth. Over the last three financial years, the Group has demonstrated the strength of its brand portfolio with the successful development of 16 new Midway Attractions, two LEGO-themed hotels and two LEGOLAND Parks.

Merlin Magic Making

The Group's portfolio of brands is underpinned by Merlin's extensive in-house business development, creative and production group, Merlin Magic Making. In particular, the Merlin Magic Making group is responsible for creating and delivering major investment projects (including new hotels and rides) across the Group's existing estate and for identifying and delivering new Attractions. The Merlin Magic Making group is also responsible for supporting the Group's three operating groups in other ways, including through Madame Tussauds' creative sculptors, SEA LIFE's marine biologists and LEGO model builders.

Midway Attractions

The Group's Midway Attractions benefit from brands with broad international appeal and recognition. These include:

- SEA LIFE, the world's largest aquarium brand, with strong name recognition and a track record of providing high quality and informative family entertainment for over 30 years, comprising 44[33] Attractions in 17 countries;
- Madame Tussauds, the world's premier wax figures exhibition for over 200 years, with a strong relevance to today's culture of celebrity in both more mature and emerging markets, comprising 15 Attractions in nine countries;
- The Eye Brand and observation attractions, with iconic, internationally recognised landmarks synonymous with the skylines of major cities such as London and Sydney, comprising three Attractions in two countries.
- LEGOLAND Discovery Centres, an extension of the LEGOLAND brand to the Midway Attractions format, successfully developed by Merlin in recent years and offering the same values of interactivity and family fun in a smaller, more accessible format, comprising ten Attractions in five countries; and
- The Dungeons, with a strong 'cult' reputation amongst the teen and young adult market for fun, irreverent horror entertainment and, at the same time, providing informative, historical context and references, comprising eight Attractions[34] in three countries.

LEGOLAND Resorts and Parks

The LEGO brand has global recognition and is associated with fun and interactive learning. LEGOLAND Parks in Denmark, Germany, Malaysia, the UK and the United States (California and Florida) build on the strength of this brand to create themed and interactive parks, which are attractive to families looking for a fun and engaging day out. The LEGOLAND brand attracts all social groups and has particularly high recognition and appeal amongst higher income families (or the ABC1 category in the UK demographic classification).

The expansion of the LEGOLAND portfolio may bring benefits to both Merlin and KIRKBI. Since Merlin acquired the LEGOLAND Parks in 2006, the aggregate EBITDA of the four original parks (LEGOLAND Billund, LEGOLAND California, LEGOLAND Deutschland and LEGOLAND Windsor) has tripled. The introduction of LEGOLAND Parks in new locations may also benefit KIRKBI as a result of increases in LEGO toy sales in those new markets (beyond the sale of LEGO toys at the new LEGOLAND Parks) by raising the profile of the LEGO brand in those new markets.

The Group has expanded this operating group in recent years with the opening of LEGOLAND Florida in 2011 and LEGOLAND Malaysia in 2012, the latter operated by Merlin under a management contract. The Group also plans to open a LEGOLAND Dubai in the United Arab Emirates under a similar management contract in the 2016 financial year. The Group has identified sites for potential LEGOLAND Parks in Japan and South Korea and it is anticipated that a LEGOLAND Park in one of these countries will open in the 2017 financial year. In connection with a potential LEGOLAND Park in South Korea, the Group has entered into an undertaking agreement with the Gangwon Provincial Government, pursuant to which the parties have agreed to finance and develop a LEGOLAND Park in Gangwon-Do, South Korea. Should all the conditions to this agreement be satisfied, Merlin will be required to provide approximately US$100 million of investment over several years, of which the first US$10 million is likely to be required before the end of the 2014 financial year. Further details of this agreement are set out at paragraph 15.11 of Part 15 – Additional Information. The Group is also in discussions with KIRKBI in relation to the possible funding of the development of potential new LEGOLAND Parks. Should any of these projects proceed with KIRKBI's involvement this could constitute a related party transaction under the Listing Rules, in which case the Company would be required to seek shareholder approval before progressing the transaction. The Group has also identified potential opportunities to expand into China and further into the United States in the medium to long term.

[33] Includes two second gates which are accounted for with the Theme Parks where they are located as well as the Weymouth SEA LIFE Tower.
[34] Includes a Dungeon second gate which is accounted for with Warwick Castle.

The LEGOLAND Parks in the UK, California and Denmark have themed on-site hotels ranging from 150 to 250 rooms whilst LEGOLAND Deutschland includes a holiday village. These hotels provide an integral contribution to the overall customer experience and help drive increases in multi-day ticket sales. There is an additional hotel under construction at LEGOLAND Malaysia and hotel extensions under construction at LEGOLAND Deutschland and LEGOLAND Billund.

Resort Theme Parks

Each of the Group's six Resort Theme Parks benefits from strong brand awareness and is positioned to target specific market segments. For example, Thorpe Park focuses especially on the teen market whereas Chessington World of Adventures is more orientated towards families.

The Resort Theme Parks all offer a compelling, coherent proposition and strong theming, with few or no local competitors that can offer the same quality or scale of visitor experience. Supported by effective marketing and promotions, the Directors believe this ensures that each brand is the strongest in its relevant market. They are increasingly being recognised as destination resorts, attracting short break visits from national and in certain cases international visitors, supported by short break marketing campaigns and second gate opportunities where appropriate.

Each of Alton Towers, Chessington World of Adventures, Gardaland and Heide Park have one or more hotels or holiday villages and Thorpe Park and Warwick Castle have trialled accommodation offerings in 2013.

Diverse and robust business model

Through its broad portfolio of Attractions, the Group's overall business is diversified across a range of categories. This diversification helps the Group to deliver strong financial results across a variety of different market conditions and localised external factors such as regional economic performance, extreme weather and security concerns. As a result, the Group has delivered strong visitor volume, revenue and profit growth as well as high margins and strong cash flow generation during periods which have included terrorist attacks, SARS, record-breaking hot and wet summers, significant and large scale sporting events and the global financial crisis. In particular, between the 2008 financial year and the 2012 financial year the Group delivered compound annual revenue and EBITDA growth in the existing estate at the end of the 2007 financial year of 3.8 per cent.[†] and 5.4 per cent.[†], respectively, despite the global economic downturn, with visitor levels increasing by 1.8 per cent., during the same period. In addition, the Group delivered an EBITDA margin on a constant currency basis of 32.2 per cent., representing an increase of 1.6 percentage points over the 2008 financial year EBITDA margin of 30.6 per cent., and 80 per cent. of underlying EBITDA was converted into operating free cash flow in the 2012 financial year (before new business development capital expenditure)[35].

The Group's high level of diversification helps to hedge the Group's portfolio against the impact of external factors including:

- **Geographies:** The Attractions are located across 22 countries (14 countries in Europe, the United States, Canada and 6 countries in Asia Pacific), and situated in both city centre, shopping mall and coastal locations (Midway Attractions) and in out-of-town locations with good transport links to nearby large urban centres (Resort Theme Parks and LEGOLAND Parks). In the 2012 financial year, the Group derived 35 per cent.[†] of its total EBITDA from its UK operations; 24 per cent.[†] from its continental European operations; 25 per cent.[†] from its operations in North America; and 16 per cent.[†] from its operations in Asia Pacific. The opening of new sites continues to broaden the Group's geographic diversification;
- **Attraction Formats**: The Attractions vary from destination resorts to city centre and coastal attractions, capturing both the urban and resort-based tourist market;
- **Demographics:** Through its range of brands and visitor experiences, the Attractions target visitors from families with young children aged two to 12 (including grandparents with grandchildren) (LEGOLAND Discovery Centres, LEGOLAND Parks, Chessington Resort and SEA LIFE Centres) through teenagers and young adults (The Dungeons and Thorpe Park) to more general groups including adults and families (Alton Towers, The Eye Brand, Gardaland, Heide Park, Madame Tussauds and Warwick Castle);
- **Indoor/Outdoor:** Midway Attractions are primarily indoor attractions which provided 49 per cent. of the Group's EBITDA (before central revenues and costs) in the 2012 financial year. The Group's Theme Parks are primarily organised around outdoor activities and provided 51 per cent. of the Group's EBITDA (before central revenues and costs) in the 2012 financial year. Over time, as the Group rolls out new Midway Attractions, the Directors expect this mix to become more evenly split between indoor and outdoor sites;

[35] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Operating free cash flow for an explanation of operating free cash flow and the basis of its calculation.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

- **Visitor Types:** The Attractions draw both local residents and domestic and international tourists, with Resort Theme Parks and LEGOLAND Parks primarily attracting visitors from their local catchment areas (within a two hour drive time) and domestic tourists on short breaks (up to five hours drive time predominantly). As a result, visitor attendance at the Group's Theme Parks is less likely to be adversely affected by significant global events which affect international travel. Midway Attractions, with their focus on city centres and coastal locations, draw on local residents and domestic tourists in addition to foreign tourists. In the 2012 financial year, the Group estimates that approximately 36 per cent. of visitors to its Attractions had driven at least two hours to visit (and included tourists) and the remaining 64 per cent. were local residents and domestic tourists living within two hours' drive. In addition, the Group's visitors fall into a number of different categories (in terms of ticket purchase type). In the 2012 financial year, 44 per cent. of visitors were those who paid on arrival at an Attraction, 24 per cent. were trade visitors, 12 per cent. had booked online, 9 per cent. were holders of annual passes (including Merlin Annual Passes) and 9 per cent. had promotional discounts; and
- **Price Points:** As the Group offers experiences ranging from one to two hour visits to full day trips to two to three day breaks, there is a broad range of ticket prices available to the Group's visitors. This range is often extended as the Group implements targeted promotional offers in order to attract new customers that might not otherwise visit an Attraction.

Leading market positions underpinned by clear competitive advantages

The Group is the leading operator of visitor attractions and theme parks in Europe and second globally, in each case by number of visitors in 2012[36]. Within their markets, each of Merlin's operating groups commands a strong market share and benefits from established competitive advantages. This is underpinned by the consistently high levels of visitor satisfaction that the Group achieves.

Within the theme park industry, the Group owns six of the top 20 theme parks in Europe by number of visitors in 2012, which attracted an estimated 20 per cent. of visitors to such theme parks[37]. Each of the Group's Resort Theme Parks is strongly positioned in its national/regional market, often representing the pre-eminent visitor attraction in its respective region and benefiting from being situated in a prominent location with good transport links to areas of substantial populations. In particular, the Group possesses a market-leading position in the UK, where it owns the top four theme parks by number of visitors in 2012[38]. The Group also possesses market-leading positions in Italy and Northern Germany, in each case by number of visitors. In addition, the LEGOLAND Parks have very high brand recognition amongst their target demographic of families with children aged two to 12 in each of their respective countries.

In particular, the Group's strong position in Resort Theme Parks and LEGOLAND Parks is supported by a range of key competitive advantages over existing theme park operators and potential new theme park entrants:

- Strong existing brands with exclusive rights and compelling propositions that are well understood with targeted customers and key demographics;
- In-house technical and creative expertise required for attraction and ride design, layout and theming, and park operation;
- Scarcity of sites of suitable size close to major conurbations or population centres;
- Significant initial capital investment required to develop new greenfield theme park sites;
- Difficulty in obtaining planning permission and support for new developments of scale from local planning authorities and residents; and
- Long lead times from start of project development to the opening of attractions to visitors.

Whilst sites for new Midway Attractions are generally more readily available and can be developed with lower initial capital expenditure than new theme parks, the Group has a number of competitive advantages which differentiate its Midway Attractions in their market segments. Consistent with its qualities in theme parks, the Directors believe the most important of these competitive advantages are the Group's strong brands and in-house technical and creative expertise.

- **Strong brands:** Merlin's highly recognisable brands, including Madame Tussauds, SEA LIFE, and The Eye Brand, as well as the LEGOLAND and LEGO trademarks, are a critical factor in attracting visitors, with the signalling effect of branding particularly important amongst the tourist demographic that is key to many city centre and coastal attractions. The Directors believe that few other attraction brands are as widely recognised as Merlin's and that the strength of the brands enables the Group to drive increases in visitor numbers and revenue more quickly than might otherwise be the case;

[36] TEA AECOM Report 2012.
[37] TEA AECOM Report 2012.
[38] TEA AECOM Report 2012 and Company data.

- **In-house expertise:** The scale of the Group's activities has enabled Merlin to develop Merlin Magic Making, its in-house business development, technical and creative group and to continue to deliver innovative new product ideas and implement them efficiently. This is particularly important in the production of wax figures for current and prospective Madame Tussauds Attractions, the breeding of marine creatures for the expanding SEA LIFE portfolio, LEGO model building and the project management expertise underpinning the Group's ability to roll out efficiently multiple new Midway Attractions each year. In addition, each operating group has marketing teams who are able to deliver compelling and effective marketing campaigns for each Attraction; and
- **Clusters**: Increasingly, through a combination of acquisitions and organic growth, the Midway Attractions operating group is able to capitalise on its leisure marketing strength and operational and managerial synergies in its cluster locations. Currently, the Midway Attractions operating group has 14 cluster locations hosting 38 of the total 86 Midway Attractions. Continuing to identify and develop clusters in cities, malls and as second gates and up-sells at Theme Parks is a key part of the Group's ongoing strategy.

Merlin's scale also allows it to exploit operating cost efficiencies, including marketing costs, central management, site development expertise and application of visitor management experience across its portfolio.

Proven and sustainable growth strategies driving high returns

The Group has successfully executed a clear growth strategy based on six core drivers and has a strong track record of successfully implementing each of these strategies. The application of these six strategies has helped the Group achieve substantial revenue and EBITDA growth since its formation. From the 2000 financial year to the 2012 financial year, the Group achieved a CAGR in revenue and EBITDA of 37 per cent. and 38 per cent., respectively[39]. Additionally, from the 2008 financial year to the 2012 financial year, the Group achieved average organic annual revenue and EBITDA growth of 9 per cent.[†] and 10 per cent.[†], respectively, on a constant currency basis[40]. The six core drivers are as follows:

- Careful management of planned investment cycles on the existing estate has enabled growth in like for like visitor numbers, revenue and EBITDA. This is one of the Group's core competencies and is managed carefully with clear targeted return hurdles. Between the 2008 financial year and the 2012 financial year annual capital expenditure on the existing estate as at the end of the 2007 financial year averaged 7 per cent.[†] of revenue of the Midway Attractions, 9 per cent.[†] of revenue of the LEGOLAND Parks and 10 per cent.[†] of revenue of the Resort Theme Parks, in each case on a constant currency basis.
- The Group's scale and portfolio of strong brands has allowed it to leverage a number of strategic synergies. The Group has pursued a strategy of developing clusters of Midway Attractions, offering strong cross promotional and operational synergies. The Group has developed clusters of Midway Attractions in Amsterdam, Bangkok, Berlin, Blackpool, Dallas, Kansas City, London, Manchester, New York, Oberhausen, Shanghai, Sydney, Tokyo and Weymouth. The scale of the Group's Theme Parks and available undeveloped land at certain locations has provided opportunities for second gates. For example, SEA LIFE Centre second gates added to Gardaland and LEGOLAND California attracted, in aggregate, in excess of 800,000 visits in the 2012 financial year. The Group has also been able to exploit its marketing leverage through the sale of Merlin Annual Passes (Merlin had 328,000 Merlin Annual Pass members by the end of the 2012 financial year) and its e-commerce and mobile commerce strategies. The Group's online proprietary booking system offers low costs of sales (as compared to those of third party intermediaries), as well as potential yield management tools and advance booking opportunities. Between the 2010 financial year and the 2012 financial year, the Group's online sales platform demonstrated a CAGR in online bookings of 50 per cent. and in the 2012 financial year more than 50 per cent. of those UK Theme Park visitors booking online booked a visit more than seven days in advance (compared to 26 per cent. in the 2011 financial year). For the first nine months of the 2013 financial year, the Kellogg's

[39] Unaudited. Excludes the results of week 1 of the 2011 financial year, which was a 53-week financial year. The Group's financial statements for the 2000, 2001, 2002, 2003, 2004 and 2005 financial years were prepared using UK generally accepted accounting policies. The Group's financial statements for the 2006 and 2007 financial years were prepared in accordance with IFRS. The Group's financial statements for the 2008, 2009, 2010, 2011 and 2012 financial years have been prepared using IFRS and in accordance with the policies set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

[40] Unaudited. Average organic annual revenue and EBITDA growth represent average annual revenue and EBITDA growth (i) excluding the growth attributable to the Sydney Attractions Group and Living and Leisure Australia acquisitions in the year of acquisition but including the change in revenue and EBITDA attributable to those businesses in subsequent financial years under the Group's management and (ii) including the growth attributable to all other acquisitions, which included the LEGOLAND Florida site and a number of smaller single site acquisitions, from the date of completion or, if later, the opening of the Attraction. See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Average organic revenue and EBITDA growth for a further explanation of average organic revenue and EBITDA growth and the basis of their calculation.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

"on pack" promotion in the UK generated approximately 1.3 million visitors to the Group's UK Attractions. The Group has also run promotions in conjunction with News International and Tesco in the UK and with well known brands in other locations where it owns or operates Attractions.

- Continued migration of Resort Theme Parks and LEGOLAND Parks to short break destinations, targeting national and international visitors, through the extension of the visitor proposition, including providing multiple days of activity, the development of additional hotels and holiday villages at its Theme Parks and opening second gates. The Group already operates eight hotels and three holiday villages and has obtained planning permission for three additional hotels or hotel extensions. SEA LIFE Centres as second gates on existing sites at Gardaland and LEGOLAND California collectively attracted 800,000 visitors in the 2012 financial year. More recently, the introduction of LEGOLAND waterparks at LEGOLAND California (in 2010) and LEGOLAND Florida (in 2012) have helped drive attendance and length of visit, and support increases in pricing at these parks.
- Continued global roll-out of the Group's Midway Attractions brands. Since the beginning of 2008, the Group has opened or acquired 47 new Midway Attractions. These openings and acquisitions have helped drive a total CAGR in revenue and EBITDA (on a constant currency basis) in the Midway Attractions operating group from the 2008 financial year to the 2012 financial year of 21.4 per cent. and 18.1 per cent., respectively.
- The Group has a proven track record of developing and operating LEGOLAND Parks globally, as demonstrated by the acquisition of an existing closed theme park (the 150 acre Cypress Gardens theme park in Florida), which the Group converted into LEGOLAND Florida and opened in 2011, the opening of LEGOLAND Malaysia in September 2012, and the planned opening of LEGOLAND Dubai (planned for 2016). The Group has identified sites for LEGOLAND Parks in Japan and South Korea and it is anticipated that a LEGOLAND Park in one of these countries will open in the 2017 financial year. In connection with a potential LEGOLAND Park in South Korea, the Group has entered into an undertaking agreement with the Gangwon Provincial Government, pursuant to which the parties have agreed to finance and develop a LEGOLAND Park in Gangwon-Do, South Korea. Should all the conditions to this agreement be satisfied, Merlin will be required to provide approximately US$100 million of investment over several years, of which the first US$10 million is likely to be required before the end of the 2014 financial year. Further details of this agreement are set out at paragraph 15.11 of Part 15 – Additional Information. The Group is also in discussions with KIRKBI in relation to the funding of the development of potential new LEGOLAND Parks. Should any of these projects proceed with KIRKBI's involvement this could constitute a related party transaction under the Listing Rules, in which case the Company would be required to seek shareholder approval before progressing the transaction. The Group has also identified potential opportunities to expand into China and further into the United States in the medium to long term.
- Additional acquisitions of attractions similar to Midway Attractions that can be re-branded and re-launched as Midway Attractions. Merlin has a track record of transforming acquired businesses within two full years of acquisition. For example, in the case of the LEGOLAND Parks acquired in 2005, Gardaland in 2006 and The Tussauds Group in 2007, the Group achieved an average revenue CAGR of 11 per cent.† and an average EBITDA CAGR of 13 per cent.† in the first two full financial years following their respective acquisitions. In addition, the Group acquired the Sydney Attractions Group (which owned six attractions in Australia and New Zealand) and has since re-branded three of the aquaria as SEA LIFE Centres and the Sydney Tower as part of The Eye Brand. Through the execution of this strategy the Group has demonstrated a track record of identifying, implementing and integrating both large and small acquisitions and delivering significant value uplift through improving the acquired operations. In September 2013, the Group acquired the Turkuazoo aquarium in Istanbul and the Directors believe that there remain further potentially attractive opportunities that they expect to meet the Group's investment criteria in the future.

Strong track record of attractive returns on efficient capital investment supported by unique in-house business development, technical and creative expertise

Between the 2008 financial year and the 2012 financial year the Group invested, on average, 9.0 per cent.† of the revenue generated by its existing estate in operation as at the end of the 2007 financial year in capital expenditure in those Attractions and achieved a CAGR in revenue and EBITDA of 3.8 per cent.† and 5.4 per cent.†, respectively, across those Attractions. This track record of delivering attractive returns from efficient investment is a result of a number of the Group's core competencies, including a disciplined internal focus on investment criteria and hurdles, in-house expertise in capital expenditure efficiency and project delivery, yield and variable cost management and extensive experience in maximising the returns from marketing spend. Furthermore, the Directors believe the estate is well maintained through regular planned maintenance capital expenditure which means that incremental capital expenditure can be targeted at driving incremental revenue opportunities.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

The Group requires every operating group to meet return thresholds for the approval of any new development project, both for investment in new sites and for developments intended to support growth at existing sites. Development capital expenditure for new Attractions is targeted to achieve an average annual 20 per cent. incremental ROIC at an Attraction and an average 15 per cent. incremental ROIC at new accomodation over the first five full years of operation[41]. As part of the approval process for these projects, third party and internal research is commissioned to assess the local market and likely impact of the development of a new ride or experience. Projects involve detailed design and costing, with significant headroom built in so that Attractions can contribute positively to EBITDA even if the development underperforms expectations. This enables the Group to achieve its targets consistently and deploy its capital to drive growth in a disciplined and efficient manner. The Directors believe that this disciplined approach to returns is unusual in the industry and has enabled the Group consistently to deliver attractive margins and returns. Furthermore, it enables the Group to plan accurately the timing and cost of new developments. Over the last three financial years, the Group has had no material overspends of its annual capital expenditure budget or, where it is funding the development, material delays in completing projects.

One of the key mechanisms that has enabled the Group to consistently exceed its investment criteria is the extensive technical expertise and creative know-how provided by the Group's in-house Merlin Magic Making group. This centre of excellence for creative and technical development is used to deliver innovative new product ideas including ride concept and design, wax figure manufacture, animal and fish husbandry and LEGO modelling, and the Directors believe it would be difficult and time-consuming to replicate. Each significant investment is carefully managed by a dedicated project management team from within the Merlin Magic Making group.

In addition, the Group's ability to use effective marketing is key to maximising the incremental ROIC of each investment. When a new ride is developed at one of the Group's Theme Parks, the Group launches a targeted campaign, focused on marketing the Attraction and the new ride to key demographics to drive visitor numbers. Similarly, when a new Attraction is opened, a marketing effort is used to help educate target customers about the concept. This has proven to be a successful strategy, in particular given the branded nature of the Attractions, which helps the Group differentiate its offering.

Merlin also takes advantage of its scale to help drive returns by exploiting marketing leverage and operating cost efficiencies, including shared marketing costs, central management, site development expertise and application of visitor management experience across the portfolio.

Compared to other theme park operators, in particular in the United States, the Directors believe that Merlin has lower capital expenditure requirements due to the following factors:

- LEGOLAND Parks are geared towards families with young children with core attractions typically of a low capital expenditure nature and do not require expensive, large format rollercoasters. The areas of key appeal at the LEGOLAND Parks are the LEGO-brick Miniland area, the 'Build and Test' areas, the Knights Castle and other lower capital intensive attractions; and
- Resort Theme Parks tend to be nationally pre-eminent in their respective markets and so lack the significant competitive intensity of the theme park operators in the United States. As a result, the Group does not need to compete solely on the basis of the latest and largest rollercoasters but opens significant new rollercoasters in accordance with its planned four year capital expenditure cycle for the Resort Theme Parks.

In addition, although not directly comparable to other theme park operators, Midway Attractions do not require substantial ongoing capital expenditure due to the lack of large scale rollercoasters (or rides) and the low overall degree of capital employed in each site. The Directors believe that as a result, the Group has lower capital expenditure requirements (per Attraction) than other theme park operators.

Strong corporate culture led by an experienced and committed executive management team and dedicated employee base

The Group's senior management team, the details of which are set out in Part 9 — Directors, Senior Management and Corporate Governance, is highly experienced within both the attractions industry and the Group's businesses, with an average tenure of over 15 years in the Group's businesses across the senior management team and a combined tenure of over 100 years. Nick Varney (the Group Chief Executive Officer) and Andrew Carr (the Group Chief Financial Officer) have been with the Group's businesses for 22 years and 16 years, respectively, and along with the senior management team, have driven the development and execution of the Group's strategy to deliver growth both organically and through acquisitions. The Group's senior management team has delivered revenue and underlying EBITDA growth each financial year since the 2000 financial year despite some difficult trading

[41] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Incremental ROIC for an explanation of incremental ROIC and the basis of its calculation.

conditions reflecting at times a poor global economic environment, some challenging weather conditions and other external events. Senior management's objectives are strongly aligned with those of the Group through senior management bonuses and a share incentive programme involving approximately 2,000 employees.

The Group's senior management team is supported by local management teams which run each of the Group's operational groups and Attractions. Each Resort Theme Park, LEGOLAND Park and regional or functional division of the Midway Attractions operating group has a divisional director, who is supported by a management team and who reports directly to the relevant operating group managing director. This decentralised management structure empowers site management to make commercial and operational decisions locally, enabling real-time reaction to local market conditions.

The Group has a strong culture of training and development, with central and local programmes to develop people at all levels of the organisation. As part of its succession planning and people development programmes, the Group has instituted a successful graduate scheme recruiting approximately 15 graduates each year. The Group has received numerous awards in relation to its commitment to its workforce over the last five years, notably the 2012 HR Distinction Award in the category of "Employee Engagement" and the 2012 Towers Watson Employee Benefits Awards in the category of "Most effective motivation or incentive strategy". In addition, the Group ranked in the Top 50 Best Employers in Hospitality 2012 England & Wales and achieved 99th position in the 2012 Guardian Top 300 graduate employers (138th in 2011), attaining second position in the leisure and hospitality sector.

In addition, the Group operates a profit-related bonus scheme which is linked to the delivery of EBITDA at the site or Group level, among other things, and the achievement of personal objectives set at the beginning of the financial year.

The commitment of employees to Merlin is best demonstrated by the results of the 2012 annual staff survey. Nearly 18,000 permanent and fixed-term employees (97 per cent. of the Group's total permanent and fixed term employees) completed the survey in the 2012 financial year, with 96 per cent. of employees agreeing with the statement "I like working for Merlin" and 87 per cent. stating they would recommend the Group as a good employer to family and friends (against a global private sector benchmark of 68 per cent.).

5. BRANDS AND ATTRACTIONS

Midway Attractions

The Group possesses some of the most recognisable and well-regarded brands in the industry, including SEA LIFE, Madame Tussauds, The Dungeons, LEGOLAND Discovery Centre and The Eye Brand. The Midway Attractions operating group consists of 86[42] highly chainable, branded, predominantly city centre and coastal visitor attractions, which draw tourists as well as visitors from the local markets.

Each individual Midway Attraction is a self-contained, mainly indoor facility ranging from 10,000 to 100,000 square feet and averaging 30,000 square feet. As a result, the initial investment required for each Midway Attraction to produce a high quality visit is significantly lower than in the Resort Theme Parks and LEGOLAND Parks operating groups.

As a result of their locations in city centres, coastal towns and destination malls, and focus on attracting tourists in addition to visitors from the local markets, Midway Attractions are also typically less reliant on repeat visitors than the Group's Theme Parks, require lower ongoing capital expenditure to maintain guest satisfaction and require lower marketing expenditure to attract visitors. The integrated nature of each Midway Attraction and resulting ability to control visitor flow also contributes to each Midway Attraction's low ongoing operating costs. With relatively low visitor length of stay (generally up to two hours), each Midway Attraction is able to accommodate a high turnover of visitors each day, enhancing its revenue potential.

Midway Attractions generate revenue at both the start and conclusion of each visit, through admission fees and merchandise sales respectively, and tend to generate a relatively high cash spend given the short length of stay. At larger sites, Merlin offers evening corporate events and functions to increase site usage. In aggregate, the Group's Midway Attractions attracted 33.1 million visitors in the 2012 financial year. From the 2008 financial year to the 2012 financial year, the Midway Attractions operating group demonstrated a CAGR in revenue and EBITDA (on a constant currency basis) of 21.4 per cent. and 18.1 per cent., respectively. In addition, revenue and EBITDA for the Midway Attractions operating group for H1 2013 were £235 million and £86 million, respectively, an increase from £193 million and £67 million, respectively, for H1 2012. Revenue (on a constant currency basis) for the Midway Attractions operating group for the thirty-five week period ended 31 August 2013 was £375.4 million, an increase from £322.5 million for the thirty-five week period ended 1 September 2012.

[42] Includes three second gates which are accounted for with the Theme Parks where they are located.

SEA LIFE

SEA LIFE is the Group's largest and most visited Midway Attraction brand and combines theming and marine biology expertise to provide an educational and entertaining family experience. The first SEA LIFE Centre was opened in Oban, Scotland in 1979 and there are now 41[43] stand-alone SEA LIFE attractions across the globe (including the eight aquarium businesses acquired as part of the Sydney Attractions Group and Living and Leisure Australia acquisitions, some of which are yet to be re-branded as SEA LIFE Centres). In addition, SEA LIFE Centres are operated as second gates at Gardaland and LEGOLAND California (and form part of the Resort Theme Park operating group and LEGOLAND Park operating group, respectively). SEA LIFE Centres typically reach maturity 12 months after opening.

SEA LIFE Centres are able to attract repeat visitors by refreshing their displays and by regularly opening new displays which can be rotated across all of the Group's SEA LIFE Centres. SEA LIFE Centres target families with young children and schools and the Directors believe their easily communicated concept is ideal for entering new markets through new developments and infill acquisitions. The Group plans to open new SEA LIFE Centres in Charlotte, North Carolina in 2014 and in Orlando as part of a cluster development in 2015.

The Group operates four of the SEA LIFE Centres as marine sanctuaries for seals, turtles and otters, including the UK's National Seal Sanctuary at Gweek in Cornwall and the Manly Sanctuary in Sydney. SEA LIFE champions the cause of marine conservation through education and awareness. This is emphasised by the "Breed, Rescue, Protect" programme that is at the heart of SEA LIFE business models across the estate and demonstrates to visitors the conservation values of the brand.

Madame Tussauds

Madame Tussauds is one of the Group's most famous brands and has been providing entertainment through the display of life size wax figures to visitors for over 200 years. Madame Tussauds has strong relevance to today's culture of celebrity in both mature and emerging markets and is frequently endorsed by celebrities, providing significant public relations opportunities. The first Madame Tussauds was established in London in 1835 and it has been at its present location since 1884. It has become an iconic London tourist attraction. There are now 15 Madame Tussauds attractions worldwide, including nine new Madame Tussauds businesses opened since the Tussauds Group acquisition in 2007 (Bangkok, Berlin, Blackpool, Hollywood, Sydney, Tokyo, Vienna, Washington and Wuhan). The Group plans to open further Madame Tussauds in Beijing and San Francisco in 2014 and Orlando as part of a cluster in 2015. Madame Tussauds attractions typically reach maturity three to five years after opening.

Madame Tussauds' attractions target a broad visitor demographic, in particular females (with a particular trend towards 30-40 year olds), teens and young adults. The brand also targets discreet audiences, with particular figures proving very successful with particular audiences. For example, One Direction and Bollywood figures have recently driven increases in teen and Indian audiences, respectively.

The Eye Brand

The Group currently operates three observation attractions under The Eye Brand: The EDF Energy London Eye, situated on the south bank of the River Thames in central London; the Sydney Tower Eye in downtown Sydney overlooking Darling Harbour and the Sydney Opera House with views to the outlying suburbs; and the Blackpool Tower Eye in the UK.

Revenue is generated through ticket sales, as well as sales of a range of value added products such as private capsules, river cruises, food and beverages, photographic souvenirs and themed merchandise.

The EDF Energy London Eye opened in March 2000 as part of London's millennium building programme and was the UK's most popular paid-for visitor attraction in 2012[44]. The EDF Energy London Eye consists of a rotating wheel with 32 clear glass capsules, each capable of holding approximately 25 passengers, that turns at a rate of approximately two rotations per hour. The capsules give 360° panoramic views over London and rise over 135 metres above the ground, making it the tallest observation wheel in Europe. The EDF Energy London Eye has become one of the iconic sights of London and has won over 40 awards for national and international tourism and engineering achievement. Each of the three Eye Brand Attractions have 4D pre-shows.

The Group plans to open a further observation attraction in Orlando in 2015 as part of a cluster development.

LEGOLAND Discovery Centre

LEGOLAND Discovery Centre is the Group's newest attraction concept, with a focus on 'playful learning', offering a combination of indoor LEGO-based rides and activities centred around the main Miniland attraction.

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[43] Excluding the SEA LIFE Weymouth Tower.

[44] Tourist Information UK.

These experiences include a factory tour, 'Build and Test' and 4D cinema, with the overall visitor experience focused on hands-on LEGO play. LEGOLAND Discovery Centres typically reach maturity one to two years after opening.

The first LEGOLAND Discovery Centre was launched in Berlin in March 2007. LEGOLAND Discovery Centres, typically located in shopping malls and city centres, offer fun, interactive and learning experiences for children between the ages of 2 and 12 years and are self-contained activity centres focused around the LEGO brand, attracting visits lasting approximately two hours. There are now ten LEGOLAND Discovery Centres open in Atlanta, Berlin, Chicago, Dallas, Kansas City, Manchester, Oberhausen, Tokyo, Toronto and Westchester (New York). The Group plans to open a new LEGOLAND Discovery Centre in Boston in the 2014 financial year.

The Dungeons

The Dungeons are themed indoor attractions with strong historical and irreverent horror references, rides and live entertainment targeting teenagers and young adults. There are seven stand-alone Dungeons, in Amsterdam, Berlin, Blackpool, Edinburgh, Hamburg, London and York. The London Dungeon is the best known in the portfolio and has been in operation since 1976. It recently relocated to the South Bank, adjacent to the London SEA LIFE and EDF Energy London Eye Attractions which has enabled it to benefit from increased cluster sales and synergistic operational savings. The Group has also operated a Dungeons attraction as a second gate within Warwick Castle since April 2009. Dungeons typically reach maturity three to five years after opening.

The Group plans to open a further Dungeon attraction in San Francisco in 2014 as part of a cluster development.

Other

Following the Living and Leisure Australia acquisition, Merlin owns and operates two ski fields in Victoria, Australia and two Treetop Walk experiences in Victoria and New South Wales, Australia. Both businesses are relatively new to Merlin and an assessment as to their strategic fit within the Group is ongoing.

In addition, two WILD LIFE Australian animal adventure attractions in Sydney and Hamilton Island were acquired as part of the Sydney Attractions Group acquisition.

LEGOLAND Resorts and Parks

The LEGOLAND Parks operating group consists of six interactive LEGO-themed parks targeted at families with children aged 2 to 12 years. KIRKBI has granted the Group the exclusive and worldwide right to use the LEGOLAND trademark and ancillary use of the LEGO trademark to develop and operate LEGOLAND Parks (as well as other visitor attractions) pursuant to the LEGOLAND Licence and Co-operation Agreement. Merlin owns or operates and is responsible for the maintenance and future development of the LEGOLAND Parks (except for LEGOLAND Malaysia), including the roll-out of LEGOLAND Parks and LEGOLAND Discovery Centres into new territories. The Group manages LEGOLAND Malaysia and will manage any future development of LEGOLAND Malaysia but is not required to make capital expenditure. The LEGOLAND Parks benefit from a very high brand awareness level as a result of their affiliation with the LEGO trademark which was ranked tenth in RepTrak™100: The World's Most Reputable Companies 2013. For further details of the LEGOLAND Licence and Co-operation Agreement, see paragraph 15.1 of Part 15 – Additional Information.

The LEGOLAND Parks received an aggregate of 10.5 million visitors in the 2012 financial year. Between the 2008 financial year and the 2012 financial year, the LEGOLAND Parks demonstrated a CAGR in revenue and EBITDA (on a constant currency basis) of 14.4 per cent. and 16.9 per cent., respectively. In addition, revenue and EBITDA for the LEGOLAND Parks operating group for H1 2013 was £139 million and £38 million, respectively, an increase from £128 million and £35 million, respectively, for H1 2012. Revenue (on a constant currency basis) for the LEGOLAND Parks operating group for the thirty-five week period ended 31 August 2013 was £266.5 million, an increase from £242.4 million for the thirty-five week period ended 1 September 2012.

The original LEGOLAND Park was opened in Billund in 1968 to showcase the LEGO brand and provide an enhanced experience to visitors to the LEGO plant. Based on the success of the concept the LEGOLAND brand was rolled out into the United Kingdom in 1996 and the United States in 1999. A fourth LEGOLAND Park was opened in Germany in 2002, reflecting the strength of the brand in the German market. More recently the Group opened a fifth LEGOLAND Park just outside Orlando, Florida, United States in 2011 and a sixth LEGOLAND Park in Malaysia, close to the border with Singapore, in 2012.

The following table sets out certain details of each of the Group's LEGOLAND Parks:

Name	Date Opened	Country	Other Amenities
LEGOLAND Billund	1968	Denmark	Hotel and Holiday Village(1)
LEGOLAND Windsor	1996	UK	Hotel
LEGOLAND California	1999	US	SEA LIFE Centre, LEGOLAND Waterpark, Hotel
LEGOLAND Deutschland	2002	Germany	Holiday Village
LEGOLAND Florida	2011	US	LEGOLAND Waterpark
LEGOLAND Malaysia(2)	2012	Malaysia	LEGOLAND Waterpark

(1) The holiday village at LEGOLAND Billund is owned by a company controlled by the LEGO Foundation and leased to and managed by the Group. There is also an additional large scale holiday village in Billund which is owned and managed by Lalandia with whom the Group has entered into a co-marketing agreement.

(2) LEGOLAND Malaysia is operated under a management contract for which Merlin received a $10 million development fee and receives an annual US$2.5 million management fee and a royalty fee. Approximately US$300 million was invested by the Malaysian government in developing LEGOLAND Malaysia. Merlin is obligated to reinvest its royalty fees in the trading company, in return for an equity stake, up to a maximum 20 per cent.

All LEGOLAND Parks are based on a similar concept that is adapted to local visitor tastes. Each park comprises a Miniland (reduced scale models built from LEGO bricks, featuring landmarks from the host country and surrounding countries, typically in the middle of the park), with four to six themed clusters containing interactive rides and shows and food and beverage facilities surrounding the Miniland.

LEGOLAND Parks generate revenue through both admission fees and secondary spend on priority ride access passes, merchandise, food and beverages, souvenir photography, participation games and parking fees. Each park's LEGOLAND branding permits a high level of cross-promotion with LEGO merchandise and results in correspondingly strong secondary spend with a relatively high average revenue per cap of £28.67 in the 2012 financial year[45].

The LEGOLAND Parks have been able to capitalise on the growth of the LEGO brand association by using well known LEGO characters and brands. In particular, the LEGO Star Wars exhibits, Ninjago and Chima brands have been applied to create strongly aligned theme park attractions across the portfolio.

The LEGOLAND Parks target families with children aged two to 12 years and the majority of visitors to all six parks fall within this demographic. This demographic does not demand expensive, large format 'thrill' rides and LEGOLAND Parks enjoy high repeat visitor numbers (up to 75 per cent.).

The Group has entered into an agreement to open and manage a further LEGOLAND Park in Dubai. The initial development and construction of LEGOLAND Dubai is being funded by third parties. Merlin has the right to manage and operate the park for an initial term of 25 years, once open. LEGOLAND Dubai is planned to open in the 2016 financial year. The Group has identified sites for potential LEGOLAND Parks in Japan and South Korea and it is anticipated that a LEGOLAND Park in one of these countries will open in the 2017 financial year. In connection with a potential LEGOLAND Park in South Korea, the Group has entered into an undertaking agreement with the Gangwon Provincial Government, pursuant to which the parties have agreed to finance and develop a LEGOLAND Park in Gangwon-Do, South Korea. Should all the conditions to this agreement be satisfied, Merlin will be required to provide approximately US$100 million of investment over several years, of which the first US$10 million is likely to be required before the end of the 2014 financial year. Further details of this agreement are set out at paragraph 15.11 of Part 15 – Additional Information. The Group is also in discussions with KIRKBI in relation to the funding of the development of potential new LEGOLAND Parks. Should any of these projects proceed with KIRKBI's involvement this could constitute a related party transaction under the Listing Rules, in which case the Company would be required to seek shareholder approval before progressing the transaction. The Group has also identified potential opportunities to expand into China and further into the United States in the medium to long term.

LEGOLAND California

LEGOLAND California is the Group's most visited LEGOLAND Park and is located on a 128 acre site in San Diego County, United States, close to the Pacific Ocean. Since it opened in 1999, substantial capacity has been added to the park through new rides and attractions and food, beverage and retail outlets. The park has more than 50 rides, shows and other attractions and a variety of shops and restaurants and is a six-time winner of the Amusement Today award for the best children's park in North America. Signature rides include Bionicle Blaster, Lost Kingdom Adventure and LEGO TECHNIC® Coaster. LEGOLAND California operates year-round (with the park closed on Tuesdays and Wednesdays in the off-peak season). Combined with Southern California's moderate climate, this

[45] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Revenue per cap and admissions revenue per cap for an explanation of revenue per cap, the basis of its calculation and a reconciliation of revenue per cap to revenue.

provides the park with a smoother seasonality profile, compared to most of the other Theme Parks. In August 2008, the Group opened a SEA LIFE Centre as a second gate at LEGOLAND California. The Group has since added a themed LEGOLAND waterpark (opened in 2010) which can be accessed by park visitors for an additional fee and a 250 room on-site themed hotel (opened in 2013).

LEGOLAND California is located close to a main freeway and is within one hour's drive of San Diego and Anaheim. LEGOLAND California's primary catchment area (within two hours' drive) is approximately 19.6 million people and its secondary catchment area (within two to five hours' drive) is approximately 6.2 million people.

LEGOLAND Billund

LEGOLAND Billund opened in 1968. It began as a nine acre Miniland which attracted 625,000 visitors in the first year and has since grown to a park of approximately 32 acres with an additional 56 acres owned and 38 acres rented for car parking and support services. LEGOLAND Billund is open from March to October and consists of more than 50 rides, shows and other attractions and a variety of shops and restaurants. Signature attractions include Atlantis by SEA LIFE, Pirate Splash Battle, Polar Land and X-treme Racers. LEGOLAND Billund also has a 199 room hotel with a 300-person conference centre facility which is being extended and a holiday village with a large campsite (with 600 pitches), 60 cottages and 44 apartments which was bought by a company controlled by the LEGO Foundation in December 2012 and leased to and managed by the Group. Also located at the Billund resort is a chalet-style holiday village with 760 rooms and a waterpark, each of which is owned and managed by Lalandia, with which the Group has a co-marketing agreement.

LEGOLAND Billund is located in the middle of Jutland on the mainland of Denmark and benefits from good transport links being close to Billund International Airport. LEGOLAND Billund's primary catchment area (within two hours' drive) is approximately 8.0 million people and its secondary catchment area (within two to five hours' drive) is approximately 16.7 million people. In the 2012 financial year, domestic Danish visitors accounted for approximately two-thirds of the total visitors, with the remainder visiting mostly from Germany, Norway, Sweden and The Netherlands, and increasing numbers from Finland, Poland and other Eastern European countries.

LEGOLAND Windsor

LEGOLAND Windsor, the United Kingdom's second most visited theme park, opened in 1996 as the first LEGOLAND Park outside Denmark. The park is located on a 150 acre site close to Windsor, United Kingdom. In 2012, over 90 per cent. of visitors to the park were domestic UK visitors and it is open from March to early November. The park has more than 50 rides, shows and other attractions and a variety of shops and restaurants. Signature rides include Atlantis by SEA LIFE, Laser Raiders and Vikings' River Splash.

A 150 room LEGO-themed hotel and conference centre was opened in March 2012 to enhance the resort's appeal to the short break market and it achieved in excess of 95 per cent. occupancy rates for the 2012 peak season (being July and August).

LEGOLAND Windsor's primary catchment area (within two hours' drive) is approximately 28.3 million people and its secondary catchment area (within two to five hours' drive) is approximately 30.6 million people. The park is located within a one hour drive from London. LEGOLAND Windsor benefits from good transport links, and is close to the M25 London orbital motorway and the M3 and M4 motorways.

LEGOLAND Deutschland

LEGOLAND Deutschland opened in May 2002 in Günzburg, Bavaria, Germany. The park comprises 346 acres of land, of which 93 acres are currently used. LEGOLAND Deutschland has more than 40 rides, shows and other attractions, and a variety of shops and restaurants, and is open from March to October. Signature rides include Temple X-Pedition, Jungle X-Pedition and LEGO Test Track.

LEGOLAND Deutschland's primary catchment area (within two hours' drive) is approximately 16.2 million people and its secondary catchment area (within two to five hours' drive) is approximately 80.3 million people. Approximately 90 per cent. of visitors in the 2012 financial year were German. The park is serviced by good transport links, and is close to the A8 Autobahn. LEGOLAND Deutschland is within 1.5 hours' drive from both Munich and Stuttgart.

In 2008, LEGOLAND Deutschland opened the Group's first LEGOLAND Holiday Village. This included 96 chalets, a refectory, a playground and a 177 space campsite. Since then there have been two further phases of development: the addition of 144 chalets in 2011 and a separate 34 room Knights Castle hotel in 2013. A further 68 room Knights Castle block extension to the accommodation facility is planned in the 2014 financial year.

LEGOLAND Florida

LEGOLAND Florida was built on the site of the former Cypress Gardens theme park and opened to the public in October 2011. It exceeded its business case visitor numbers in the first full year of operation. Due to the site's history and pre-existing infrastructure, the Directors believe the development cost was substantially below the "standard" cost to develop a comparable theme park.

The park is located on a 150 acre site on the shores of Lake Eloise in the city of Winter Haven, Florida. The park has more than 50 rides, shows and attractions, restaurants, shopping, and a botanical garden, and is based on ten themed zones including Miniland USA, the Imagination Zone and LEGO City. LEGOLAND Florida operates all year round (with the park closed on Tuesdays and Wednesdays during off-peak periods). In May 2012, the Group added a themed LEGOLAND waterpark which can be accessed by park visitors for an additional fee.

LEGOLAND Florida's primary catchment area (within two hours' drive) is approximately 8.3 million people and its secondary catchment area (within two to five hours' drive) is approximately 9.3 million people. The park is located approximately 45 minutes, drive from Orlando and downtown Tampa.

LEGOLAND Malaysia

LEGOLAND Malaysia was developed on a greenfield site in southern Malaysia within 16 miles of the Singapore border. Unlike other existing LEGOLAND Parks, the Group does not own the park but instead operates it pursuant to a development and operating contract with Malaysian partners with funds provided by the Malaysian government under which Merlin was paid an initial $10 million development fee and receives an annual $2.5 million operating fee and a royalty fee (based on the revenue of the LEGOLAND Malaysia operating company). Merlin was required to contribute half of its initial development fee to the capital of the project company and is required to contribute all of its future royalty fees to the capital of the project company until it holds 20 per cent. of the issued share capital of the project company. Further details of the contractual arrangements in respect of LEGOLAND Malaysia are set out in paragraph 15.4 of Part 15 – Additional Information. LEGOLAND Malaysia has performed ahead of its business case visitor numbers, driven in part by strong annual pass sales.

The park, which opened in September 2012, is located on a 76 acre site and has more than 40 rides, shows and attractions. The attractions are grouped into seven themed areas of which the centrepiece is MINILAND, where Asian landmarks have been recreated using more than 30 million LEGO bricks. LEGOLAND Malaysia operates year round (with the park closed on Wednesdays during specific periods).

LEGOLAND Malaysia's primary catchment area (within two hours' drive) consists of approximately 7.8 million people, including the 5 million residents of Singapore.

In addition, on 19 October 2013, a LEGOLAND Waterpark opened at the LEGOLAND Malaysia park and a 249 room LEGO-themed hotel, located on a 2.4 acre plot adjacent to the LEGOLAND Malaysia park, is under construction and is planned to open in 2014. Both will be managed by the Group pursuant to management contracts.

Resort Theme Parks

The Resort Theme Parks operating group consists of six national resort theme parks each of which has or is developing an on-site accommodation offering. They target large populations in European markets, typically catering to the domestic market where each site is located, but with an increasing international audience at certain of the parks, particularly Gardaland. Four of the Resort Theme Parks have existing associated hotels or holiday villages which enable those parks to increase their catchment areas, and the remaining two (Thorpe Park and Warwick Castle) have trialled accommodation offerings in 2013. Resort Theme Parks generate revenue through both admission fees and secondary spend on sales of priority ride access passes, food and beverages, merchandise and souvenir photographs, participation games, car parking, hotel stays and functions. Multi-day stays by visitors at attached and off-site hotels increase this secondary spend and targeting such stays has been a growing part of the operating group's strategy. Multi-day ticket sales increased from approximately 760,000 in the 2008 financial year to approximately 1.1 million in the 2012 financial year. There was also an increase in leisure rooms occupied at the Resort Theme Parks from 176,000 to 194,000, over the same period. In addition, certain of the Resort Theme Parks have second gates, a concept that management plans to develop at other Resort Theme Parks.

The Resort Theme Parks received an aggregate of 10.5 million visitors in the 2012 financial year. Between the 2008 financial year and the 2012 financial year, the Resort Theme Parks demonstrated a CAGR in revenue and EBITDA of 0.4 per cent. and -2.7 per cent., respectively, on a constant currency basis. In addition, revenue and EBITDA for the Resort Theme Parks operating group for H1 2013 were £109 million and £nil, respectively, as compared to

£107 million and £2 million, respectively, for H1 2012. Revenue (on a constant currency basis) for the Resort Theme Parks operating group for the thirty-five week period ended 31 August 2013 was £228.7 million, an increase from £217.2 million for the thirty-five week period ended 1 September 2012.

The following table sets out the location, target demographic and facilities of each of the Resort Theme Parks.

Name	Date Opened	Country	Target Demographic	Other Amenities
Alton Towers	1980	UK	Families, Teens and Young Adults	Two Hotels, Indoor Waterpark, Conference Centre and Spa
Chessington World of Adventures	1931	UK	Families	Hotel, Conference Centre
Thorpe Park	1979	UK	Teens, Young Adults and Older Families	Conference Centre
Warwick Castle	1978	UK	Families and Tourists	The Castle Dungeon
Gardaland	1975	Italy	Families, Teens and Young Adults	Hotel, SEA LIFE Centre, Waterpark (Milan)
Heide Park	1978	Germany	Families, Teens and Young Adults	Hotel, Conference Centre and Holiday Village

Each Resort Theme Park offers a range of rides and activities, attracting stays of between one and three days, with multi-day stays encouraged by unique "resort-style" hotel and holiday village accommodation on-site and partner hotels off-site. The ability to plan multi-day stays increases the catchment area of each park from a two hour drive for a typical single day visit up to a four or five hour drive. The target visitor demographic ranges from families with young children to teenagers and young adults to adults and families.

Alton Towers

Alton Towers Resort, the UK's most visited theme park[46], is set within 540 acres of land in Staffordshire, near Stoke-on-Trent, of which 220 acres are used for the park. The attraction is close to the Peak District National Park and the conurbations of Birmingham and the West Midlands to the south and Manchester/Liverpool and Leeds/Sheffield to the north. The park, originally the seat of the Earl of Shrewsbury, was opened as a theme park in 1980. The park attracts a broad mix of families, teenagers and young adults and is open from late March until early November. The park includes 37 rides, 9 themed areas and a variety of restaurants, bars and shops. Signature attractions include The Smiler (opened in 2013), Th13teen, Air, Nemesis, Oblivion and Rita – Queen of Speed. The grounds also include the Grade II listed Towers building and the Grade I listed historic landscaped gardens. Second gates include a waterpark and an Alton Towers-themed Adventure Golf Course.

Alton Towers Resort attracts visitors from across the UK including local and regional residents and domestic tourists, with a primary catchment area (within two hours drive) of approximately 22.4 million people and a secondary catchment area (within two to five hours' drive) of approximately 33.3 million people. Alton Towers Resort benefits from good transport links, being close to rail links with Derby, Nottingham and Stoke-on-Trent, and is within one hour's drive of both the M1 and M6 motorways.

The Alton Towers Resort also contains the Alton Towers hotel, a 175 room Alton Towers-themed hotel and spa, Splash Landings Hotel, a 216 room hotel, waterpark, and a conference centre for 500 delegates. Both hotels and the conference centre are operated by Merlin.

Chessington World of Adventures

Chessington World of Adventures is the UK's fourth[47] most visited theme park. The park is situated in approximately 130 acres (of which 101 acres are used for the park) in Chessington, Surrey and is 12 miles from Central London. Chessington World of Adventures originally opened in 1931 as Surrey Zoological Gardens incorporating a variety of animals as its main attraction. The site was converted into a theme park in 1987. Chessington World of Adventures is focused on quality family attractions primarily targeting younger families and offering a mix of ride and animal experiences. The park is fully open from March to October, and open for 'Zoo only' days in the off season during weekends and school holidays. The park includes 28 rides and in excess of 1,000 animals over ten themed areas as well as a variety of restaurants, bars and shops. Signature attractions include Zufari: Ride into Africa, Dragon's Fury and Vampire as well as the zoo and a SEA LIFE Centre.

[46] TEA AECOM Report 2012.

[47] TEA AECOM Report 2012 and Company data.

Chessington World of Adventures' primary catchment area (within two hours' drive) totals approximately 26.1 million people and the secondary catchment area (within two to five hours' drive) totals approximately 24.7 million people. Chessington World of Adventures benefits from good transport links, is close to the M25 London orbital motorway and is within 40 minutes of London Waterloo train station.

The Chessington World of Adventures Hotel is a 150 room hotel which is owned and managed by Merlin and situated adjacent to the park. The hotel is currently franchised with Holiday Inn although a deal has been agreed to terminate this agreement in the 2014 financial year. At that point the hotel will be re-launched, to coincide with a 69 room extension (to be marketed as a separately themed hotel) under the Britain's Wildest Adventure brand umbrella. In addition Adventure Camping for up to 200 people per night has been successfully trialled in 2012 and 2013 targeting younger groups such as cubs, brownies and primary schools. The introduction of Zufari: Ride into Africa has had a major impact on the hotel experience by creating views from the hotel rooms across an African savannah landscape complete with giraffe, zebra and other African animal species.

Thorpe Park

Thorpe Park is aimed at teenagers, young adults and older families and is located in Chertsey, Surrey. It has the largest collection of major thrill rides in the UK. It opened in 1979 and is the UK's third[48] most visited theme park. It is open from March to October. The site (including several lakes) covers 425 acres and is located 25 miles from Central London. The park itself covers approximately 124 acres, comprising 25 thrill and family rides and a variety of restaurants and shops. Signature attractions include white knuckle rides The Swarm, Colossus, Nemesis Inferno, SAW and Stealth.

Thorpe Park's primary catchment area (within two hours' drive) is 28.5 million people and its secondary catchment area (within two to five hours' drive) is approximately 22.7 million people. Thorpe Park benefits from good transport links and is close to the M25 London orbital motorway and the M3 motorway. Thorpe Park has also been granted planning permission for a hotel development and has trialled a moderately priced, compact hotel accommodation offering in 2013. To support the resort positioning a calendar of club nights and evening entertainment extends Thorpe Park's offering into the evening and night during certain weekends.

Warwick Castle

Warwick Castle offers a broad mix of historic and family attractions and dates back to the late 11th century. The castle is a Grade I listed building and the grounds are a Grade I registered park comprising 104 acres, including the Island and Rose Garden, which are open all year round. The primary attraction is the castle itself, with a focus on "fun learning", interactive family activities and themed entertainment such as jousting displays and a birds of prey exhibit.

The attraction now benefits from additional up-sell opportunities such as the Castle Dungeon, Princess Tower, Merlin: The Dragon Tower in association with the BBC television programme "Merlin", and special themed events such as Horrible Histories.

The castle rooms contain a variety of exhibits, many using wax figures produced by Merlin Magic Making at the Merlin Studios, depicting various aspects of the castle's history. The grounds surrounding the castle are also popular due to the gardens and scenic walks which connect the castle with the River Avon.

The site is located close to the town centre of Warwick (just north of Stratford-upon-Avon), Birmingham and Birmingham International Airport. It is approximately 2.5 hours' drive from central London. The castle has a primary catchment area (within two hours' drive) of approximately 35.6 million people and a secondary catchment area (within two to five hours' drive) of approximately 22.9 million people. The castle also attracts an increasing interest from Far East tourists.

There are three restaurants on the site with a combined seating capacity of around 200 people. The castle also hosts special events including corporate hospitality functions, and up to 2,000 people can be accommodated within marquees and the banqueting hall. During the summer classical and pop concerts are held in the castle grounds. The site also hosts up to three major concerts each year attracting up to 20,000 guests per concert. Warwick Castle has also trialled an accommodation offering ("Medieval Glamping") in 2013 to encourage destination visits and multi-day ticket sales.

Gardaland

Gardaland, the Group's most visited Resort Theme Park, is Italy's most visited theme park[49]. It is set in a site of 231 acres in the region of Veneto, Italy, within one hour's drive of Verona and Brescia and within two hours' drive of the conurbations of Milan and Piacenza. Built on the eastern shore of Lake Garda at Castelnuovo del Garda, the park opened in 1975. The park has a mix of thrill rides and family experiences, attracting a broad range of

[48] TEA AECOM Report 2012.

[49] TEA AECOM Report 2012.

demographic groups. Gardaland is open from March to October and during weekends in December. The park comprises 30 rides, 12 major shows including characters and brands such as Ice Age 4D and Madagascar, and a variety of restaurants, bars and shops. Signature attractions include Raptor, Blue Tornado, Fuga da Atlantide, Mammut and Madagascar Live. The Group also operates a SEA LIFE Centre as a second gate alongside Gardaland and the same team operates the Gardaland Waterpark in Milan.

Gardaland's primary catchment area (within two hours' drive) is approximately 20.9 million people and its secondary catchment area (within two to five hours' drive) is approximately 27.5 million people. Gardaland benefits from good transport links, being just over one mile from the A-4 Milan Venice Highway, and within 18 miles of Valerio Catullo airport. The nearest theme park of a similar scale to Gardaland is Europa Park (south west Germany), over five hours' drive away. In the summer the park opens until 11.00 pm for night tickets (post 6.00 pm) to take advantage of the warm weather. The resort includes the Gardaland Hotel, which opened in 2004 and which is within one mile of the park complex. The hotel is operated by Merlin and comprises 247 rooms (including 11 suites), restaurants, bars, conference facilities and an outdoor pool. The Company is in the process of applying for planning permission for a second hotel and a holiday village.

Heide Park

Heide Park is the largest and most visited theme park in Northern Germany[50]. The park, opened in 1978, is located just outside the town of Soltau, in the Lower Saxony region of Germany and is equidistant between Hanover and Hamburg, each of which is within 50 miles of the park. The park's visitors consist primarily of domestic German visitors. Heide Park's main focus is on large, exciting thrill rides and family attractions, attracting a broad mix of families, teenagers and young adults. Signature attractions include Kraken, Colossos, Desert Race, Limit and Swiss Bob Ride. The park includes 40 rides in 4 themed areas, restaurants, bars and shops. Heide Park is open from March to October. The park consists of 490 acres of land in total, with 198 acres used for the theme park and the remainder a combination of woodland and farmland.

Heide Park's primary catchment area (within two hours' drive) totals approximately 14.3 million people and its secondary catchment area (within two to five hours' drive) is approximately 72.4 million people. In addition, Lower Saxony is Germany's fourth largest tourist destination due to the appeal of the northern coastline as a domestic holiday location. Heide Park benefits from good transport links, and is close to the A-7 Autobahn.

Heide Park also includes two accommodation offerings: the Holiday Camp (a holiday village) and Port Royal (a hotel). The Holiday Camp (opened in 2005) has 81 chalets (of which 15 are larger semi-detached chalets with en-suite bathrooms), with a total capacity of 158 rooms and primarily targets schools and families. Port Royal (opened in 2007) is a 166 room hotel with wedding and conference facilities. Both accommodation offerings are operated by Merlin.

6. INTELLECTUAL PROPERTY

The Group's principal intellectual property rights are the various trade marks comprising the Key Brands. With the exception of the LEGOLAND and LEGO trademarks, which are licensed to the Group, the Group has pursued a programme of registering trade marks relevant to the Key Brands in those territories in which it operates under the Key Brands, including the UK, member states of the European Union, the United States and various countries in the Asia Pacific region. Accordingly, the Group owns a portfolio of over 89 registered trade marks comprising both Key Brand names and their associated logos, and over 300 other trademark registrations and filings.

Pursuant to the LEGOLAND Licence and Co-operation Agreement, KIRKBI has granted members of the Group a licence to use: (i) certain LEGOLAND registered trade marks, including the word "LEGOLAND" and LEGOLAND-associated logos; and (ii) various LEGO-related registered trade marks, for the purpose of operating and promoting the LEGOLAND Parks and LEGOLAND Discovery Centres and for use in the construction, operation and promotion of new LEGOLAND Parks and LEGOLAND Discovery Centres. The Group pays a quarterly royalty to KIRKBI, calculated as a percentage of gross qualifying revenue generated by operation of the LEGOLAND Parks and attractions. For further details of the LEGOLAND Licence and Co-operation Agreement, see paragraph 15.1 of Part 15 – Additional Information.

7. INDUSTRY EXPERTISE AND COMMITMENT TO VISITOR SATISFACTION

Merlin Magic Making

Merlin Magic Making ("**MMM**") is a specialist group within Merlin which consists of over 300 people. Any project with a cost to the Group of over £1 million is managed by MMM project managers. In particular, MMM provides the following services to the Group:

- "*Finding the Magic*": a small business development team that leads Merlin's expansion into new and existing territories by identifying new sites for Midway Attractions and other Attractions, and seeks to agree the most

[50] TEA AECOM Report 2012.

advantageous terms, to support the Group's strategy to continue to roll out Midway Attractions. This team is also responsible for identifying potential Midway Attraction acquisitions, predominantly in Asia.

- "*Creating the Magic*": a creative team that creates and delivers high class new visitor attractions and compelling propositions, hotels and major investment projects within Merlin's existing businesses. This team is based in the Merlin Studios in west London.
- "*Producing the Magic*": delivering Merlin 'product' and appropriate theming for each new visitor attraction, including:
  - creating LEGO masterpieces using up to 20 million LEGO bricks in one of the five LEGO model building facilities worldwide;
  - the Madame Tussauds' creative builders, modellers, sculpters and themers who deliver up to 200 Madame Tussauds' wax figures in any year, each of which take nine months to complete; and
  - a highly experienced professional team of marine biologists supporting the SEA LIFE portfolio.
- "*Delivering the Magic*": a team of experienced project managers and support staff that deliver all the Group's capital projects across the globe. In the 2012 financial year this team worked on 29 major projects across 9 countries involving £120 million of investment in projects completed in the 2012 financial year.

For the Group's ride-based attractions, MMM sources new rides from established third-party manufacturers, generally buying proven rides which are in operation in other attractions as opposed to higher risk prototypes. In respect of rides which are to be installed in its Resort Theme Parks, the Group aims to incorporate a unique element into each of its new rides such as more loops, greater height, greater speed or steeper drops. In each case, MMM will provide support in developing the ride's compelling proposition, theming and marketing materials with the goal of delivering the maximum impact. This centralised function reduces external costs for each project and builds core knowledge within the Group that can be re-applied across its Attractions to reduce overall development costs.

Continuing commitment to deliver the highest quality experience for customers

The Group's focus on guest experiences and visitor satisfaction is key to generating growth in visitor numbers and extending the length of stay across all its Attractions. Visitor satisfaction is a key determinant of repeat visits and customer loyalty and also forms part of the Group's employee incentivisation arrangements. The Group measures visitor satisfaction levels through continuous monitoring processes, which assist management in identifying opportunities to support pricing and to help direct capital investment to improving or replacing the Group's product offering. In the 2012 financial year, approximately 1.4 per cent. of visitors to all of the Group's Attractions (approximately 750,000 visitors) provided visitor satisfaction feedback. The Group has a target overall satisfaction level of 90 per cent. at each Attraction and has delivered average scores above this target since 2006. A Group Product Excellence Director, who reports directly to the Group's Chief Executive Officer, is tasked with ensuring that Merlin's quality of service key performance indicators remain high across the portfolio. Merlin has implemented specific and sophisticated processes at each Attraction to measure visitor satisfaction and give performance feedback on at least a weekly basis. Touch-screen machines have been installed in most Attractions and these provide instant feedback to the relevant visitor attraction and the Group Product Excellence Director. Paper surveys are also used at many Attractions and provide visitor responses direct to the Group Product Excellence Director. Merlin conducts regular mystery shopper visits to test each Attraction against key metrics and determinants of satisfaction. Merlin also conducts regular mystery shopper visits on its key competitors to ensure its own Attractions are delivering to a high and competitive standard.

The regular use of league tables serves to encourage further improvement and the Directors view complaints, where they occur as a real opportunity to exceed visitor expectations through effective resolution. Product Excellence Managers at most Attractions are tasked (under the leadership of their respective Divisional Directors or General Managers) with resolving the sources of visitor complaints. The fact that a component of the Group's bonus scheme is contingent on meeting the Group satisfaction target also helps to support the Group's culture of exceeding visitor expectations. As a result, a survey carried out by the Group in the 2012 financial year of previous complainants revealed that more than four out of five had returned to an Attraction or intended to do so within the next 12 months.

8. EMPLOYEES

The average number of the Group's permanent employees for the 2010, 2011 and 2012 financial years, respectively was 5,929, 6,277 and 7,407. The average number of the Group's total employees for the 2010, 2011 and 2012 financial years, respectively, was 10,640, 12,364, and 14,836, with the difference reflecting seasonal or temporary employees. During the 2012 financial year approximately 93 per cent. of the Group's permanent employees comprised staff at its Attractions and approximately seven per cent. comprised head-office staff.

The Directors believe that attracting, motivating and retaining employees of the right calibre is vital to the continued success of the Group and, whilst the Board believes that the Group has little difficulty in attracting sufficient employees of the right calibre for its business, the Group runs several training schemes which are aimed at training managers and employees for the continued roll-out of its Midway Attractions, improving levels of visitor service and impacting positively on the performance and retention of employees. Talent management is a key focus of the Group, and the Group aims to develop sufficient numbers of staff internally to enable it, in combination with external recruitment, to open five to seven new visitor attractions per year and to provide succession planning for all key roles. Merlin has also implemented a Performance Development Programme, a competency based performance review system used to identify career aspirations and development needs, with Group-wide grading to allow employees to plan their careers and provide a clear reward structure.

The Group has developed standard operating procedures which apply across its portfolio to ensure that visitors receive a high level of care in all of its Attractions and training in relation to these procedures is conducted at a local level by individual park managers. Health and safety matters form a key part of induction of all staff, whether permanent or on fixed contracts, and additional training is provided to staff who are either operating rides or handling food before they are allowed to work in these areas.

The Group also seeks to incentivise and reward employees through the payment of periodic performance related bonuses. Annual bonuses are paid when Attraction or Group profit targets are achieved and where personal objectives are met. As part of its incentive arrangements for executives and employees, the Board will adopt the Plans. For more information on the Plans, see paragraph 5 of Part 15 – Additional Information.

Management believes that its relations with employees and employee representative bodies are good and only a small number of its employees belong to unions. Whilst the Group has experienced some limited social unrest in a small number of its Attractions in Germany in the 2012 financial year in the run up to political elections and works council elections and one instance in the first half of the 2013 financial year, the level of the Group's employees' participation in warning strikes organised by trade unions has been very low. None of the other Attractions has suffered a material work stoppage or strike in the last three financial years or in the first half of the 2013 financial year.

The table below sets out the average number of permanent employees of the Group at each of the following dates in the 2012 financial year and the 2013 financial year:

	31 March 2012	**30 June 2012**	**30 September 2012**	**29 December 2012**	**31 March 2013**	**29 June 2013**
Midway Attractions	2,811	3,130	3,168	3,230	3,325	3,378
LEGOLAND Parks	1,149	1,259	1,720	1,830	1,896	1,890
Resort Theme Parks	2,076	2,080	2,059	2,050	1,987	1,957
Corporate (including MMM)	482	483	535	562	589	614
Total	6,518	6,952	7,482	7,672	7,797	7,839

A significant proportion of the Group's employees are employed on fixed-term contracts. The table below sets out the average number of fixed-term contract employees of the Group at each of the following dates in the 2012 financial year and the 2013 financial year:

	31 March 2012	**30 June 2012**	**30 September 2012**	**31 December 2012**	**31 March 2013**	**29 June 2013**
Midway Attractions	1,638	2,972	2,522	1,816	2,127	2,752
LEGOLAND Parks	4,182	6,145	4,884	2,038	4,566	6,063
Resort Theme Parks	3,318	4,480	3,781	835	3,202	4,727
Corporate (including MMM)	135	152	134	95	132	174
Total	9,273	13,749	11,321	4,784	10,027	13,716

The Group's approximate permanent employee turnover for the 2011 and 2012 financial years was as follows:

	Permanent Employee Turnover (per cent.)	
	2011	2012
Operating Group		
Midway Attractions	24.46	27.54
LEGOLAND Parks	28.06	18.26
Resort Theme Parks	19.26	20.03
Corporate (including MMM)	13.26	12.42
Group	22.69	22.11

9. PROPERTY

The Group's principal real estate interests are as follows:

Midway Attractions

- SEA LIFE Centres: the Group's standalone SEA LIFE Centres are predominantly leasehold properties, with five completely freehold sites;
- Madame Tussauds: the Group holds leases in respect of all of the Madame Tussauds sites other than Blackpool Madame Tussauds, with the site of Madame Tussauds, London forming part of the Prestbury sale and leaseback arrangement detailed below. The Blackpool Madame Tussauds is managed by the Group under a 20 year management agreement;
- The Dungeons: the Group holds leases in respect of all of the standalone Dungeons sites, with the exception of the Blackpool site which is managed by the Group under the 20 year management agreement mentioned above;
- The EDF Energy London Eye: part of The EDF Energy London Eye site is retained and operated by the Group pursuant to an indefinite licence from the Port of London Authority and the remainder is held by the Group pursuant to three leasehold interests. The Group also operates observation attractions at Sydney, Weymouth (both under leasehold arrangements) and Blackpool (as part of the 20 year management agreement mentioned above); and
- LEGOLAND Discovery Centres: the Group holds leases in respect of all standalone LEGOLAND Discovery Centre sites.

LEGOLAND Parks

- The Group owns the freehold of all the LEGOLAND Parks with the exception of (a) Malaysia; which is managed pursuant to a long term management agreement, (b) the proposed Dubai site; which will be managed pursuant to a long term management agreement, (c) the botanical gardens at LEGOLAND Florida; which are leased to the Group pursuant to a perpetual lease from the State of Florida, (d) certain parking and back of house areas at LEGOLAND Billund (which are leased to the Group) (e) the LEGOLAND Billund holiday village, which is leased from the Lego Foundation; and (f) the hotel at LEGOLAND Windsor; which is leased to the Group by Richie Properties pursuant to a sale and leaseback arrangement and (g) the model shop at LEGOLAND California which is leased to the Group.

Resort Theme Parks

- The Alton Towers, Heide Park, Thorpe Park and Warwick Castle sites are all leased to Merlin from the Prestbury Group pursuant to a sale and leaseback arrangement entered into in July 2007. For further details of this arrangement, please see paragraph 15.3 of Part 15 – Additional Information. The Group owns the freehold title to the Gardaland and Chessington World of Adventures sites.

Other

- The Group also operates two ski field resorts and two treetop walks in Australia, following the Living and Leisure Australia acquisition in 2011. The ski fields are held under a leasehold agreement whilst the Treetop walks are freehold sites;
- The Group owns the freehold of the Merlin Studios in Acton, west London; and
- The Group has ten standalone support offices in the UK, Germany, Hong Kong and Australia, all of which are held under leasehold agreements.

For further information on the Group's real estate portfolio, please see paragraph 18 of Part 15 – Additional Information.

10. HEALTH AND SAFETY

Health and safety is a key priority for the Board and senior management and is an item for review and discussion at each Board meeting. The Board has established a Health and Safety Committee which meets at least quarterly and reviews the Group's health and safety performance.

Senior management of Merlin and the individual Attractions evaluate the potential risks of each Attraction's operations to the public, employees and third party contractors. Contingency plans for potential emergency situations have been developed for each Attraction. The Theme Park rides and attractions and Midway Attraction facilities are inspected daily during the operating seasons by maintenance and operational personnel. These inspections include safety checks as well as regular maintenance.

In addition, all critical components of the Theme Park rides are submitted to annual inspections which are carried out by independent, private or state appointed, registered engineers. These inspections meet, or exceed, the requirements of the UK Health and Safety Executive and the German Technical Inspection Association and other equivalent bodies in each of the jurisdictions in which the Group operates. During the off-season, in-house maintenance personnel and contractors dismantle and examine the Theme Park rides and repair, refurbish and rebuild them where necessary and will involve the ride manufacturer as appropriate.

11. INFORMATION TECHNOLOGY

The primary role of the Group's IT systems is to ensure that the necessary applications and underpinning infrastructure are available to support Merlin's business. Merlin has a specific operating group ("**Group IT**") which is responsible for providing support to the Attractions and delivering IT related projects. In order to provide a responsive service to the Group's larger Attractions, Group IT is supported locally by on-site staff. Key IT systems used at many of the Attractions have specialist support teams based in the UK. An IT Steering Group has also been established, headed by Andrew Carr, the Group Chief Financial Officer, whose role is to formulate IT strategies by business function.

Merlin has extensive IT systems which support a wide range of areas of its business, including marketing, sales, admissions, maintenance and retail operations, as well as finance and human resources. Merlin's IT systems comprise a combination of centralised and decentralised technology, with the larger Attractions having their own dedicated IT support resources.

In early 2012, the Group carried out a review of its IT systems to determine whether the systems were aligned with the Group's growth strategies. As a result of this review, the Group commissioned an IT transformation programme to revise its business processes and to take advantage of new technologies, including mobile device sales, multi-site sales and integrated on-line packages. This programme commenced in the 2012 financial year and it is expected that during the 2014 financial year a number of implementation activities will be conducted. The priorities for these deployments are likely to include pilots for on-line ticket and hotel reservations as well as addressing the underlying technology infrastructure.

12. CORPORATE SOCIAL RESPONSIBILITY

Merlin devotes time to understanding how to develop its products in line with broad environmental and social needs. This understanding is reflected in the choice of location of attractions and efforts to respect local social and environmental issues; the responsible care and choice of the animals and marine life exhibited by the Group; worldwide campaigning and rescue activities; and the choice and management of suppliers. The need to work in partnership with the communities in which the Group operates is of high importance to the Group and it seeks to develop flexible attractions which reflect the culture and environment in which they are situated.

Animal and marine conservation and welfare

The Group has a particular focus on marine and animal conservation work, and takes an ethical and responsible approach to all animals in its care. The Group is aware of its responsibilities towards the welfare of the animals in its care and seeks to employ the highest possible standards of animal husbandry at every Attraction where it has animals in its care. In the 2012 financial year, the Group took two significant steps forward in its approach to animal and marine conservation and welfare:

- The establishment of the SEA LIFE Marine Conservation Trust, a registered charity that will provide a focal point for global campaigns and fundraising.

- Launching the Group's "Breed, Rescue, Protect" global initiative. The Group is actively involved in breeding marine species (included protected species), rescuing and rehabilitating marine species (in particular turtles and seal pups) and protecting marine species (including campaigning alongside Whale and Dolphin Conservation in the pursuit of global protection for all cetaceans and for the banning of mass culls and capture from the wild).

Merlin Magic Wand Children's Charity

The Group has also established the Merlin Magic Wand Children's Charity, which has been operating for over five years. The charity enables children who are disadvantaged through ill health, disability, abuse or poverty to have a memorable experience at one of the Group's Attractions around the world. The Group donates funds to the charity directly and supports the day to day running of the charity by subsidising the employment costs of the small charity team, providing office accommodation and facilities at no cost and providing free tickets to its Attractions. In the 2012 financial year, the Group has arranged 28,000 visits to its Attractions for disadvantaged children and their families by providing them with tickets and travel grants.

13. DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover. This dividend policy will reflect the long-term earnings and cash-flow potential of the Group and retain sufficient capital in the Group to fund continued investment. It is therefore the Board's current intention to target an initial payout ratio of approximately 35 to 40 per cent. of net income normalised for Merlin's long term expected effective tax rate of 28 per cent. There are no guarantees that the Company will pay dividends or regarding the level of any such dividends. Please see Part 4 – Risk Factors – "Risks relating to the Ordinary Shares – There are no guarantees that the Company will pay dividends or regarding the level of any such dividends".

Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The Directors intend that the first dividend the Company will pay will be the interim dividend in respect of the 26-week period ending 28 June 2014, to be announced with the interim results in August 2014 and paid in October 2014. The Directors intend to declare a final dividend in March 2015 in respect of the financial year ending 27 December 2014 which will be paid in May 2015. Merlin may revise its dividend policy from time to time.

14. INSURANCE

The Group maintains insurance policies for property damage and business interruption, public and product liability, employer's liability, motor insurance, engineering, travel insurance, marine insurance, pension fund liabilities, crime and directors and officers liabilities, as well as terrorist acts worldwide. In addition, the Group maintains insurance policies at a local level based on legislative requirements and at a level of cover that is determined by local management. The Group does not maintain any keyman insurance cover.

The Company believes that the Group's insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. The Group's policies are subject to standard limitations and therefore insurance might not necessarily cover all losses incurred by the Group. The Group cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, the Group's insurance policies.

PART 9 – DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. DIRECTORS AND SENIOR MANAGEMENT

1.1 Directors

Name	Position	Age
Sir John Sunderland	Non-Executive Chairman	68
Nick Varney	Group Chief Executive Officer	50
Andrew Carr	Group Chief Financial Officer	50
Charles Gurassa	Senior Independent Non-Executive Director	57
Ken Hydon	Non-Executive Director	68
Miguel Ko	Non-Executive Director	60
Rob Lucas	Non-Executive Director	51
Dr. Gerry Murphy	Non-Executive Director	57
Søren Thorup Sørensen	Non-Executive Director	48

The business address of each of the Directors is 3 Market Close, Poole, Dorset BH15 1NQ.

Sir John Sunderland, Non-Executive Chairman

Sir John was appointed Non-Executive Chairman of Merlin Entertainments S.à r.l. in December 2009. Sir John is currently a Non-Executive Director of Barclays Bank PLC and AFC Energy plc and an adviser to CVC. Previously, Sir John was Chairman of Cadbury Schweppes from 2003 to 2008 and Chief Executive Officer from 1996 to 2003. Sir John was also President of the CBI from 2004 to 2006, President of the Chartered Management Institute from 2006 to 2007, President of the Food and Drink Federation from 2002 to 2004, a Non-Executive Director of the Rank Group from 1998 to 2006 and a Director of the Financial Reporting Council from 2004 to 2011. Sir John is also the Chancellor of Aston University, a member of the Council of The University of Reading and an Associate Member of BUPA.

Nick Varney, Group Chief Executive Officer

Mr Varney has over 22 years' experience in the visitor attractions industry and was appointed Chief Executive Officer in 1999. Prior to that, Mr Varney was Managing Director of Vardon Attractions and a main board director of Vardon plc. In 1999 Mr Varney led the management buyout of Vardon Attractions to form the Group and, in 2005, initiated the process which led to its acquisition by Blackstone. Before joining Vardon Attractions, Mr Varney held senior positions within The Tussauds Group, including Marketing Director of Alton Towers and Head of Group Marketing.

Andrew Carr, Group Chief Financial Officer

Mr Carr is a qualified chartered accountant and was appointed Chief Financial Officer in 1999. Prior to that, Mr Carr was Financial Director of Vardon Attractions and played a key role in the management buyout of Vardon Attractions to form Merlin in 1999 and in the subsequent business, including the two follow-on buyouts and the acquisitions of LEGOLAND, Gardaland and The Tussauds Group. Before joining Vardon Attractions, Mr Carr trained, and was subsequently head of a regional Corporate Finance Department, at KPMG.

Charles Gurassa, Senior Independent Non-Executive Director

Mr Gurassa is currently the Senior Independent Director and Deputy Chairman of easyJet plc and the Non-Executive Chairman of Tragus, NetNames and Genesis Housing Association. Mr Gurassa has spent 35 years in the travel and tourism industry where his roles included Group Chief Executive of Thomson Travel Group plc, Director of Passenger and Cargo Business at British Airways, Executive Chairman of TUI Northern Europe and Airline Group and Board Member of TUI AG. Mr Gurassa is Chairman of National Trust Enterprises.

Ken Hydon, Non-Executive Director

Mr Hydon is currently a Non-executive Director of Reckitt Benckiser Group plc and Pearson Plc. Previously, Mr Hydon was the Group Finance Director and member of the Board of Vodafone Group Plc for twenty years. Mr Hydon was also a Non-Executive Director Tesco Plc from 2004 to 2013 and a Non-Executive Director of Royal Berkshire NHS Foundation Trust from 2005 to 2012. Mr Hydon is a fellow of the Chartered Institute of Management Accountants, the Chartered Association of Certified Accountants and the Association of Corporate Treasurers.

Miguel Ko, Non-Executive Director

Mr Ko is currently Non-Executive Chairman of Starwood Hotels & Resort Worldwide, Asia Pacific Division. He is also an Independent Non-Executive Director of Formula One (Delta Topco Limited), Samsonite International S.A., Changi Airport Group and Surbana International Consultants Holdings. From 2000 to 2012, Mr. Ko was Chairman & President of Starwood Hotels & Resort, Asia Pacific. Before joining Starwood, Mr. Ko was President, Asia Pacific of Pepsi-Cola International & ITT Sheraton Corporation. Mr. Ko received his B.A. in Economics from University of Massachusetts, Boston and Master in Business Administration from Suffolk University, United States. He is also a non-practicing Certified Public Accountant (CPA), licensed by the State Board of Accountancy in the State of New Hampshire, United States.

Rob Lucas, Non-Executive Director

Mr Lucas is a Managing Partner of CVC. An engineer by profession, Mr Lucas graduated from Imperial College, London. He spent nearly ten years with 3i before joining CVC in 1996. He is a member of CVC's European Investment Committee and sits on the board of both CVC and a number of CVC's investee companies.

Dr. Gerry Murphy, Non-Executive Director

Dr. Murphy is a Senior Managing Director in Blackstone's private equity group in London, Chairman of Blackstone's European holdings and a director of United Biscuits, Intertrust Group and Jack Wolfskin. Before joining Blackstone in 2008, Dr. Murphy was CEO of Kingfisher plc, a leading home improvement retailer in Europe and Asia. He has previously been CEO of Carlton Communications plc, Exel plc and Greencore Group plc and spent his earlier career with Grand Metropolitan plc (now Diageo plc). He is a non-executive director of British American Tobacco plc and has also served on the boards of Reckitt Benckiser Group plc, Abbey National plc and Novar plc. He received his BSc and PhD in food technology from University College Cork and MBS in marketing from University College Dublin.

Søren Thorup Sørensen, Non-Executive Director

Mr Sørensen is currently the Chief Executive Officer of KIRKBI, following his appointment in March 2010. Mr Sørensen was formerly a Partner, Chief Financial Officer and Member of the Group Executive Board of A.P. Moller – Maersk Group between 2006 and 2009. Prior to this he was Managing Partner of KPMG Denmark, having been a Partner at KPMG since 1997.

Appointment of Directors by Blackstone, KIRKBI and CVC Holdco

Pursuant to the Relationship Agreements, the Company has agreed with each of Blackstone, KIRKBI and CVC Holdco that each may appoint one Non-Executive Director to the Board and as an observer to each of the Nomination Committee, Remuneration Committee and Audit Committee for so long as it (together with its respective affiliates) holds at least ten per cent. of the Company's Ordinary Shares. Whilst KIRKBI holds at least ten per cent. of the Company's Ordinary Shares, it may also appoint an observer (in addition to a Non-Executive Director) to the Board (with the right to attend and speak at Board meetings, but not vote). For further details of the Blackstone Relationship Agreement, the KIRKBI Relationship Agreement and the CVC Relationship Agreement see paragraphs 15.5, 15.6 and 15.7, respectively, of Part 15 – Additonal Information.

1.2 **Senior Managers**

Name	Position	Age
Glenn Earlam	Managing Director, Midway Attractions	48
John Jakobsen	Managing Director, LEGOLAND Parks	50
Nick Mackenzie	Managing Director, Resort Theme Parks	45
Mark Fisher	Chief Development Officer, Merlin Magic Making	44
Colin Armstrong	Group Legal Director and Company Secretary	49
David Bridgford	Strategy Director	51
Tea Colaianni	Group HR Director	45
Andy Davies	Commercial Services Director	53
Mark Allsop	Chief Information Officer	40

The business address of each of the Senior Managers is 3 Market Close, Poole, Dorset BH15 1NQ.

Glenn Earlam, Managing Director, Midway Attractions

Mr Earlam has over 17 years' experience in the visitor attractions industry and was appointed Managing Director, Midway Attractions in 2007 following the Group's acquisition of The Tussauds Group. Prior to that Mr Earlam held a variety of senior positions at The Tussauds Group, including Director of Marketing for Alton Towers, Director of Marketing for UK Theme Parks and Managing Director, City Centre Attractions.

John Jakobsen, Managing Director, LEGOLAND Parks

Mr Jakobsen was appointed Managing Director, LEGOLAND Parks in 2007 following the acquisition of The Tussauds Group. Mr Jakobsen joined the LEGOLAND Parks business in 1990 and was involved with the strategic planning of LEGOLAND California, LEGOLAND Windsor and LEGOLAND Deutschland. Prior to his appointment in 2007, Mr Jakobsen was President and General Manager of LEGOLAND California and General Manager of LEGOLAND Deutschland.

Nick Mackenzie, Managing Director, Resort Theme Parks

Mr Mackenzie is a qualified surveyor and was appointed Managing Director, Resort Theme Parks in 2011. Between 2007 and 2011, Mr Mackenzie held the position of Managing Director, Property and Development Group, following the acquisition of The Tussauds Group in 2007. Mr Mackenzie joined The Tussauds Group in 2002 and was Property & Business Services Director and a Board Member of the London Eye Company.

Mark Fisher, Chief Development Officer, Merlin Magic Making

Mr Fisher has over 21 years' experience in the visitor attractions industry and was appointed Chief Development Officer in 2011. Between 2007 and 2011 Mr Fisher held the position of Managing Director, Resort Theme Parks, following the acquisition of The Tussauds Group in 2007. Prior to that, Mr Fisher held a variety of senior positions within the Group, including Managing Director, Operating Division and Group Marketing and Sales Director. Mr Fisher was a member of the senior management team involved in the management buyout of Vardon Attractions in 1999.

Colin Armstrong, Group Legal Director and Company Secretary

Mr Armstrong is a qualified solicitor with over 23 years' corporate law experience and was appointed Group Legal Director and Company Secretary of the Group in 2007. Prior to joining the Group, Mr Armstrong held the position of Group Legal Director and Company Secretary at National Express Group plc, Northern Leisure plc and AutoLogic Holdings plc.

David Bridgford, Strategy Director

Mr Bridgford is a qualified chartered accountant and was appointed Strategy Director in 2010. Between 2007 and 2010, Mr Bridgford held the position of Director of Corporate Finance of the Group, following the acquisition of The Tussauds Group in 2007, for whom he acted as Director of Corporate Finance. He has previously been a Director of the London Eye Company. Prior to joining The Tussauds Group in 2002, Mr Bridgford worked for Deloitte from 1985 and became a Partner in its Corporate Finance Department in 2000.

Tea Colaianni, Group HR Director

Mrs Colaianni was appointed Group HR Director in February 2010 and is an Italian qualified lawyer. Prior to joining the Group, Mrs Colaianni was Vice President Human Resources, Europe, UK and Ireland for Hilton Hotels Corporation. Prior to joining Hilton Hotels Corporation, Mrs Colaianni held a number of senior human resources roles in companies operating across Europe in a wide range of industries, including telecommunications and data hosting/broadband.

Andy Davies, Commercial Services Director

Mr Davies was appointed Commercial Services Director in 2007 following the acquisition of The Tussauds Group, for whom he acted as Commercial Services Director. Prior to joining The Tussauds Group in 2003, Mr Davies worked as Marketing Director for BAA, Marketing and Buying Director for WH Smith Travel Retail and for M&M/Mars where he worked on launches for new products and markets for their global consumer brands.

Mark Allsop, Chief Information Officer

Mr Allsop was appointed Chief Information Officer in September 2013. Prior to joining the Group, Mr Allsop held the position of Vice President and Chief Information Officer – EMEA at Sony Pictures Entertainment. Before joining Sony Pictures Entertainment, Mr Allsop held a senior IT role at NBC Universal.

1.3 Future Appointments

Fru Hazlitt, Proposed Non-Executive Director

Fru Hazlitt will join the Board as a Non-Executive Director early in 2014. She is currently Managing Director, Commercial and Online, of ITV, having held that position since 2010. She is also a Non-Executive Director of Betfair Group plc (having been appointed to the board in 2005). She was previously Chief Executive Officer of Virgin Radio (from 2005 to 2007) and GCap Media (from 2007 to 2008) and spent six years at Yahoo! where her roles included Managing Director, UK and Ireland, and Sales and Marketing Director, Europe.

2. CORPORATE GOVERNANCE

As at the date of this Prospectus the Company complies, and on and following Admission, the Company will continue to comply with the UK Corporate Governance Code except as set out below. The Board will also take account of institutional shareholder governance rules and guidance on disclosure and shareholder authorisation of corporate events. The Board intends to meet at least six times a year and may meet at other times as required or otherwise at the request of one or more of the Directors.

The UK Corporate Governance Code recommends that a UK listed company's chairman be independent on appointment. The Board considers that the Chairman of the Group was independent on appointment. The Chairman's role is to ensure good corporate governance. His responsibilities will include leading the Board, ensuring the effectiveness of the Board in all aspects of its role, ensuring effective communication with shareholders, setting the Board's agenda and ensuring that all Directors are encouraged to participate fully in the activities and decision-making process of the Board.

The UK Corporate Governance Code recommends that at least half the members of the board of directors (excluding the chairman) of a UK listed company should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment. The Board has concluded that Charles Gurassa, Ken Hydon and Miguel Ko are independent Non-Executive Directors for UK Corporate Governance Code purposes and that their appointments as independent Non-Executive Directors are in the best interests of Shareholders. Although Mr Gurassa serves on the board of Tragus Group Limited (a Blackstone portfolio company) and Mr Ko serves on the boards of Samsonite Corporation and Formula One (Delta Topco Limited) (CVC portfolio companies), the other Directors have concluded that the judgement, experience and challenging approach of each of them should ensure that they make a significant contribution to the work of the Board and its committees. Therefore, the Board has determined that Mr Gurassa and Mr Ko are of independent character and judgement and may still be regarded as independent Directors for the purposes of the UK Corporate Governance Code.

As the Board will consist of the Chairman, two Executive Directors, three independent Non-Executive Directors and three Non-Executive Directors who are not considered to be independent by virtue of their relationships with Blackstone, KIRKBI and CVC Holdco respectively, the Company does not, at the date of this Prospectus and will not at Admission, comply with this recommendation of the UK Corporate Governance Code. As the Board will have three experienced independent Non-Executive Directors as well as a Chairman (who was independent on appointment), the Board is satisfied that no individual will dominate the Board's decision taking, no undue reliance will be placed on particular individuals and the Board will be capable of operating effectively as at the date of this Prospectus and on and after Admission. Fru Hazlitt will join the Board as an independent Non-Executive Director in 2014, and the Company intends to become fully compliant with the UK Corporate Governance Code (as in force at the date of this Prospectus) during the course of 2014. It is the Company's current intention that each of the Directors will stand for re-election on an annual basis. Except as set out in this paragraph 2, the Company intends to comply with the UK Corporate Governance Code in all other respects. The Board will report to shareholders on compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

The UK Corporate Governance Code also recommends that the Board should appoint one of the independent Non-Executive Directors as the Senior Independent Director and Charles Gurassa has been appointed to fulfil this role. The Senior Independent Director will be available to shareholders if they have concerns which contact through the normal channels of Chairman, Group Chief Executive Officer or Group Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

The Board has established Nomination, Remuneration, Audit and Health and Safety Committees with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Pursuant to the Relationship Agreements, the Company has agreed with each of Blackstone, KIRKBI and CVC Holdco that each may appoint an observer (with the right to attend and speak at committee meetings, but not vote) to each of the Nomination Committee, Remuneration Committee and Audit Committee for so long as it (together with its respective affiliates) holds at least ten per cent. of the Company's Ordinary Shares. Whilst KIRKBI holds at least ten per cent. of the Company's Ordinary Shares, it may also appoint an observer (in addition to a Non-Executive Director) to the Board (with the right to attend and speak at Board meetings, but not vote). For further details of the Blackstone Relationship Agreement, the KIRKBI Relationship Agreement and the CVC Relationship Agreement see paragraphs 15.5, 15.6 and 15.7, respectively, of Part 15 – Additional Information.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors (other than those appointed by Blackstone, CVC Holdco and KIRKBI in accordance with the terms of the Relationship Agreements) and will make appropriate recommendations to the Board on such matters.

The UK Corporate Governance Code provides that a majority of the members of the Nomination Committee should be independent non-executive directors. As the Company's Nomination Committee will consist of the Chairman and three further independent Non-Executive Directors, the Company will comply with the UK Corporate Governance Code recommendation that a majority of the members of the Nomination Committee should be independent non-executive directors. The chairman of the Nomination Committee is Sir John Sunderland. The Nomination Committee will meet formally at least once a year and otherwise as required. It has responsibility for considering the size, structure and composition of the Board and the retirement and appointment of directors and will make appropriate recommendations to the Board in relation to these matters.

The principal duties of the Nomination Committee include the following:

- to review regularly the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations to the Board with regard to any changes;
- to identify, nominate and recommend for the approval of the Board, appropriate candidates to fill Board vacancies as and when they arise;
- to evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- to satisfy itself with regard to succession planning that processes and plans are in place with regard to both Board and senior management appointments;
- to review annually the time required to fulfil the role of Chairman, Senior Independent Director and each Non-Executive Director and use performance evaluation to assess whether the Non-Executive Directors have devoted sufficient time to their duties;
- to recommend the re-election (or not) by shareholders of any Director under the retirement and re-election provisions in the Company's Articles of Association;
- to make a statement in the Annual Report about its activities and the process used for appointments and explain if external advice or open advertising has not been used;
- to make its terms of reference publicly available; and
- to ensure that on appointment to the Board, Non-Executive Directors receive formal written terms of appointment.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below Board level. The UK Corporate Governance Code provides that the Remuneration Committee should comprise at least three independent non-executive directors. As the Company's Remuneration Committee will consist of three independent Non-Executive Directors, the Company will comply with this UK Corporate Governance Code recommendation. The chairman of the Remuneration Committee is Charles Gurassa, the Senior Independent Director.

The Remuneration Committee will meet formally at least twice each year and otherwise as required. The Remuneration Committee considers all material elements of remuneration policy, remuneration and incentives of executive directors and senior management with reference to independent remuneration research and professional advice in accordance with the UK Corporate Governance Code and makes recommendations to the Board on the framework for executive remuneration and its cost. The Board is then responsible for implementing the recommendations and agreeing the remuneration packages of individual directors. The Remuneration Committee is also responsible for making recommendations for the grants of awards under the Plans. In accordance with the Remuneration Committee's terms of reference, no director may participate in discussions relating to his own terms and conditions of remuneration. Non-Executive Directors' and the Chairman's fees will be determined by the full Board.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remain with the Board.

The UK Corporate Governance Code recommends that the audit committee should comprise at least three independent non-executive directors, and that at least one member should have recent and relevant financial experience. As the Company's Audit Committee will consist of three independent Non-Executive Directors, the Company will comply with this UK Corporate Governance Code recommendation. Ken Hydon is considered by the Board to have recent and relevant financial experience and is chairman of the Audit Committee.

No members of the Audit Committee have links with the Company's external auditors. The Audit Committee will formally meet at least three times each year and otherwise as required. The Group Chief Executive Officer, the Group Chief Financial Officer, other directors and representatives from the finance function may attend and speak at meetings of the Audit Committee.

Health and Safety Committee

The Health and Safety Committee assists the Board in ensuring that matters of all risk including health, safety and security are managed effectively and proactively throughout the Group. The Health and Safety Committee will consist of the Chairman, the Group Chief Executive Officer, the Group Chief Financial Officer, the three current independent Non-Executive Directors and the Director of Health and Safety and Risk Management (Adrian Mahon). The chairman of the Health and Safety Committee is Sir John Sunderland.

The Health and Safety Committee will meet formally at least four times a year and otherwise as required. Duties of the Health and Safety Committee include reviewing the Group's risk register, risk and health and safety policy, reviewing compliance with applicable health and safety directives and legislation, reviewing audit findings and reviewing the effectiveness of the Group's risk management team (including the quality and numbers of directly involved engineers and other staff).

PART 10 – SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present selected financial and other information of Merlin Entertainments S.à r.l. and its subsidiaries as at the dates and for the periods indicated.

Investors should read the whole of this Prospectus and not rely on the selected information in this Part 10.

I. Selected consolidated financial information of Merlin Entertainments S.à r.l. extracted without material adjustment from the audited consolidated IFRS historical financial information of Merlin Entertainments S.à r.l. set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., except as specified below

The selected financial information in the tables headed Income statement data, Balance sheet data and Cash flow data below has been extracted without material adjustment from the audited consolidated historical financial information as at and for the 52-week period ended 27 December 2008, the 52-week period ended 26 December 2009, 52-week period ended 25 December 2010, the 53-week period ended 31 December 2011, the 52-week period ended 29 December 2012 and the 26-week period ended 29 June 2013 and the unaudited consolidated historical financial information for the 26-week period ended 30 June 2012 included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., other than the information in respect of Visitor revenue, Other revenue, Marketing expenses, Rent expenses and Other expenses. That information extracted without material adjustment from the consolidated historical financial information included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. has been prepared in accordance with IFRS on the basis described in the footnotes to the financial information of Merlin Entertainments S.à r.l. in Part 12. The information in respect of Visitor revenue, Other revenue, Marketing expenses, Rent expenses and Other expenses is unaudited, is derived from the unaudited accounting records used to compile the Group's IFRS financial information and is provided in order to provide prospective investors with further details of the components of Revenue and Other operating expenses.

Each of the financial years ended 27 December 2008, 26 December 2009, 25 December 2010 and 29 December 2012 consisted of 52 weeks. The financial year ended 31 December 2011 consisted of 53 weeks. The differing length of certain financial years may affect the comparability of data.

Income statement data (extracted without material adjustment from the consolidated historical financial information of Merlin Entertainments S.à r.l. set out in Part 12 of this document, unless otherwise indicated and audited except as specified below)

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Visitor revenue[1]	582#	681#	716#	845#	945#	383#	425#
Other revenue[2]	81#	88#	85#	101#	129#	62#	58#
Total revenue	662	769	801	946	1,074	445	483
Cost of sales	(88)	(104)	(105)	(128)	(163)	(76)	(68)
Gross profit	574	665	696	818	911	369	415
Staff expenses	(164)	(191)	(219)	(229)	(262)	(124)	(137)
Other operating expenses							
Marketing[3]	(43)#	(46)#	(48)#	(56)#	(56)#	(32)#	(35)#
Rent[3]	(47)#	(52)#	(55)#	(69)#	(74)#	(36)#	(39)#
Other expenses[3]	(119)#	(140)#	(154)#	(160)#	(179)#	(85)#	(96)#
Total other operating expenses	(209)	(238)	(257)	(285)	(309)	(153)	(170)
Underlying EBITDA[4]	203	236	256	306	346	94	111
Exceptional and non-trading items[5]	(2)	—	(36)	(2)	(6)	(2)	(3)
EBITDA[4]	201	236	220	304	340	92	108
Depreciation, amortisation and impairment	(81)	(59)	(62)	(74)	(141)	(47)	(47)
Operating profit	120	177	158	230	199	45	61
Finance income	46	11	20	8	25	17	17
Finance costs	(241)	(202)	(152)	(142)	(126)	(64)	(79)
(Loss)/profit before tax	(75)	(14)	26	96	98	(2)	(1)
Taxation	(5)	(17)	(28)	(28)	(22)	1	(1)
(Loss)/profit/ for the period	(80)	(31)	(2)	68	76	(1)	(2)

(1) Unaudited. Visitor revenue includes revenue generated from admission fees and secondary spend by visitors to the Group's Attractions (including spend on food and beverages, retail purchases, souvenir photography, parking and guide books).

(2) Unaudited. Other revenue includes revenue generated from the Group's hotel operations, private functions and sponsorships and fees received under management contracts.

(3) Unaudited.

(4) EBITDA is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment and is after taking account of profit after tax of joint ventures. Underlying EBITDA excludes exceptional and non-trading items.

(5) Details of exceptional and non-trading items are provided in note 2.2 of the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Balance sheet data (extracted without material adjustment from the consolidated historical financial information of Merlin Entertainments S.à r.l. set out in Part 12 of this document, audited except as specified below)

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 29 June 2013
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Total non-current assets	1,935	1,892	1,889	2,103	2,297	2,385
Total current assets	192	139	133	133	212	254
Total assets	**2,127**	**2,031**	**2,022**	**2,236**	**2,509**	**2,639**
Total non-current liabilities (excluding non-current shareholder loans)	1,359	1,324	1,298	1,427	1,614	1,666
Total current liabilities	291	225	219	254	278	333
Total liabilities (excluding non-current shareholder loans)	**1,650**	**1,549**	**1,517**	**1,681**	**1,892**	**1,999**
Non-current shareholder loans	581	586	—	—	—	—
Net (liabilities)/assets	**(104)**	**(114)**	**505**	**555**	**617**	**640**
Total equity	**(104)**	**(114)**	**505**	**555**	**617**	**640**

Cash flow data (extracted without material adjustment from the consolidated historical financial information of Merlin Entertainments S.à r.l. set out in Part 12 of this document, audited except as specified below)

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Net cash inflow from operating activities	219	234	183	292	348	121	147
Net cash outflow from investing activities	(99)	(101)	(116)	(229)	(233)	(161)	(85)
Net cash (outflow)/inflow from financing activities	(32)	(186)	(85)	(67)	(34)	23	(58)
Net changes in cash and cash equivalents	**88**	**(53)**	**(18)**	**(4)**	**81**	**(17)**	**4**

Certain income statement data by operating segment (extracted without material adjustment from the audited consolidated historical financial information of Merlin Entertainments S.à r.l. set out in Part 12 of this document, except as specified below)

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012
	£m	£m	£m	£m	£m
Midway Attractions					
Revenue					
Visitor revenue(1)	196#	239#	265#	345#	434#
Other revenue(1)	8#	8#	8#	15#	24#
Total revenue	204	247	273	360	458
Gross profit (1)	188#	227#	250#	327#	413#
Segment EBITDA(2)	89	103	116	146	179
Operating profit(1)	51#	73#	75#	111#	118#
LEGOLAND Parks					
Revenue					
Visitor revenue(1)	152#	183#	195#	228#	275#
Other revenue(1)	16#	20#	20#	24#	33#
Total revenue	168	203	215	252	308
Gross profit(1)	133#	159#	169#	198#	240#
Segment EBITDA(2)	56	68	74	87	113
Operating profit(1)	36#	40#	60#	63#	85#
Resort Theme Parks					
Revenue					
Visitor revenue(1)	234#	260#	256#	272#	236#
Other revenue(1)	49#	52#	55#	58#	54#
Total revenue	283	312	311	330	290
Gross profit(1)	250#	276#	273#	288#	253#
Segment EBITDA(2)	82	89	89	97	73
Operating profit(1)	59#	65#	90#	71#	52#

(1) Unaudited.

(2) Segment EBITDA is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment for the operating segment, after taking account of profit after tax of joint ventures and excluding exceptional and non-trading items, details of which are provided in note 2.2 of the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

II. Selected financial and other information that has not been extracted from the audited consolidated IFRS historical information of Merlin Entertainments S.à r.l. set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., except as specified below

The remainder of the financial and other information in this Part 10 has, except as specified, not been extracted from the audited consolidated IFRS historical information of Merlin Entertainments S.à r.l. set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. of this document and is therefore unaudited. This information is presented to enhance a prospective investor's understanding of the Group's results of operations. The basis of preparation for this information is set forth in the introductions and notes to the following tables where relevant. Certain of the financial measures discussed below are not defined or recognised under IFRS. The basis of preparation of these non-IFRS measures is set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information.

The following two tables and certain other financial information in this Part 10 and elsewhere in this document have (where indicated) been presented on a constant currency basis using the Group's exchange rates for the 52 weeks ended 29 December 2012, as set out in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information. Financial information on a constant currency basis is unaudited and is presented to enhance comparability across financial periods by eliminating the effect of exchange rate movements on the Group's financial results.

Certain income statement data on a constant currency basis (unaudited except as specified below)

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012(1)	26 weeks ended 30 June 2012(1)	26 weeks ended 29 June 2013(1)
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Visitor revenue(2)	601*	658*	700*	824*	945#	383#	418*
Other revenue(3)	82*	84*	83*	98*	129#	63#	57*
Total revenue	683	742	783	922	1,074	446	475
Cost of sales	(91)	(100)	(102)	(125)	(163)	(77)	(66)
Gross profit	592	642	681	797	911	369	409
Staff expenses	(164)	(183)	(215)	(223)	(262)	(124)	(134)
Other operating expenses							
Marketing	(45)*	(44)*	(47)*	(55)*	(56)#	(32)#	(34)*
Rent	(48)*	(51)*	(55)*	(68)*	(74)#	(36)#	(39)*
Other expenses	(128)*	(136)*	(149)*	(157)*	(179)#	(85)#	(96)*
Total other operating expenses	(221)	(231)	(251)	(280)	(309)	(153)	(169)
Underlying EBITDA(4)	209	228	251	296	346	94	108
Exceptional and non-trading items(5)	(2)	—	(36)	(2)	(6)	(2)	(2)
EBITDA(4)	207	228	215	294	340	92	106
Depreciation, amortisation and impairment	(82)	(56)	(60)	(72)	(141)	(47)	(47)
Operating profit	125	172	155	222	199	45	59

(1) The information for all periods, other than the 52 weeks ended 29 December 2012 and the 26 weeks ended 30 June 2012, is presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Constant Currency. The information for the 52 weeks ended 29 December 2012 and the 26 weeks ended 30 June 2012 has not been adjusted and has been extracted without material adjustment from the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., except for the unaudited information in respect of Visitor revenue, Other revenue, Marketing, Rent and Other expenses.

(2) Unaudited. Visitor revenue includes revenue generated from admission fees and secondary spend by visitors to the Group's Attractions (including spend on food and beverages, retail purchases, souvenir photography, parking and guide books).

(3) Unaudited. Other revenue includes revenue generated from the Group's hotel operations, private functions and sponsorships and fees received under management contracts.

(4) EBITDA is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment and is after taking account of profit after tax of joint ventures. Underlying EBITDA excludes exceptional and non-trading items.

(5) Details of exceptional and non-trading items are provided in note 2.2 of the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Certain financial data by operating segment on a constant currency basis (unaudited except as specified below):

	52 weeks ended 27 December 2008[(1)]	52 weeks ended 26 December 2009[(1)]	52 weeks ended 25 December 2010[(1)]	53 weeks ended 31 December 2011[(1)]	52 weeks ended 29 December 2012[(1)]
	£m	**£m**	**£m**	**£m**	**£m**
Midway Attractions					
Revenue					
Visitor revenue	202*	233*	260*	342*	434#
Other revenue	9*	8*	9*	15*	24#
Total revenue	211	241	269	357	458
Gross profit	195	221	246	324	413
Segment EBITDA[(2)]	92	101	114	145	179
Operating profit	68	80	92	113	136
LEGOLAND Parks					
Revenue					
Visitor revenue	163*	176*	189*	222*	275#
Other revenue	17*	19*	19*	23*	33#
Total revenue	180	195	208	245	308
Gross profit	142	153	164	192	240
Segment EBITDA[(2)]	60	66	72	84	113
Operating profit	49	51	59	67	95
Resort Theme Parks					
Revenue					
Visitor revenue	236*	249*	251*	260*	236#
Other revenue	49*	51*	53*	57*	54#
Total revenue	285	300	304	317	290
Gross profit	252	265	268	277	253
Segment EBITDA[(2)]	82	85	87	91	73
Operating profit	66	67	67	70	49

(1) The information for all periods, other than the 52 weeks ended 29 December 2012, is presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Constant Currency. The information for the 52 weeks ended 29 December 2012 has not been adjusted and has been extracted without material adjustment from the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., except for the unaudited information in respect of Visitor revenue, Other revenue, Gross profit and Operating profit by segment.

(2) Segment EBITDA is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment for the operating segment, after taking account of profit after tax of joint ventures and excluding exceptional and non-trading items, details of which are provided in note 2.2 of the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Other key performance measures (unaudited)

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012(1)
Visitors(2) (m)					
Midway Attractions	18.0	20.0	22.0	27.4	33.1
LEGOLAND Parks	6.3	7.0	7.3	8.0	10.5
Resort Theme Parks	10.8	11.5	11.8	11.8	10.5
Group Total	35.1	38.5	41.0	47.3	54.0
Revenue per cap (on a constant currency basis)(3) (£)					
Midway Attractions	11.45*	11.80*	12.00*	12.62*	13.29*
LEGOLAND Parks	26.02*	25.18*	26.06*	27.70*	28.67*
Resort Theme Parks	21.81*	21.57*	21.21*	21.98*	22.57*
Group Total	17.30*	17.19*	17.17*	17.55*	17.93*
Like-for-like revenue growth (on a constant currency basis)(4) (%)					
Midway Attractions	—	7%†	8%†	6%†	3%†
LEGOLAND Parks	—	6%†	7%†	8%†	6%†
Resort Theme Parks	—	5%†	2%†	4%†	(9)%†
Group Total	—	6%†	5%†	6%†	(1)%†
Like-for-like underlying EBITDA growth of the Group (on a constant currency basis)(5) (%)	—	5%†	10%†	6%†	2%†

(1) The revenue per cap, like-for-like revenue growth and like-for-like underlying EBITDA growth for all periods, other than the 52 weeks ended 29 December 2012, is presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Constant Currency. The information for the 52 weeks ended 29 December 2012 has not been adjusted.

(2) Visitor numbers include visitors to Attractions operated under management contracts (which, during the period under review, included only LEGOLAND Malaysia) and visitors to Attractions operated as joint ventures.

(3) Revenue per cap is calculated by dividing total visitor revenue by the number of visitors (excluding visitors to Attractions operated under management contracts, including LEGOLAND Malaysia, and under joint ventures), as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Revenue per cap.

(4) Like-for-like revenue growth in respect of each financial year reflects the growth in revenue attributable to the estate of Attractions owned by the Group and operational on the first day of the immediately preceding financial year, on a constant currency basis. In calculating like-for-like revenue growth, the results of the first week of the 2011 financial year (which was a 53-week financial year) have been excluded to enhance comparability. See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue and other financial information for a reconciliation of Group revenue (on a constant currency basis) to Group like-for-like revenue (on a constant currency basis) and the resulting like-for-like revenue growth between the 2008 to 2012 financial years.

(5) Like-for-like underlying EBITDA in respect of each financial year reflects the underlying EBITDA growth attributable to the estate of Attractions owned by the Group and operational on the first day of the immediately preceding financial year, on a constant currency basis. See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue and other financial information for a reconciliation of Group underlying EBITDA (on a constant currency basis) to Group like-for-like underlying EBITDA (on a constant currency basis) and the resulting like-for-like underlying EBITDA growth between the 2008 to 2012 financial years.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Certain financial and other information for the 35-week period ended 1 September 2012 and the 35-week period ended 31 August 2013 (unaudited)

The following table contains certain unaudited consolidated financial and other information for the 35-week period ended 1 September 2012 and the 35-week period ended 31 August 2013, which has been presented in order to provide investors with an indication of the Group's recent trading results as compared with the same period in the prior financial year. Results of operations for an interim period are not necessarily indicative of results for a full financial year.

	35 weeks ended 1 September 2012[(1)]	35 weeks ended 31 August 2013[(1)]	35 weeks ended 31 August 2013 (on constant currency basis)[(2)(3)]
Revenue (£m)			
By operating group			
Midway Attractions	323	378	375
LEGOLAND Parks	242	276	267
Resort Theme Parks	217	235	229
Central	18	—	—
Total	800	889	871
Revenue (£m)			
By geography			
UK	311	341	341
Continental Europe	219	236	221
North America	166	188	183
Asia Pacific	104	124	126
Total	800	889	871
Visitors[(4)] (m)			
Midway Attractions	23.1	26.5	26.5
LEGOLAND Parks	7.4	8.7	8.7
Resort Theme Parks	8.3	8.8	8.8
Total	38.9	44.0	44.0

(1) Amounts have been extracted from the unaudited accounting records of Merlin Entertainments S.à r.l.

(2) Amounts have been derived using numbers extracted from the unaudited accounting records of Merlin Entertainments S.à r.l.

(3) Revenue numbers for the 35 weeks ended 31 August 2013 presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information –Non-IFRS Information – Constant Currency.

(4) Visitor numbers include visitors to Attractions operated under management contracts (which, during the period under review, included only LEGOLAND Malaysia) and visitors to Attractions operated as joint ventures.

The following table sets forth the unaudited like-for-like revenue growth in the 35-week period ended 31 August 2013 as compared with the 35-week period ended 1 September 2012, on a constant currency basis.

Like-for-like revenue growth[(1)(2)]	
By operating group	
Midway Attractions	11%
LEGOLAND Parks	5%
Resort Theme Parks	5%
Total	7%

(1) Like-for-like revenue growth represents the growth in revenue, on a constant currency basis, attributable to the estate of Attractions owned by the Group and operational at the start of the 35-week period ended 1 September 2012.

(2) Percentages have been derived using numbers extracted from the unaudited accounting records of Merlin Entertainments S.à r.l.

Certain financial and other data with respect to the 2007 estate on a constant currency basis (unaudited)

The following table sets forth unaudited revenue, EBITDA, capital expenditure, number of visitors and revenue per cap for each of the 2008 to 2012 financial years attributable to the estate of Attractions included in the Group's business at the end of the 2007 financial year, in each case on a constant currency basis. This information is presented to enhance the prospective investor's understanding of the Group's growth excluding the impact of acquisitions and the roll-out of new Attractions.

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012
Revenue (£m)	660*	697*	734*	783*	766#
EBITDA (£m)	203*	214*	234*	255*	251#
Capital expenditure (£m)	65*	64*	66*	65*	68#
Visitors(2) (m)	33.1	34.5	36.0	36.9	35.5
Revenue per cap(3) (£)	17.7*	18.1*	18.2*	18.9*	19.1*

(1) The information for all periods, other than the 52 weeks ended 29 December 2012, is presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Constant Currency. The information for the 52 weeks ended 29 December 2012 has not been adjusted.

(2) Visitor numbers with respect to the 2007 estate exclude visitors to Attractions operated under management contracts (which, during the period under review, included only LEGOLAND Malaysia) and visitors to Attractions operated as joint ventures.

(3) Revenue per cap is calculated by dividing total visitor revenue by the number of visitors, as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Revenue per cap.

Operating free cash flow and cash conversion (unaudited except as specified below)

The following table sets out the unaudited operating free cash flow and cash conversion of the Group for each of the 2008 to 2012 financial years, along with the basis of calculation of these measures. Operating free cash flow is defined as the sum of underlying EBITDA and change in working capital less capital expenditure. Cash conversion is defined as operating free cash flow divided by underlying EBITDA, expressed as a percentage. Operating free cash flow and cash conversion are presented both before and after new business development capital expenditure in order to show the impact of such capital expenditure separately from existing estate capital expenditure. Both operating free cash flow and cash conversion are included in this Prospectus because the Directors believe that they enhance prospective investors' understanding of the Group's cash generation and provide prospective investors with a useful measure for comparing the Group's liquidity in respect of its operations from period to period. See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Operating free cash flow and – Cash conversion.

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012
Underlying EBITDA(1) (£m)	203	236	256	306	346
Existing estate capital expenditure(2) (£m)	(60)#	(74)#	(74)#	(87)#	(92)#
Change in working capital (£m)	16#	3#	6#	3#	24#
Operating free cash flow before new business development capital expenditure	159*	165*	188*	222*	278*
Cash conversion before new business development capital expenditure (% of EBITDA)(3)	78%†	70%†	73%†	73%†	80%†
New business development capital expenditure(3) (£m)	(36)#	(28)#	(45)#	(87)#	(71)#
Operating free cash flow (£m)	**123***	**137***	**143***	**135***	**207***
Cash Conversion (% of EBITDA)	61%†	58%†	56%†	44%†	60%†

(1) Extracted without material adjustment from the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. Underlying EBITDA is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment, after taking account of profit after tax of joint ventures and excluding exceptional and non-trading items, details of which are provided in note 2.2 of the audited consolidated financial statements of Merlin Entertainments S.à r.l. included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

(2) Existing estate capital expenditure for each financial year includes capital expenditure incurred in respect of Attractions and accommodation facilities open at the end of the preceding financial year.

(3) New business development capital expenditure for each financial year includes capital expenditure incurred in respect of the development of new Attractions and new accommodation facilities.

Capital Expenditure for the Group and by operating segment (unaudited)

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012
	£m	£m	£m	£m	£m
Midway Attractions					
Existing estate(1)(2)	14#	24#	21#	34#	30#
New business development(3)	20#	26#	25#	28#	55#
Total	34#	50#	46#	63#	85#
LEGOLAND Parks					
Existing estate(1)	17#	17#	19#	17#	29#
New business development(3)(4)	9#	—#	6#	57#	17#
Total	25#	17#	25#	74#	46#
Resort Theme Parks					
Existing estate(1)	29#	30#	33#	34#	32#
New business development(3)	8#	—#	—#	—#	—#
Total	37#	30#	33#	34#	32#
Central	—#	4#	—#	4#	1#
Group					
Existing estate(1)	60#	74#	74#	87#	92#
New business development(3)	36#	27#	29#	87#	71#
Total	96#	101#	104#	174#	163#

(1) Existing estate capital expenditure for each financial year includes capital expenditure incurred in respect of Attractions and accommodation facilities open at the end of the preceding financial year.

(2) Existing estate capital expenditure for the Midway Attractions operating group included exceptional capital expenditure incurred in connection with capsule refurbishment for the London Eye, totaling £1 m in the 2008 financial year, £3 m in the 2009 financial year, £4 m in the 2010 financial year, £3 m in the 2011 financial year and £2 m in the 2012 financial year.

(3) New business development capital expenditure for each financial year includes capital expenditure incurred in respect of the development of new Attractions and new accommodation facilities.

(4) New business development capital expenditure for the LEGOLAND Parks operating group for the 2010 financial year excludes £16 million in capital expenditure related to the development of LEGOLAND Florida.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Capital Expenditure for the Group and by operating segment on a constant currency basis (unaudited)

	52 weeks ended 27 December 2008(1)	52 weeks ended 26 December 2009(1)	52 weeks ended 25 December 2010(1)	53 weeks ended 31 December 2011(1)	52 weeks ended 29 December 2012
	£m	£m	£m	£m	£m
Midway Attractions					
Existing estate(2)(3)	15*	23*	21*	34*	30*
New business development(4)	21*	25*	24*	28*	55*
Total	36*	49*	45*	62*	85*
LEGOLAND Parks					
Existing estate(2)	20*	16*	19*	16*	29*
New business development(4)(5)	9*	—*	6*	58*	17*
Total	28*	16*	25*	74*	46*
Resort Theme Parks					
Existing estate(2)	30*	29*	32*	33*	32*
New business development(4)	7*	—*	—*	—*	—*
Total	37*	29*	32*	33*	32*
Central	1*	4*	—*	4*	1*
Group					
Existing estate(2)	66*	72*	72*	85*	92*
New business development(4)	37*	27*	30*	88*	71*
Total	103*	98*	101*	173*	163*

(1) The information for all periods, other than the 52 weeks ended 29 December 2012, is presented on a constant currency basis using the actual exchange rates for the financial year ended 29 December 2012, as set forth in paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Constant Currency. The information for the 52 weeks ended 29 December 2012 has not been adjusted.

(2) Existing estate capital expenditure for each financial year includes capital expenditure incurred in respect of Attractions and accommodation facilities open at the end of the preceding financial year.

(3) Existing estate capital expenditure for the Midway Attractions operating group included exceptional capital expenditure incurred in connection with capsule refurbishment for the London Eye, totaling £1 m in the 2008 financial year, £3 m in the 2009 financial year, £4 m in the 2010 financial year, £3m in the 2011 financial year and £2 m in the 2012 financial year.

(4) New business development capital expenditure for each financial year includes capital expenditure incurred in respect of the development of new Attractions and new accommodation facilities.

(5) New business development capital expenditure for the LEGOLAND Parks operating group for the 2010 financial year excludes £16 million in capital expenditure related to the development of LEGOLAND Florida.

* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

PART 11 – OPERATING AND FINANCIAL REVIEW

The following discussion of the financial condition and results of operations of the Group should be read in conjunction with the audited consolidated financial statements of Merlin Entertainments S.à r.l. and the accompanying notes for the 52-week period ended 29 December 2012 (the ***"2012 financial year"****), the 53-week period ended 31 December 2011 (the* ***"2011 financial year"****) and the 52-week period ended 25 December 2010 (the "****2010 financial year****") and the 26 weeks ended 29 June 2013 (****"H1 2013"****) and the unaudited consolidated financial statements of Merlin Entertainments S.à r.l. for the 26 weeks ended 30 June 2012 (****"H1 2012"****), set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., and with the information relating to the business of the Group included elsewhere in this document. The discussion includes forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document, particularly in Part 4 – Risk Factors, and in Part 6 – Presentation of Financial and Other Important Information. Prospective investors should read the whole of this document.*

During the period under review, the Group's consolidated financial statements were issued in the name of Merlin Entertainments S.à r.l., the ultimate holding company of the Group until the completion of the Reorganisation Agreement, which will occur immediately prior to Admission. Going forward, the Group's consolidated financial statements will be issued in the name of Merlin Entertainments plc, the new ultimate holding company of the Group with effect from the completion of the Reorganisation Agreement.

The following discussion focuses on the audited consolidated financial statements of Merlin Entertainments S.à r.l. for the 2012, 2011 and 2010 financial years and H1 2013 and the unaudited consolidated financial statements of Merlin Entertainments S.à r.l. for H1 2012, in each case prepared in accordance with IFRS. Financial information, including the Group's income statement, in the audited consolidated financial statements of Merlin Entertainments S.à r.l. for the 2012, 2011 and 2010 financial years and H1 2013 and the unaudited consolidated financial statements of Merlin Entertainments S.à r.l. for H1 2012 is presented in Pounds Sterling, the Group's presentational currency.

This document contains a discussion of EBITDA, underlying EBITDA, segment EBITDA, EBITDAR, financial information on a constant currency basis using the actual exchange rates for the 2012 financial year, "like-for-like" revenue, "like-for-like" EBITDA, incremental ROIC, operating free cash flow, cash conversion, revenue per cap and average organic revenue growth and average organic EBITDA growth, all of which are items not recognised under IFRS. The Directors use these items as key performance indicators of the Group's business, and these items are presented to enhance the prospective investor's understanding of the Group's results of operations. For an explanation of these measures, see paragraph 4 of Part 6 – Presentation of Financial and Other Important Information, and "– Non-IFRS Measures" below.

*References in this Part 11 to the "****2008 financial year****" are to the 52-week period ended 27 December 2008, to the "****2009 financial year****" are to the 52-week period ended 26 December 2009, to the "****2013 financial year****" are to the 52-week period ending 28 December 2013, to the "****2014 financial year****" are to the 52-week period ending 27 December 2014, to the "****2015 financial year****" are to the 52-week period ending 26 December 2015 and to the* ***"2016 financial year****" are to the 53-week period ending 31 December 2016.*

Unless the context otherwise requires, all references to "the period under review" in this Part 11 are references to the period including the 2010 financial year, the 2011 financial year, the 2012 financial year and H1 2013.

Unless otherwise stated, all references to "like-for-like revenue" or "like-for-like EBITDA" are to the revenue or EBITDA attributable to the estate of Attractions owned by the Group and operational on the first day of the period being compared.

Certain figures contained in this Prospectus, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

Overview

Merlin is a global leader in branded, location based family entertainment, operating 99 Attractions in 22 countries which attracted over 54 million visitors in the 2012 financial year. It is the second largest operator of visitor attractions and theme parks globally and the largest in Europe, in each case by number of visitors in the 2012 financial year. Merlin is also a market leader in the UK, Germany and Italy by total visitor numbers, with an expanding presence in the US and emerging markets. Merlin owns and/or operates a unique portfolio of brands which are often iconic and possess a strong heritage within their markets.

The management of the Group's business is organised into three operating groups: (i) Midway Attractions; (ii) LEGOLAND Parks; and (iii) Resort Theme Parks, all supported by Merlin Magic Making, the Group's in-house creative and production team.

The Group generates revenue primarily by charging visitors admission fees to enter its Attractions. Revenue also includes amounts received from visitors for priority ride access passes, amounts generated from hotel and holiday village operations and additional secondary spend by visitors, including food and beverages, merchandise, souvenir photography, games, car parking and guide book sales. Across the Group as a whole, a higher proportion of revenues from Attractions is earned through admission fees than through secondary spend, although the proportions differ amongst the three operating groups, with the proportion of revenues earned through secondary spend typically being highest in the LEGOLAND Parks operating group and lowest in the Midway Attractions operating group. Further revenue is generated by management and royalty fees received under operating contracts for certain LEGOLAND Parks (including LEGOLAND Malaysia during the period under review), as well as private functions and sponsorship arrangements.

The Group has demonstrated substantial revenue and EBITDA growth since its formation. From the 2000 financial year to the 2012 financial year, the Group's revenue and EBITDA achieved a CAGR of 37 per cent. and 38 per cent., respectively[51]. Although the Group has grown substantially through acquisitions, it has also demonstrated the ability to increase the revenues and EBITDA of acquired businesses under the Group's management. The businesses acquired in the LEGOLAND Parks acquisition in 2005, the Gardaland acquisition in 2006 and the Tussauds Group acquisition in 2007 (being all of the Group's significant acquisitions other than those completed within the last two full financial years) achieved an average revenue CAGR and an average EBITDA CAGR of 11 per cent.[†] and 13 per cent.[†], respectively, over the first two full financial years following their respective acquisitions.[52] Additionally, from the 2008 financial year to the 2012 financial year, the Group achieved average organic annual revenue and EBITDA growth of 9 per cent.[†] and 10 per cent.[†], respectively, on a constant currency basis[53]. The Directors believe these numbers demonstrate the strength of the Group's growth independent of the immediate impact of significant acquisitions during the period under review.

Current Trading and Prospects

The Group delivered a strong performance and continued growth in the 35-week period ended 31 August 2013 as compared with the 35-week period ended 1 September 2012. The eight month period, which includes the peak trading months of July and August, saw the Group's revenue increase 11 per cent., from £800 million in the 35-week period ended 1 September 2012 to £889 million in the 35-week period ended 31 August 2013, with visitor numbers increasing from 38.9 million to 44.0 million between the same periods. This growth in revenue and visitor numbers was driven by both new business developments and like-for-like revenue growth across all three operating groups.

Like-for-like revenue on a constant currency basis grew by 7 per cent. for the Group as a whole from the 35-week period ended 1 September 2012 to the 35-week period ended 31 August 2013, reflecting like-for-like revenue growth on a constant currency basis of 11 per cent., 5 per cent. and 5 per cent. for the Midway Attractions, LEGOLAND Parks and Resort Theme Parks operating groups, respectively.

Significant new developments contributing to the Group's growth in the 35-week period ended 31 August 2013 included the roll-out of six new Midway Attractions since the beginning of the 2013 financial year. These new openings were spread across three core geographic regions (North America, Asia-Pacific and Europe) and represented four of the Group's Midway Attractions brands. Additionally, the new 250-room LEGOLAND California Hotel (opened in April 2013) has performed ahead of the Group's expectations, increasing both accommodation revenues and visitor attendance at LEGOLAND California, and LEGOLAND Malaysia (opened in

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[51] Unaudited. Excludes the results of week 1 of the 2011 financial year, which was a 53-week financial year. The Group's financial statements for the 2001, 2002, 2003, 2004 and 2005 financial years were prepared using UK generally accepted accounting policies. The Group's financial statements for the 2006 and 2007 financial years were prepared using IFRS. The Group's financial statements for the 2008, 2009, 2010, 2011 and 2012 financial years have been prepared using IFRS and in accordance with the policies set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

[52] Unaudited.

[53] Unaudited. Average organic annual revenue and EBITDA growth represent average annual revenue and EBITDA growth (i) excluding the growth attributable to the Sydney Attractions Group and Living and Leisure Australia acquisitions in the year of acquisition but including the change in revenue and EBITDA attributable to those businesses in subsequent financial years under the Group's management and (ii) including the growth attributable to all other acquisitions, which included the LEGOLAND Florida site and a number of smaller single site acquisitions, from the date of completion or, if later, the opening of the Attraction. See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Average organic revenue and EBITDA growth for a further explanation of average organic revenue and EBITDA growth and the basis of their calculation.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

September 2012) has continued to perform strongly in its first full year of operation. The Group has also launched several significant new rides and attractions within the Resort Theme Parks operating group, including "The Smiler" roller-coaster at Alton Towers and the "Zufari – Ride into Africa" experience at Chessington World of Adventures. These new features have helped to drive growth in visitor attendance and revenue for the Resort Theme Parks operating group, supporting a strong performance following the adverse conditions affecting the European attractions in the 2012 financial year discussed below.

In the period since 31 August 2013, the Group has continued to trade strongly compared to 2012, with growth in both total and like-for-like revenue across all operating groups. September and early October trading is consistent with the typical seasonality of the Group. The growth delivered in this period is more in line with the longer term trends within the Group's businesses than the figures reported for the period to 31 August 2013, which benefitted from a comparison to a period in 2012 impacted by several factors including poor weather and the London Olympics. Given the performance through to the end of August and in the period since, the Board continues to remain confident of the Group's prospects for the balance of the financial year and the longer term outlook.

Recent Developments

On 18 September 2013, the Group acquired Turkuazoo, a premier aquarium attraction in Istanbul, from Global Aquariums BV. This acquisition represents Merlin's first venture into Istanbul, and the Directors believe the acquisition could serve as a catalyst for potentially developing a cluster of Midway Attractions in this city. The Group plans to invest in upgrading and expanding this business, developing both the displays and the infrastructure of Turkuazoo to enhance the overall experience for visitors, to underline its position as a premier aquarium and to place a greater emphasis on the information and "fun learning" elements which are central to the Group's global aquarium strategy. Turkuazoo is included in the Group's Midway Attractions operating group.

Factors Affecting the Group's Results of Operations

The results of the Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Group's control. This section sets out certain key factors that the Directors believe have affected the Group's results of operations in the period under review or could affect its results of operations in the future.

Visitor Attendance

Visitor attendance levels are the primary driver of the Group's revenue and one of the primary drivers of the Group's profitability, and most of the Group's revenue is generated by visitors through admission fees and secondary spend.

Visitor attendance is primarily driven by, and depends on, the appeal of the Attractions, and the Directors believe that the sustainability of visitor attendance at the Group's Attractions is dependent upon maintaining high visitor satisfaction levels. The Group measures visitor satisfaction through continuous monitoring processes intended to assist management in pricing and directing capital investment to improve the Group's product offering, including through updating and refreshing the Group's Attractions on a regular basis. The Group has a target overall satisfaction level of 90 per cent. at each of its Attractions, and most of the Group's Attractions have consistently achieved scores above this target.

Visitor attendance is also impacted by the Group's pricing and marketing strategies. The effectiveness of these strategies is dependent upon their alignment with the appropriate target audience, which requires management to implement and deliver brand clarity in respect of each Attraction's proposition. Visitor attendance is also influenced by economic conditions, conditions of the tourism industry and other factors beyond the Group's control.

Additionally, growth in visitor attendance is driven by factors which vary among Merlin's operating groups, with overall growth in visitor attendance for (i) the Midway Attractions operating group being driven largely by the roll-out of new Attractions, (ii) the LEGOLAND Parks operating group being driven by a combination of the roll-out of new Attractions and accommodation facilities and capital expenditure on the existing estate and (iii) the Resort Theme Parks operating group being driven largely by capital expenditure on the existing estate and new accommodation facilities.

From the 2010 financial year to the 2012 financial year, visitor attendance grew for the Midway Attractions and LEGOLAND Parks operating groups, driven by the Group's continued roll-out of Midway Attractions and the opening of new LEGOLAND Parks as well as growth in visitor attendance at many of the existing Attractions within these two operating groups. Growth in visitor attendance at existing Attractions in these operating groups has been attributable largely to the launch of new attractions and shows, the effectiveness of marketing campaigns and, in the case of Midway Attractions, the benefits of increased clustering which result in many visitors visiting multiple Attractions. These factors led to continued growth in visitor attendance for the Midway Attractions and LEGOLAND Parks operating groups in H1 2013 as compared with H1 2012.

Visitor attendance for the Resort Theme Parks operating group was largely static in the 2010 and 2011 financial years, largely due to the Group's efforts to enhance attractions revenue per capita by reducing the number of ticket promotions. Visitor attendance for the Resort Theme Parks operating group declined in the 2012 financial year, largely due to adverse weather conditions, the effect of the London Olympics during the peak summer season and adverse economic conditions in Southern Europe (where Gardaland, one of the Group's largest Attractions by visitor numbers, is located). The Directors believe that visitor attendance for the Midway Attractions and LEGOLAND Parks operating groups were affected less by these conditions in the 2012 financial year due to (i) greater geographical diversity than the Resort Theme Parks operating group; (ii) in the case of the Midway Attractions operating group, a high proportion of indoor Attractions; and (iii) the roll-out of new Midway Attractions and LEGOLAND Parks in the 2012 financial year (including, in particular, the full-year effect of the opening of LEGOLAND Florida in October 2011). Visitor attendance for the Resort Theme Parks operating group was static in H1 2013 as compared with H1 2012, reflecting the net result of an increase in visitor attendance at some of the Resort Theme Parks in the UK following the launch of significant new attractions at those parks, offset by the impact of especially adverse weather conditions including snowfall in the UK and Germany during the Easter holiday period in March and April 2013.

The following table sets out visitor numbers and percentage growth/(decline) in visitor numbers by operating group and for the Group for the 2010, 2011 and 2012 financial years:

	Financial Year				
	2010	**2011[(1)]**	**2012**	**% Growth (2010-2011)**	**% Growth (2011-2012)**
	m	**m**	**m**		
Midway Attractions	22.0	27.4	33.1	25%	21%
LEGOLAND Parks[(2)]	7.3	8.0	10.5	10%	31%
Resort Theme Parks	11.8	11.8	10.5	0%	(11)%
Total Visitors	41.0	47.3	54.0	15%	14%

(1) Reflects a 53-week trading year, compared with 52-week trading years in the 2010 and 2012 financial years.

(2) In the 2010 and 2011 financial years, LEGOLAND visitor numbers excluded visitors under the age of three. In the 2012 financial year and going forward, LEGOLAND visitor numbers include visitors under the age of three.

The following table sets out visitor numbers and percentage growth in visitor numbers by operating group and for the Group for H1 2012 and H1 2013:

	H1 2012	**H1 2013**	**% Growth**
	m	**m**	
Midway Attractions	14.7	17.1	16%
LEGOLAND Parks	3.9	4.6	18%
Resort Theme Parks	4.0	4.0	0%
Total Visitors	22.6	25.8	14%

Visitor numbers, as used in this document, represent the number of customers entering an Attraction, as measured by the Group's admissions systems, for the period indicated. Unless otherwise specified, visitor numbers include visitors to Attractions operated under management contracts (which, during the period under review, included only LEGOLAND Malaysia), in respect of which the Group earns revenues through management fees rather than directly through visitor admission fees, and visitors to Attractions operated as joint ventures.

Management of Investment Cycles

The success of the Group is dependent upon the appeal of its Attractions. Part of the Group's growth strategy is to make targeted investments to update and refresh its estate on a regular basis. It does this through both operating and capital expenditures that are intended to improve product appeal and guest experience, which are key to increasing visitor attendance levels and length of stay. Such investments include (i) adding new rides and attractions; (ii) replacing old features with new, more up-to-date features; and (iii) general maintenance of existing attractions (including ensuring health and safety standards are met or exceeded). Investments are also focused on adding second gates and improving and expanding accommodation facilities, food and beverage facilities and retail offerings. Such investment supports increases in admission fees and secondary spend and helps drive the Group's revenue growth and profitability. The Group also makes capital investments to improve the back office and IT efficiency of the Group.

The Group typically adds at least one new entertainment offering or other improvement at each of its Attractions each year, with periodic higher levels of investment managed in cycles across the business. Investment cycles for each operating group's Attractions are managed with the intention of evenly distributing the "high" years of each Attraction's cycle, when a significant new ride or attraction or other development or feature opens, within the relevant operating group in order to allow the Group to focus its resources and balance the capital expenditure spend across the portfolio and from year to year. "Low" years in an Attraction's investment cycle entail primarily the development of relatively smaller, lower cost attractions aimed at maintaining visitor numbers. "Medium" years in an investment cycle (which apply only in respect of Attractions in the LEGOLAND Parks operating group) represent the development of new visitor experiences that may form part of the Attraction's marketing message in any particular year but that are less high profile, and generally have a lower impact on visitor numbers, than the significant attractions added in "high" years.

The following table sets out the length of the typical investment cycle for Attractions in each of the Group's three operating groups, along with the approximate average capital expenditure costs incurred in respect of each Attraction within the three operating groups in each year of the investment cycle (with the range representing the average costs for a smaller site up to the average costs for a larger site):

	Typical investment cycle (approximate)	"Low" year capital expenditure (approximate)	"Medium" year capital expenditure (approximate)	"High" year capital expenditure (approximate)
Midway Attractions	"High" year once every five years, followed by four "low" years	£50,000 to £1 million	N/A	£500,000 to £5 million
LEGOLAND Parks	"High" year once every four years, followed by one "low" year, one "medium" year and one further "low" year	£1 million to £2 million	£3 million to £5 million	£5 million to £8 million
Resort Theme Parks	"High" year once every four years, followed by three "low" years[1]	£1 million to £5 million	N/A	£4 million to £12 million

(1) The investment cycle for Resort Theme Parks included a "high" year approximately once every three to four years during the period under review. The Directors expect this to move to approximately once every four years starting in the 2014 financial year.

During the period under review, the Group has invested approximately eight to ten per cent. of its total revenue each financial year in capital expenditure relating to the development of its existing estate of Attractions owned and operated at the start of such financial year. The percentage of revenue invested in capital expenditure varies by operating group. Midway Attractions require relatively lower capital expenditure due to the smaller scale of the Attractions and the higher proportion of first-time tourist visitors while Resort Theme Parks, and to a lesser extent LEGOLAND Parks, require relatively higher capital expenditure due to the roll-out of new rides and attractions of significant scale and the drive to attract repeat visitors. During the period under review, the Midway Attractions, LEGOLAND Parks and Resort Theme Parks operating groups invested approximately 6 to 8 per cent., 7 to 11 per cent. and 9 to 11 per cent. of revenue on a constant currency basis, respectively, in capital expenditure relating to the development of their existing estates of attractions in each financial year. The Group's capital expenditure has helped to drive increased visitor attendance and average like-for-like revenue growth of four per cent.[†] and average like-for-like EBITDA growth of six per cent.[†] from the 2008 financial year through the 2012 financial year, in each case on a constant currency basis[54]. The Group targets mid-single digit like-for-like EBITDA growth for the Attractions in its existing estate from year to year. Going forward, the Group expects to maintain similar levels of investment (as a percentage of revenue) in its existing estate, and to maintain annual capital expenditure on its existing estate broadly in line with the annual level of its depreciation and amortisation charge in respect of the Attractions in the existing estate. During the period under review, the Group has funded its capital expenditure on its existing estate of Attractions from its operating free cash flow and it expects to continue to do so going forward.

The Group's significant investments that opened during H1 2013 included: the "Smiler" ride at Alton Towers; the "Zufari – Ride into Africa" experience at Chessington World of Adventures; the "World of Chima" experience at LEGOLAND Florida; and the "Kingdom of the Pharaohs" experience at LEGOLAND Deutschland.

[54] See Section 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue, underlying EBITDA and other financial information for an explanation of like-for-like revenue and EBITDA growth and the basis of their calculation.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

The Group's significant investments that opened during the 2012 financial year included: the "Swarm" ride at Thorpe Park; the "Madagascar Live: Prepare to Party" live show at Chessington World of Adventures; the "Ice Age 4D Experience" at Alton Towers and Gardaland; the "Nemesis Sub Terra" ride at Alton Towers; "Krake Alive!" at Heide Park; the "Polar X-Plorer" experience in LEGOLAND Billund; "Pirate Reef" at LEGOLAND California; and the Star Wars LEGO exhibits at LEGOLAND Windsor and LEGOLAND Florida. In the 2011 financial year, the Group opened the "Raptor" ride at Gardaland; the "Krake" ride at Heide Park; the "Atlantis Submarine Voyage" ride at LEGOLAND Windsor; and the Star Wars LEGO exhibits at the LEGOLAND parks in Denmark, Germany and California. In the 2010 financial year, the Group opened the "Th13rteen" ride at Alton Towers; the "Wild Asia" and "Wanyama" areas at Chessington World of Adventures; the LEGO themed water park at LEGOLAND California; the "Kingdom of the Pharaohs" ride at LEGOLAND Billund; and the "4D Marvel Super Heroes" experience at Madame Tussauds London.

In respect of the Midway Attractions, the Group has consistently updated and refreshed its entertainment offerings through the rotation of themed exhibitions across the SEA LIFE Centres; the annual addition of approximately six to ten new wax figures at each Madame Tussauds Attraction, depending on the size of the site; the addition of a new ride or new 4D film at each LEGOLAND Discovery Centre approximately once every four years; and the regular introduction of new story lines at The Dungeons sites. Additionally, the Group must undertake a refurbishment of the capsules of the London Eye, which takes three to four years to complete, approximately once every 15 to 20 years. The last capsule refurbishment was completed between the 2008 and 2012 financial years at a cost of approximately £13 million# in aggregate.

The Group establishes targeted returns for all capital expenditure incurred in respect of projects expected to make a positive contribution to EBITDA, and builds these targeted returns into its annual budgets. While it is not possible to ascertain accurately returns for individual investments, particularly in respect of individual rides at the Resort Theme Parks, the Directors believe that the launch of new features at the Group's Attractions following capital investments are a key contributing factor in increasing visitor attendance numbers, particularly during the year of launch.

Roll-Out of Midway Attractions

The continued roll-out of Midway Attractions by the Group in new locations and countries is a key component of the Group's business development and growth strategy. The costs incurred by the Group to roll out a new site and the anticipated maturity profile of each new site vary by brand.

During the 2010, 2011 and 2012 financial years, the Group opened 16 new Midway Attractions (excluding acquisitions), as set out in the following table:

	Number of sites opened
SEA LIFE Centres	4
Madame Tussauds	4
LEGOLAND Discovery Centres	5
Dungeon	1
Observation attractions	2

Of the 16 new Midway Attractions opened in the 2010 to 2012 financial years, 15 were net contributors to Group EBITDA during the period under review (taking into account site revenues, site costs and the allocation of certain overhead and central management costs). In addition, all of these sites other than the Blackpool Eye generated a positive contribution to Group EBITDA within their first full year of operation. The Group's policy is to ensure all new Midway Attractions are capable of breaking even at the EBITDA level with 50 per cent. of the forecast visitor attendance.

During H1 2013, six new Midway Attractions were opened, including one SEA LIFE Centre, one Madame Tussauds site, three LEGOLAND Discovery Centres and one Dungeon site. Since the end of H1 2013, one additional Midway Attraction, a Madame Tussauds site, was opened, in September 2013.

The average development costs per new Attraction in the Midway Attractions operating group during the period under review ranged from approximately £4 million for a smaller site to approximately £9 million for a larger site.

The majority of new Midway Attractions opened during the period under review were located in North America and Asia Pacific, in line with the Group's strategy of geographical expansion and diversification.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Another key component of the Group's strategy with respect to the roll-out of Midway Attractions is the creation of "cluster cities", developing multiple Attractions in one city in order to capitalise on cross-selling and multi-Attraction pass opportunities. Clustering Attractions also allows the Group to achieve logistical benefits, including the sharing of management and administrative functions across Attractions and, in some cases, the sharing of premises, which help to drive growth in EBITDA margins and support like-for-like growth. On average, clustered Midway Attractions generated EBITDAR margins of 61 per cent.† in the 2012 financial year, compared with average EBITDAR margins of 44 per cent.† for non-clustered Midway Attractions[55].

The Group conducts detailed demographic reviews of target locations, with over 100 potential new sites for Midway Attractions currently identified in over 60 locations around the world (approximately two thirds of such sites being based in existing or potential cluster cities). The Group has six Midway Attractions currently under development which it plans to open by the end of the 2014 financial year, including two new SEA LIFE Centres, two Madame Tussauds sites, one LEGOLAND Discovery Centre and one Dungeon site. The development costs on each of these sites are expected to be between £5 million and £8 million. Thereafter, the Group intends to open an average of six to seven new Midway Attractions per financial year. The Group's plans for the 2015 financial year include, among other things, the opening of a cluster of Attractions in Orlando, Florida, including a SEA LIFE Centre, a Madame Tussauds site and an observation attraction.

Roll-Out of LEGOLAND Parks

Another significant component of the Group's business development and growth strategy is the roll-out of new LEGOLAND Parks. Given the strength of the LEGO and LEGOLAND brands and the success of its existing LEGOLAND Parks, the Group sees significant scope for new LEGOLAND Parks, particularly in the Asian market. The Group plans to open a new LEGOLAND Park on average once every two to three years.

The Group opened LEGOLAND Florida, the first LEGOLAND Park launched under Merlin's ownership, in October 2011, with costs of £75 million (including the cost of acquiring the former Cypress Gardens site). LEGOLAND Florida is owned and operated by the Group, with admissions fees reflected directly in revenues for the LEGOLAND Parks operating group. EBITDA for LEGOLAND Florida significantly outperformed management expectations in both the 2011 and 2012 financial years.

The Group has also recently introduced an alternative LEGOLAND Parks operating model, pursuant to which it operates the relevant site under a management contract on behalf of a third party, which the Directors believe assists the Group in penetrating certain new markets and reducing its risk in those markets. Generally under these arrangements, the Group receives a management fee in return for the provision of design, construction and ongoing operational management services, but does not own the underlying assets or fund the site's capital expenditure requirements. The management fee is included in revenues for the LEGOLAND Parks operating group. The Group currently manages one site under this operating model: LEGOLAND Malaysia, which opened in September 2012 and is managed by the Group under an agreement with Malaysian partners with development funds provided by the Malaysian government. The Group has also entered into an agreement with, amongst others, Meraas Malls and Hospitality LLC to develop and operate LEGOLAND Dubai under this operating model, with launch planned for 2016.

The Group has also identified tangible opportunities to open new LEGOLAND Parks in Japan and South Korea, and it is anticipated that a LEGOLAND Park in one of these countries will open in the 2017 financial year. The Group has entered into discussions with local government and private parties with respect to these development opportunities and in connection with a potential LEGOLAND Park in South Korea, the Group has entered into an undertaking agreement with the Gangwon Provincial Government. Pursuant to this agreement the parties have agreed to finance and develop a LEGOLAND Park in Gangwon-Do, South Korea. Should the conditions to this agreement be satisfied, Merlin will be required to provide approximately US$100 million of investment over several years, of which the first US$10 million is likely to be required before the end of the 2014 financial year. Further details of these arrangements are set out at paragraph 15.11 of Part 15 – Additional Information. Any arrangements are likely to be structured such that the relevant partner acquires the land and the Group invests in the necessary equipment (which management views as a variation of the operating model described above), with the fee structure to be agreed on a case-by-case basis. The Directors do not currently expect that the Group will be required to make an investment of more than US$100 million in respect of any single new project utilising the structure described above. The Group is also in discussions with

[55] Clustered Midway Attractions in the 2012 financial year included the Midway Attractions located in Amsterdam, Bangkok, Berlin, Blackpool, Dallas, London, Kansas City, Sydney, Weymouth and Shanghai. See Section 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – EBITDA, underlying EBITDA, segment EBITDA and EBITDAR for an explanation of EBITDAR and the basis of its calculation.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

KIRKBI in relation to the funding of the development of potential new LEGOLAND Parks. Should any of these projects proceed with KIRKBI'S involvement this could constitute a related party transaction under the Listing Rules, in which case the Company would be required to seek shareholder approval before progressing the transaction.

The Group intends to consider LEGOLAND Park development opportunities and the operating models for these opportunities on a case-by-case basis in light of its strategic objectives.

Development of New Resort Hotels and Other Accommodation Facilities

The Group's business development strategy also includes the development of hotels and other accommodation at certain parks. Besides contributing to overall Group revenues through direct accommodation fees, the Group's hotels and holiday villages are a key component of the Group's strategy of transforming its LEGOLAND Parks and Resort Theme Parks into short break destinations, encouraging multi-day visits and thereby increasing overall visitor attendance while, to a certain degree, mitigating the impact of adverse weather conditions.

During the period under review, the Group launched two new hotels, the 150 room LEGOLAND Windsor Hotel, which opened in March 2012 and had development costs of £15 million, and the 250 room LEGOLAND California Hotel, which opened in April 2013 and had development costs of £28 million. In addition, the holiday villages at both LEGOLAND Deutschland and LEGOLAND Billund expanded their accommodation offerings during this period. Between the 2010 financial year and the 2012 financial year, the Group's revenues from accommodation have increased by £11 million[*], from £57 million[#] in the 2010 financial year to £68 million[#] in the 2012 financial year. The aggregate room capacity across the Group has increased from 1,588 rooms as at the beginning of the 2010 financial year to 2,747 rooms as at June 2013.

Currently, the Directors expect that a typical 150 room hotel developed by the Group will have initial investment costs ranging from approximately £16 million to £20 million while a typical 250 room hotel will have initial investment costs ranging from approximately £25 million to £35 million, with the actual costs in each case depending largely on the level of theming. The Group's target is for its accommodation offerings to reach maturity approximately two to five years after opening and generate a positive contribution to EBITDA within the first full year of opening. The Group is currently participating in the development of a new 249 room hotel at LEGOLAND Malaysia (which the Group expects to operate under a management contract) as well as a new 68 room extension to the "Knights Castle" hotel at LEGOLAND Deutschland and a 69 room extension to the hotel at Chessington World of Adventures. The Group has also received planning permission for the construction of new accommodation at Alton Towers and has a zoned development plan in place for LEGOLAND Florida and anticipates it will receive planning permission for new accommodation.

Strategic Acquisitions

In addition to the roll-out of newly developed Attractions, the Group's revenue growth and profitability are affected by the strategic acquisition and integration of existing leisure sites. Over the course of the period under review, the Group undertook two significant portfolio acquisitions: Sydney Attractions Group in January 2011 and Living and Leisure Australia in February 2012, both of which reflected the Group's strategic objective of accelerating expansion in the Asia Pacific region.

The overall impact of acquisitions on the Group's financial results is a function of a variety of factors, including acquisition costs, subsequent capital expenditure involved in redevelopment and re-branding, the trading results of each Attraction, cross-selling opportunities arising from clustering of Attractions and the achievement of operational efficiencies and reductions in operating costs across the Attraction portfolio.

Acquisition of the Sydney Attractions Group

In January 2011, the Group acquired the Sydney Attractions Group from Village Roadshow Limited at an acquisition cost of £102 million, funded through a debt draw down under the Group's then existing loan facility. This acquisition added six new Attractions to the Group's Midway Attractions portfolio, including four that formed a new cluster of Attractions in the Sydney region. These Attractions have now been re-branded in line with the Group's strategy of integrating acquisitions into its existing brands. Sydney Tower Observatory and Skywalk has now been re-launched as Sydney Tower Eye, while Sydney Aquarium, Oceanworld Manly and Kelly Tarlton's Antarctic Encounter and Underwater World have all been re-launched as SEA LIFE Attractions. Sydney Wildlife

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World has been re-launched as WILD LIFE Sydney, with the original zoo component of the Attraction having been consolidated to create space for Madame Tussauds Sydney, which was launched in April 2012. Overall the Attractions acquired as part of the Sydney Attractions Group represented 10 per cent.† and 8 per cent.† of the Midway Attractions operating group's revenues and underlying segment EBITDA, respectively, in the 2011 financial year (when they were not part of the Group for the full year) and 9 per cent.† and 7 per cent.† of the Midway Attractions operating group's revenues and segment EBITDA, respectively, in the 2012 financial year. These Attractions formed a smaller percentage of the Midway Attractions operating group's revenues and EBITDA in the 2012 financial year than in the 2011 financial year, due primarily to the expansion of the Midway Attractions portfolio (including the acquisition of Living and Leisure Australia in February 2012 and the roll-out of additional new Midway Attractions during the year).

Acquisition of Living and Leisure Australia

In February 2012, the Group acquired Living and Leisure Australia at an acquisition cost of £156 million, funded through a debt draw down under the Group's then existing loan facility. This acquisition added a further ten Attractions to the Group's Midway Attractions portfolio, expanding the Group's presence in Australia while also providing it with entry into the Asian aquarium market. Among the assets acquired were Melbourne Aquarium, Mooloolaba Underwater World, Siam Ocean World (located in Bangkok), Shanghai Changfeng Ocean World and Busan Aquarium. The Group is currently implementing a phased investment plan to re-launch the aquaria under the SEA LIFE brand between the 2013 and 2016 financial years. Additionally, in line with the Group's strategy of integrating acquisitions into its existing brands and capitalising on clustering opportunities, the acquisition has allowed the Group to create new clusters in Bangkok and Shanghai by adding aquaria to complement existing Madame Tussauds attractions in those locations. As part of the acquisition of Living and Leisure Australia, the Group also acquired the Illawarra Fly Treetop Walk and Otway Treetop Adventures in New South Wales and Victoria, Australia, respectively, and the Hotham and Falls Creek Ski Resorts in Victoria, Australia. These assets constitute businesses that are relatively new to Merlin and in respect of which an assessment as to strategic fit within the Group is ongoing. Overall the Attractions acquired as part of the Living and Leisure Australia acquisition represented 16 per cent.† and 14 per cent.† of the Midway Attractions operating group's revenues and segment EBITDA, respectively, in the 2012 financial year (when they were not part of the Group for the full year).

Variations in Weather

The Group's portfolio is diversified across outdoor and indoor Attractions and multiple geographies, which provides a degree of natural hedging against certain external factors such as variations in weather. However, unfavourable weather and forecasts of unfavourable weather, especially during the Group's peak opening period and on or for weekend days, can adversely affect visitor attendance at the Group's Attractions and, consequently, the Group's financial performance. For example, the Directors believe that during the 2012 financial year exceptionally adverse weather conditions in Europe throughout spring and summer (including a significantly greater number of rainy days compared to historical averages) contributed significantly to a reduction in visitor numbers at outdoor Attractions. This trend was particularly apparent in the Resort Theme Parks operating group, which currently includes only European-based Attractions. Although these weather conditions also affected the Group's European LEGOLAND Parks, the overall results of the LEGOLAND Parks operating group for the 2012 financial year were strengthened by the performance of LEGOLAND Florida and LEGOLAND California. The Midway Attractions operating group can also be impacted by weather conditions, but in a different way due to the fact that almost all of the Attractions in this operating group are located indoors. In the case of the Midway Attractions operating group, hot weather can have a negative impact on visitor numbers as potential visitors are diverted to outdoor attractions, such as theme parks.

The Group seeks to hedge the risk of adverse weather conditions through the use of an advance purchase pricing model for online ticket sales, providing a discount to customers who book in advance, as well as sales of Merlin Annual Passes and individual Attraction season passes. The Group also seeks to draw trade visitors, such as coach tours and school visits, to its Attractions, and the vast majority of these trade visitors book tickets in advance. The Group's strategy of creating short break destinations at its Resort Theme Parks and LEGOLAND Parks, chiefly by the development of accommodation facilities, further supports advance ticket sales by encouraging visitors to plan multi-day trips further in advance. The Group's efforts to enhance its e-commerce platforms and increase pre-booked ticket sales resulted in the number of customers booking more than seven days in advance more than doubling between the 2011 and 2012 financial years. In the 2012 financial year, approximately 45 per cent. of visits to the Group's Attractions were either pre-booked or used Merlin Annual Passes.

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† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Seasonality

The Group's operations are subject to seasonal factors. The majority of the Group's revenue is generated between mid-March and November due to a variety of factors affecting the northern hemisphere, where the majority of the Group's Attractions are located. This includes school holiday periods, with the longest peak during July and August and shorter peaks during the Easter and (in the UK) October school holiday periods, and generally favourable weather conditions. In the 2012 financial year, approximately 59 per cent.† and 73 per cent.† of the Group's revenue and EBITDA, respectively, was generated during the second half of the year, with approximately 33 per cent.† and 55 per cent.† of revenue and EBITDA, respectively, generated during the peak months of July and August. These results are representative of the effect of seasonal variation on the Group's revenue during the period under review. During the winter months (November to mid-March in the northern hemisphere), the Group's revenue reduces substantially and, in particular, its seasonal Attractions (including most of the Resort Theme Parks and the European LEGOLAND Parks) are either closed or open for more limited hours during certain periods. Even at the Attractions that are open year-round, including LEGOLAND Florida, LEGOLAND California and all of the Group's Midway Attractions, attendance patterns have historically experienced significant seasonality, driven by, amongst other factors, tourism patterns and school holidays. The Group typically incurs expenditure during the winter months (which vary depending on the location of the Attractions) in carrying out maintenance and refurbishment work and the addition of new rides to the Resort Theme Parks and LEGOLAND Parks.

The Group manages its expenses to match this seasonality in revenue by the use of part-time employees during the peak months. Additionally, the Group's recent expansion in the United States, Asia and Australia has provided a degree of geographical diversification, with many Attractions located in the southern hemisphere experiencing their peak summer seasons during the months of December and January (although the ski resorts in Australia experience peak trading during the Australian winter months of July and August). This increasing geographical diversification, towards which the launch of LEGOLAND Dubai (planned for 2016) will represent another significant step, is a part of the Group's growth strategy that the Directors believe will, over time, reduce the effects of seasonality on the Group's business.

The seasonality of the Group's business may also, from time to time, cause its results to be affected disproportionately by any significant "one-off" events that occur in the Group's principal trading markets during its peak seasons of operation. Such "one-off" events impact particular financial years and may make comparability across different financial years more difficult. For example, in the 2012 financial year the London Olympics held in what is usually the peak summer season of July and August in the UK had an adverse impact on the revenues of the Resort Theme Parks operating group (in respect of which some of the significant Attractions are located in southern England) and the Midway Attractions located in London by disrupting normal visitor patterns and diverting attention away from the Group's offerings.

Macroeconomic Conditions

As an operator of leisure attractions, the Group's success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. The recent severe global economic downturn, coupled with high economic volatility and future economic uncertainty, has had and continues to have an adverse effect on consumers' discretionary spending and consumer confidence. The Group's business has historically demonstrated substantial resilience during periods of economic recession, including at the height of the recent global economic downturn. In particular, between the 2008 financial year and the 2012 financial year the Group delivered cumulative annual revenue and EBITDA growth in its existing estate of Attractions in operation at the end of the 2007 financial year of 3.8 per cent.† and 5.4 per cent.†, respectively, with visitor levels increasing by 1.8 per cent., during the same period. The resilience of the Group's Attractions across various economic cycles is further demonstrated by the fact that like-for-like revenue for the estate of the Group's Attractions that were operational in the 2000 financial year and operated either by the Group or by the businesses that formed the Group's significant strategic acquisitions (including the Tussauds Group, LEGOLAND Parks and Gardaland, but excluding the Sydney Attractions Group and Living and Leisure Australia) achieved a CAGR of 5.7 per cent. from the 2000 financial year to the 2012 financial year, despite a slight dip in revenue for this estate of Attractions in the 2012 financial year for the reasons described below[56]. The Directors believe the Group's resilience in adverse economic conditions is due to, amongst other reasons, spending on family visitor attractions tending to be more resistant to cutbacks than many other forms of discretionary spending during periods of economic downturn. Additionally, the Group's Attractions may represent a less expensive holiday or leisure alternative for domestic customers in the countries in which the Group operates than overseas travel.

[56] Unaudited.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Notwithstanding this general resilience to economic downturns, significant macroeconomic events in the countries in which the Group operates may have an adverse effect on the Group's performance. For example, the Directors believe that the ongoing economic uncertainty in southern Europe was a major factor in the decline in visitor numbers and revenues at Gardaland (one of the Group's largest Attractions by visitor numbers) in the 2012 financial year, which contributed to an overall decline in revenues and EBITDA for the Resort Theme Parks operating group in the 2012 financial year, and a slight dip in the Group's like-for-like revenue in the 2012 financial year.

Unemployment may also play a significant role in the level of discretionary consumer spending and, in particular, the unemployment level among the Group's target demographics may affect visitor attendance levels and revenues at certain Attractions. For example, the performance of Thorpe Park, another of the Group's largest Attractions by visitor numbers, is subject to movements in the employment level of its key target customers in the 18-24 age group.

Conversely, the Directors expect that any improvements in the general economic outlook and growth in consumer spending will have a positive impact on the Group's future performance, improving visitor attendance and further discretionary spending by visitors at the Group's Attractions, both key drivers of the Group's revenue and profitability.

Geographical expansion and diversification

One of the Group's key strategies is geographical expansion and diversification. The success of the Group in implementing this strategy is a key driver of the Group's growth and financial performance. The geographic scope of the Group's business has expanded significantly since the Group's inception, and now includes a portfolio of Attractions across Europe, the United States and the Asia Pacific region. Expanding into new cities and countries allows the Group to continually increase the number of Attractions in its portfolio, which in turn helps to increase visitor numbers and revenues. This also provides the Group with opportunities to create new "cluster cities", developing multiple Attractions in one city in order to capitalise on cross-selling and multi-Attraction pass opportunities.

Geographical diversification can also help the Group to reduce the effects of seasonality, with Attractions in different cities and countries experiencing their peak seasons during different periods of the year. For example, the expansion of the Group's business in the southern hemisphere, in particular Australia and New Zealand, has helped to mitigate the seasonality of the Group's business as the southern hemisphere experiences its peak summer season during the months of December and January, which are generally off-peak months for the Group's attractions in the northern hemisphere. Additionally, the Group's LEGOLAND Florida, LEGOLAND California and LEGOLAND Malaysia Parks are open year-round.

The Asia Pacific region in particular represents an area of increasing strategic focus for the Group, with a growing number of Midway Attractions and LEGOLAND Parks located in the region. By the end of the 2014 financial year, the Group expects to operate 25 Attractions in 8 countries across the Asia Pacific region. The Group's target is to open 2 to 3 new Midway Attractions per annum across the Asia Pacific from the 2015 financial year. The Group has also identified sites for LEGOLAND Parks in Japan and South Korea and it is anticipated that a LEGOLAND Park in one of these countries will open in the 2017 financial year. In connection with a potential LEGOLAND Park in South Korea, the Group has entered into an undertaking agreement with the Gangwon Provincial Government, pursuant to which the parties have agreed to finance and develop a LEGOLAND Park in Gangwon-Do, South Korea. Should all the conditions to this agreement be satisfied, Merlin will be required to provide approximately US$100 million of investment over several years, of which the first US$10 million is likely to be required before the end of the 2014 financial year. Further details of this agreement are set out at paragraph 15.11 of Part 15 – Additional Information. The Group has also identified potential opportunities to expand into China and further into the United States in the medium to long term.

Geographical diversification also provides the Group with a degree of natural hedging against certain external factors, such as variations in weather, localised economic downturns and other localised events that may have a temporary or sustained impact on visitor numbers at particular Attractions.

This geographical expansion and diversification requires careful strategic planning and active management as the Group enters jurisdictions with different legal, political and economic circumstances. The Group may enter a new jurisdiction in multiple ways. In addition to launching new sites on its own, the Group may enter a new jurisdiction by acquiring and rebranding existing leisure attractions (as demonstrated in the Group's acquisitions of the Sydney Attractions Group and Living and Leisure Australia) or by entering into partnership with local governments or third parties (as demonstrated in the Group's launching of LEGOLAND Malaysia in partnership with the regional government under a management contract). The Group considers the entry into new jurisdictions, and the method of entering into such jurisdictions, on a case-by-case basis in light of the Group's strategic objectives.

Volume and Yield Strategies

Although visitor volumes are the primary driver of the Group's revenue growth and profitability, profitability is also a function of the admissions revenue per capita. The Group defines "admissions revenue per capita" as the amount of revenue each visitor provides by way of admission fees. The admissions revenue per capita is a function of the lead price (being the full price for adult visitors), excluding VAT and other sales taxes, and any promotional discounts applied by the Group. In order to maximise total revenue and profit, the Group continuously monitors both visitor volumes and admissions yield, being the admissions revenue per capita divided by the lead price, for each of its Attractions.

Decisions about volume and yield strategies for each Attraction are made weekly, monthly, quarterly and annually by central and local management. In making these decisions, management seeks to respond to changing patterns of demand, taking into account a wide variety of factors, including prevailing economic circumstances, time of year, how new the Attraction is and the Attraction's proposition, customer ratings of "value for money" and target audience. Both volume and yield strategies rely on the Group's ability to implement effective pricing and marketing strategies.

The Group can achieve higher volumes for an individual Attraction through the use of entry promotions and admission fee discounts. The Group can use such promotions and discounts to distribute visitor attendance across an Attraction's opening hours or opening period. For example, the Group can offer discounts for off-peak times of day or off-peak days, thereby improving visitor volumes during those times. The Group can also use promotions to help establish new Attractions in their local market, typically using them in the second year after opening once the initial heightened visitor volumes associated with a new launch have subsided.

The Group can affect the admissions revenue per capita for an individual Attraction by incrementally increasing an Attraction's lead price and/or changing the quantum or level of discounts offered in respect of an Attraction's admission fee. The Group seeks to increase revenue and profit generated during an Attraction's periods of peak demand and by high-demand Attractions by increasing the admissions revenue per capita during those periods and for those Attractions.

Similar to decisions about volume and yield strategies for individual Attractions, decisions about volume and yield strategies for Merlin Annual Passes and individual Attraction seasonal passes are made regularly by central management to respond to changing patterns of demand and use.

Impact of Exchange Rates

The Group's presentational currency is Pounds Sterling, but its operations outside the United Kingdom use currencies other than Pounds Sterling, principally the Euro, the US Dollar, the Australian Dollar and the Danish Kroner, as well as other currencies including the New Zealand Dollar, the Canadian Dollar and various currencies in Asia. In the 2012 financial year, approximately 40 per cent.[†] of the Group's revenue was generated in Pounds Sterling, 26 per cent.[†] in Euro and Danish Kroner, 20 per cent.[†] in US Dollars and 8 per cent.[†] in Australian Dollars, while approximately 35 per cent.[†] of the Group's EBITDA was in Pounds Sterling, 24 per cent.[†] in Euro and Danish Kroner, 25 per cent.[†] in US Dollars and 8 per cent.[†] in Australian Dollars. The Group's financial performance is therefore subject to fluctuations as a result of foreign currency exchange rate movements whenever financial information is translated from non-Pounds Sterling currencies.

In order to eliminate the impact of foreign exchange movements on the Group's reported revenue and EBITDA, management uses revenue and EBITDA on a constant currency basis to evaluate business performance. In this document, unless stated otherwise, constant currency information has been presented using the actual exchange rates for the 2012 financial year. For an explanation of these measures, see paragraph 4 of Part 6 – Presentation of Financial and Other Important Information. See also the consolidated income statement data of the Group for the period under review presented on a constant currency basis in Part 10 – Selected Financial and other Information.

In addition to the translational impact of exchange rate fluctuations, the Group is exposed to transactional exchange rate risk, which arises as a result of payments the Group makes or receives in local currencies. For the 2012 financial year and H1 2013 approximately 60 per cent.[†] and 61 per cent.[†], respectively, of the Group's revenue was earned in currencies other than Pounds Sterling and approximately 58 per cent.[†] and 59 per cent.[†], respectively, of its expenses were incurred in currencies other than Pounds Sterling. Revenues received by the Group's subsidiaries are usually but not always received in the same currency as the expenses incurred by such subsidiaries. The Group also seeks to structure its senior debt tranches by currency to broadly match the proportion of total Group EBITDA represented by each currency. As at 29 June 2013, approximately 33 per cent.[†] of the Group's outstanding debt was denominated in Pounds Sterling, 35 per cent.[†] in Euro, 21 per cent.[†] in US Dollars and 11 per cent.[†] in Australian

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Dollars. Additionally, Group undertakes limited hedging in respect of its exposure to foreign currency fluctuations through the use of derivative instruments. See "– Disclosures about Market and Credit Risks – Currency Risks" below for a further description of the Group's foreign currency hedging activities.

Staff Expenses

The largest portion of the Group's operating expenses are its staff expenses, which include compensation and benefits for its employees and change over time based on changes in the number of personnel the Group employs and the compensation level per employee. During the period under review, staff expenses increased to £262 million in the 2012 financial year from £219 million in the 2010 financial year, representing 24 per cent. and 27 per cent. of revenues for those years, respectively. Staff expenses as a percentage of revenues have therefore remained stable over the period under review, with expenses increasing in line with revenues primarily as a result of the roll-out of new Attractions and the acquisitions of the Sydney Attractions Group and Living and Leisure Australia.

Due to the seasonality of the Group's business, employee headcount varies significantly throughout the year. The Group manages its employment costs by hiring a substantial number of workers on a flexible, part-time basis, which is typical for operators of seasonal attractions in the leisure industry. Depending on the Attraction, and subject to the relevant laws and regulations of the jurisdiction in which the Attraction is located, part-time employees are hired for the entire summer season or on a periodic basis, in each case with flexible arrangements, enabling the Group to vary the hours worked as it deems necessary. Although the use of part-time employees provides the Group a certain amount of flexibility in its cost base, the ability of the Group to make substantial savings through headcount reduction of part-time employees during the opening period is constrained by the limited advance visibility of visitor numbers and for some Attractions, such as Gardaland, certain restrictions imposed on the Group through local employment laws. The Group has, however, demonstrated its ability to restructure its staff base in reaction to market conditions through the staff restructuring at Gardaland undertaken in the 2012 financial year, which resulted in the number of full-time employees at Gardaland reducing from 237 to 176.

The average number of the Group's permanent employees for the 2010, 2011 and 2012 financial years, respectively were 5,929, 6,277 and 7,407. During the 2012 financial year approximately 93 per cent. of the Group's employees comprised staff at its Attractions and approximately 7 per cent. comprised head-office staff.

The table below sets out the average number of permanent employees of the Group at each of the following dates in the 2012 financial year and the 2013 financial year:

	31 March 2012	30 June 2012	30 September 2012	31 December 2012	31 March 2013	30 June 2013
Midway Attractions	2,811	3,130	3,168	3,230	3,325	3,378
LEGOLAND Parks	1,149	1,259	1,720	1,830	1,896	1,890
Resort Theme Parks	2,076	2,080	2,059	2,050	1,987	1,957
Corporate (including MMM)	482	483	535	562	589	614
Total	6,518	6,952	7,482	7,672	7,797	7,839

Hedging of interest rate and currency exposures

The Group holds derivative financial instruments primarily to hedge its interest rate and foreign currency exposures. In general, the Group endeavours to implement hedging arrangements that will qualify for hedge accounting treatment, but it is not always able to do so. To the extent the Group holds hedges that do not qualify for hedge accounting treatment, it determines the fair value of those hedges at the end of each accounting period and recognises the changes in fair value as finance income or finance cost. See note 5.4 in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. In connection with the amendment and restatement of the Group's Facilities Agreement in June 2013, the Group has closed out certain derivative financial instruments, including some which it believed did not qualify for hedge accounting treatment, and entered into certain new derivative financial instruments that it believes will qualify for hedge accounting treatment. As a result, the Group's income statement for the 2013 financial year will reflect in finance income or costs the gain or loss generated on the closing out of the previous derivative financial instruments. In addition, as a greater proportion of the Group's derivative financial instruments will qualify for hedge accounting treatment, the Group expects to generate lower levels of exceptional finance income and costs.

Sale and leaseback transactions

In July 2007, the Group entered into sale and leaseback arrangements with the Prestbury Group in respect of substantially all land and buildings at Alton Towers Theme Park and Hotel, Heide Park Theme Park and Hotel, Madame Tussauds London, Thorpe Park and Warwick Castle. This resulted in rent being payable by the Group on these sites during the period under review.

In May 2012, the Group sold the LEGOLAND Windsor Hotel for £19 million to Richie Properties in a sale and leaseback transaction, resulting in rent being payable on this site following that date. In connection with that transaction, the Group recognised revenues of £15 million[#] (included as Central revenue) and costs of sales of £15 million[#] (included as Central cost of sales) relating to the construction of the hotel. The remaining £4 million[#] of profit recognised from the sale of the hotel (which arose because the Group retained £4 million[#] of costs relating to the hotel's LEGO model theming within property, plant and equipment on its balance sheet while receiving payment for all development costs) will be recognised over the life of the related lease, which has a 35-year term.

Comparability of Results

The Group prepares its financial statements on the basis of a 52-week or 53-week financial period. The 2010 and 2012 financial years were 52-week periods, and the 2011 financial year was a 53-week period. Consequently, the Group's results for the 2011 financial year included an additional week of trading, which affects comparability with the 2010 and 2012 financial years.

The Directors believe weeks 2 to 53 of the 2011 financial year were the most comparable to the 52-week financial year of 2012. In the first week of the 2011 financial year, being the week commencing on 26 December 2010 and ending on 1 January 2011, the Group generated revenue of £13 million or 1 per cent. of the Group's total revenue of £946 million in the 2011 financial year.

Key Components of the Group's Income Statement

The key components of certain line items of the Group's consolidated income statement are described below.

Revenue

Revenue primarily represents the amounts (excluding VAT and similar taxes) received from visitors for admission fees and priority ride access passes, amounts generated from hotel and holiday village operations and additional secondary spend by visitors, including food and beverages, merchandise, souvenir photography, games, car parking and guide book sales. Revenue also includes management and royalty fees received under operating contracts for certain LEGOLAND Parks (including LEGOLAND Malaysia during the period under review). Revenue is also generated from private functions and sponsorship arrangements.

Admissions revenue is recognised at point of entry. Revenue from the sale of Merlin Annual Passes, individual attraction season passes and multi-Attraction tickets is recognised by the Attraction that sold the pass (or, in the case of passes and multi-attraction tickets sold online, by the Attraction designated by the purchaser as being the Attraction of first visit) and, in the case of Merlin Annual Passes and individual Attraction season passes, over the period that the selling Attraction is open.

The vast majority of revenue is derived from Group's own operations, although photography and game operations in most LEGOLAND Parks and Resort Theme Parks Attractions and a growing number of Midway Attractions are operated with partners under revenue sharing arrangements.

Cost of Sales

Cost of sales represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activity. The expense of food and beverages and retail merchandise are the principal expenses recognised in cost of sales.

Royalty payments made to KIRKBI are also recognised in cost of sales. The Group makes a royalty payment to KIRKBI for the use of the LEGOLAND trademark and ancillary use of the LEGO trademark, content and other intellectual property rights, pursuant to the LEGOLAND Licence and Co-operation Agreement. See paragraph 15.1 of Part 15 – Additional Information for further details of the LEGOLAND Licence and Co-Operation Agreement.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Operating Expenses

Staff expenses are the principal component of the Group's operating expenses. Staff expenses primarily comprise wages and salaries, social security costs and pension costs, as well as any expenses arising from share-based payments and profit related bonuses.

Other operating expenses include rent, marketing, repairs and maintenance, displays (primarily relating to SEA LIFE aquaria), utilities, travel costs, office costs, insurance and IT costs.

Rent comprises rental payments made by the Group under operating leases, including leasehold interests held by the Group in respect of its real estate portfolio. In respect of a number of the Group's leasehold properties (particularly within the Midway Attractions operating group), additional rents may be payable to landlords where the turnover from operations at such properties exceeds relevant thresholds for qualifying periods. The calculation of these turnover-based rents is subject to various thresholds, limitations and deductions.

Net Finance Costs

Net finance costs primarily comprise the interest paid by the Group on its bank debt, together with any unrealised gain or loss on the remeasurement of financial derivatives at fair value and loss on remeasurement of financial liabilities measured at amortised cost, net of investment income and any gain on remeasurement of financial liabilities measured at amortised cost. Net finance costs also include gains or losses generated on the closing out of certain derivative financial instruments.

Taxation

Taxation in the financial statements represents the corporation tax charge or credit on the Group's profit or loss for the year, and includes both current and deferred taxation. Taxation is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised through the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted in each jurisdiction at the end of the reporting period, and any adjustments in respect of previous periods. Deferred tax is provided on certain temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and taxation purposes at the end of each reporting period. 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 the tax rates enacted or substantively enacted in each jurisdiction at the end of the reporting period.

During the period under review, the statutory tax rate presented in the Group's consolidated accounts was the Luxembourg domestic corporation tax rate (which was 29.6 per cent. in the 2010 financial year, 28.8 per cent. in each of the 2011 and 2012 financial years and 29.2 per cent. in H1 2013). This reflected the fact that, during the period under review, the ultimate holding company of the Group was a Luxembourg corporation, Merlin Entertainments S.à r.l. The statutory tax rate presented in the Group's consolidated accounts for the 2013 financial year and all subsequent financial years will be the UK domestic corporation tax rate, reflecting the fact that following Admission the ultimate holding company of the Group will be a UK corporation, Merlin Entertainments plc.

The Group's gross effective tax rate for any financial year is equal to total taxation divided by the Group's consolidated profit before tax.

Non-IFRS Measures

The discussion of the Group's consolidated income statement in "– Results of Operations" below includes discussions of certain financial measures that are not defined or recognised under IFRS, including EBITDA; segment EBITDA; underlying EBITDA; revenue, EBITDA and other, financial information on a constant currency basis using the exchange rates applicable for the 2012 financial year; "like-for-like" revenue growth; and "like-for-like" EBITDA growth.

EBITDA, as used in this document, represents profit before finance income and costs, taxation, depreciation, amortisation and impairments and is after taking account of profit after tax of joint ventures. Underlying EBITDA, as used in this document, also excludes exceptional and non-trading items. Segment EBITDA, as used in this document, represents segment profit before exceptional and non-trading items, finance income and costs, taxation, depreciation, amortisation and impairments and is after taking account of profit after tax of joint ventures.

As used in this document, "like-for-like" revenue growth and "like-for-like" underlying EBITDA growth represent the growth in revenue and underlying EBITDA, respectively, attributable to the estate of Attractions and other businesses owned by the Group and operational on the first day of the immediately preceding financial year, on a constant currency basis using the exchange rates applicable for the 2012 financial year. In calculating like-for-like revenue growth, the results of the first week of the 2011 financial year (which was a 53-week financial year) have been excluded to enhance comparability. In calculating like-for-like underlying EBITDA growth, revenues and cost of sales in respect of the first week of the 2011 financial year have been excluded, but operating expenses in respect of the first week of the 2011 financial year have not been excluded, as the Group does not apportion operating expenses week-by-week.

This document also contains other financial measures that are not defined or recognised under IFRS, including EBITDAR, incremental ROIC, operating free cash flow, cash conversion, revenue per cap and average organic revenue growth and average organic EBITDA growth.

The Directors use these non-IFRS items as key performance indicators of the Group's business, and these items are presented to enhance the prospective investor's understanding of the Group's results of operations. For an explanation of these measures, see paragraph 4 of Part 6 – Presentation of Financial and Other Important Information.

Underlying EBITDA

The Group's consolidated income statement separately identifies underlying EBITDA and trading measures and exceptional and non-trading items. Underlying EBITDA and trading measures reflect an adjustment to total EBITDA and trading measures to exclude the impact of exceptional and non-trading items, including acquisition and integration costs, impairment charges and other one-off, non-recurring items and fair value remeasurements of financial instruments.

The Directors consider underlying EBITDA to be a more accurate reflection of the underlying business performance of the Group and believe that this measure provides additional useful information for prospective investors on the Group's performance and are consistent with how business performance is measured internally.

Underlying EBITDA and exceptional and non-trading items may not be directly comparable with other similarly titled measures or "adjusted" EBITDA or profit measures used by other companies. Further explanation of some of the exceptional and non-trading items during the period under review is as follows:

- cash-settled share-based payments and other related costs (included within Staff expenses) comprise the settlement of certain employee share options in cash following modification of the Group's then current share option scheme in the 2010 financial year to enable settlement of options in cash. 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 shareholder restructuring in the 2010 financial year, the resulting charge was taken as part of operating expenses;
- redundancy and related costs (included within Staff expenses) comprise costs associated with a staff restructuring at Gardaland during the 2012 financial year;
- certain professional and advisory fees (included within Other operating expenses) were incurred in connection with preparation for the Global Offer in H1 2013 and the shareholder restructuring at the time of CVC Holdco's investment in the Group and the consideration of potential financing options in the 2010 financial year, and are included in non-underlying measurements as they were not part of the Group's underlying operating expenses;
- acquisition costs (included within Other operating expenses) comprise directly attributable acquisition and subsequent integration costs associated with the acquisitions of Living and Leisure Australia, Sydney Attractions Group and Cypress Gardens;
- impairments of intangible assets (included within Depreciation, amortisation and impairment) relate to impairments of goodwill in respect of Gardaland;
- impairments of property, plant and equipment (included within Depreciation, amortisation and impairment) primarily relate to impairments at various Midway Attractions associated with local economic conditions;
- unrealised gain and loss on remeasurements of financial derivatives at fair value (included within Finance income and Finance costs, respectively) represent the gains and losses arising from the revaluation, as at the relevant balance sheet date, of derivative financial instruments that do not qualify for hedge accounting. These fair value remeasurements are included in non-underlying measurements in order to better present the underlying finance costs of the Group;
- foreign currency translation differences for foreign operations (included within Finance costs) relate to historic foreign exchange gains and losses arising from the settlement of certain intra-group loans in connection with the shareholder restructuring in the 2010 financial year. The loans had previously been treated as net investment hedging instruments and these foreign exchange gains and losses had been reflected directly in equity but they were reflected in the income statement as the hedges became ineffective; and
- settlement of foreign exchange contracts (included within Finance income) relate to gains on foreign exchange contracts entered into in connection with the acquisition of Living and Leisure Australia in the 2012 financial year. These gains were not hedge accounted and accordingly gains were recognised in the income statement when they were settled.

Further details in respect of exceptional and non-trading items are provided in note 2.2 of the consolidated financial statements of the Group in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à. r.l.

For the periods presented in this Part 11 – Operating and Financial Review, there were no non-underlying revenue or cost of sale items, and therefore underlying revenue and underlying cost of sales are the same as total revenue and total cost of sales, respectively.

Results of Operations

Overview

The following tables set out certain income statement items and percentage growth/(decline) in those items for the Group for the 2010, 2011 and 2012 financial years and for H1 2012 and H1 2013 on an actual currency basis:

2010 to 2012 Financial Years:

	Financial Year				
	2010	**2011**	**2012**	**% Growth (2010-2011)**	**% Growth (2011-2012)**
	£m	**£m**	**£m**		
Revenue	801	946	1,074	18%	14%
Cost of sales	(105)	(128)	(163)	22%	27%
Gross Profit	696	818	911	18%	11%
Staff expenses	(219)	(229)	(262)	5%	14%
Other operating expenses	(257)	(285)	(309)	11%	8%
EBITDA[(1)]	220	304	340	38%	12%
Depreciation, amortisation and impairment	(62)	(74)	(141)	19%	91%
Operating profit	158	230	199	46%	(13)%
Finance income	20	8	25	(60)%	213%
Finance costs	(152)	(142)	(126)	(7)%	(11)%
Profit before tax	26	96	98	269%	2%
Taxation	(28)	(28)	(22)	4%	(24)%
Profit/(Loss) for the year	(2)	68	76	NA	12%

(1) EBITDA as stated is shown after exceptional and non-trading items, details of which are provided in note 2.2 of the consolidated financial statements of the Group in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. Underlying EBITDA, which excludes exceptional and non-trading items, for the periods under review is shown below:

	52 weeks ended 25 December 2010	**53 weeks ended 31 December 2011**	**52 weeks ended 29 December 2012**
	£m	**£m**	**£m**
Underlying EBITDA	256	306	346
Exceptional and non-trading items	(36)	(2)	(6)
EBITDA	**220**	**304**	**340**

H1 2012 and H1 2013:

	H1 2012	**H1 2013**	**% Growth**
	(unaudited) £m	**£m**	
Revenue	445	483	9%
Cost of sales	(76)	(68)	(11)%
Gross Profit	369	415	12%
Staff expenses	(124)	(137)	10%
Other operating expenses	(153)	(170)	11%
EBITDA[(1)]	92	108	17%
Depreciation, amortisation and impairment	(47)	(47)	—
Operating profit	45	61	36%
Finance income	17	17	—
Finance costs	(64)	(79)	23%
Profit/(Loss) before tax	(2)	(1)	(50)%
Taxation	1	(1)	—
Profit/(Loss) for the period	(1)	(2)	100%

(1) EBITDA as stated is shown after exceptional and non-trading items. Details of these exceptional and non-trading items, along with underlying EBITDA, for the period under review are provided in note 2.2 to the audited consolidated financial statements of the Group in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. Underlying EBITDA, which excludes exceptional and non-trading items, for the periods under review is shown below:

	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
	(unaudited) £m	£m
Underlying EBITDA	94	111
Exceptional and non-trading items	(2)	(3)
EBITDA	**92**	**108**

H1 2013 Compared to H1 2012 for the Group

All financial information in respect of H1 2012 is unaudited.

Revenue

Revenue in H1 2013 was £483 million, an increase of £38 million, or 9 per cent., from £445 million in H1 2012. This increase was driven primarily by a 14 per cent. increase in overall Group visitor numbers, from 22.6 million in H1 2012 to 25.8 million in H1 2013, which resulted in increases across all revenue categories including admission fees, hotel revenues and other secondary spend by visitors. The increase in revenue also reflected the full period effect of the opening of the LEGOLAND Windsor Hotel, which opened in March 2012, and the opening of the LEGOLAND California Hotel in April 2013.

The increase in overall Group visitor numbers is attributable to an increase in visitor numbers for the Midway Attractions and LEGOLAND Parks operating groups, as visitor numbers for the Resort Theme Parks operating group were static across these periods. The increase in visitors for the Midway Attractions operating group reflected principally the continued roll-out of Midway Attractions (with the Group benefiting from the full-year impact of six Midway Attractions that opened in the 2012 financial year along with the launch of an additional six Midway Attractions in H1 2013), the full period effect of the acquisition of Living and Leisure Australia in February 2012, strong growth in visitor numbers at the Group's cluster of Midway Attractions in London, England and more effective promotional activity. The increase in visitor numbers for the LEGOLAND Parks operating group reflected principally increased visitor attendance at LEGOLAND Windsor and LEGOLAND California following the opening of hotel accommodation facilities at these parks, and also reflected the opening of LEGOLAND Malaysia in September 2012. This increase was partially offset by visitor attendance at LEGOLAND Florida maturing following the heightened visitor volumes in the 2012 financial year associated with public interest in the park's high profile launch, which took place in October 2011, and the impact of especially adverse weather affecting European parks during the Easer holiday period in March and April 2013. The static visitor numbers for the Resort Theme Parks operating groups reflected the net result of an increase in visitor attendance at some Resort Theme Parks following the launch of significant new attractions, offset by a decline in visitor numbers at some of the Resort Theme Parks as a result of especially adverse weather conditions including snowfall during the Easter holiday period in March and April 2013, which led to temporary closure of certain rides at some parks. The increase in revenue was also partially offset by reduced admissions revenue per capita in respect of the Resort Theme Parks operating group as the Group offered additional promotions to stimulate visitor attendance.

Like-for-like revenue on a constant currency basis grew by 4.4 per cent.† from H1 2012 to H1 2013[57].

Cost of Sales

Cost of sales in H1 2013 was £68 million, a decrease of £8 million, or 11 per cent., from £76 million in H1 2012. This decrease primarily reflected the presence in H1 2012 of one-off costs of sales in connection with the sale and leaseback of the LEGOLAND Windsor Hotel. Other costs of sales increased in H1 2013 reflecting increased sales of food and beverages and merchandise as a result of the growth of the Group's portfolio of Attractions and the increase in visitor numbers described above, including in particular the roll-out of new Midway Attractions, increases in prices payable by the Group in line with inflation and the replacement of certain branded food and beverage facilities at some of the Resort Theme Parks with own-brand facilities (which results in both increased

[57] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue, underlying EBITDA and other financial information for an explanation of like-for-like revenue growth, the basis of its calculation and a reconciliation of like-for-like revenue growth to revenue.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

revenues and increased cost of sales for the Group). Cost of sales represented 14 per cent. of the Group's revenue in H1 2013, a decrease of 3 percentage points from 17 per cent. in H1 2012, principally reflecting the one-off costs of sales in connection with the sale and leaseback of the LEGOLAND Windsor Hotel in H1 2012.

Staff Expenses

Staff expenses in H1 2013 were £137 million, an increase of £13 million, or 11 per cent., from £124 million in H1 2012. This increase was primarily attributable to an increase in staff headcount, which was in line with the growth of the Group's business and portfolio of Attractions, including in particular the full period effect of the acquisition of Living and Leisure Australia, the roll-out of new Midway Attractions, the full period effect of the opening of the LEGOLAND Windsor Hotel and the opening of the LEGOLAND California Hotel in April 2013. Largely as a result of the above, the average number of persons employed by the Group (including managers) grew by 1,099, or 8 per cent., from 14,380 in H1 2012 to 15,479 in H1 2013. Staff expenses represented 28 per cent. of the Group's revenue in each of H1 2013 and H1 2012, as staff expenses grew in line with the growth of the Group's business. Average cost per employee across the Group was also stable in H1 2012 and H1 2013.

Other Operating Expenses

The following table sets out other operating expenses for the Group and percentage growth in those expenses for H1 2012 and H1 2013 (unaudited except for total other operating expenses in H1 2013):

	H1 2012	**H1 2013**	**% Growth**
	(unaudited) £m	**£m**	
Rent(1)	36#	39#	8%†
Marketing expenses(1)	32#	35#	9%†
Other expenses(1)(2)	85#	96#	13%†
Total Other Operating Expenses	153	170	11%

(1) unaudited

(2) Other expenses include repairs and maintenance, displays, rates, utilities, travel costs, office costs, insurance, IT costs, exchange differences, professional fees and other costs.

Other operating expenses in H1 2013 were £170 million, an increase of £17 million, or 11 per cent., from £153 million in H1 2012. This increase was primarily attributable to increased rental payments, an increased volume of marketing and higher costs for repairs and maintenance, rates, utilities, insurance and IT, in each case driven principally by the addition of new sites, and the full period effect of the addition of acquired sites, to the Group's portfolio of Attractions. Rent paid by the Group increased £3 million, due to a combination of annual rent increases (tied to the retail price index) on the sites included within the Group's sale and leaseback arrangements, the roll-out of new Midway Attractions, the full period effect of the acquisition of Living and Leisure Australia and the full period effect of rent payable on the LEGOLAND Windsor Hotel following the sale and leaseback transaction with Richie Properties completed in May 2012. Other operating expenses represented 35 per cent. of the Group's revenue in H1 2013, an increase of 1 percentage point from 34 per cent. in H1 2012, primarily attributable to the full period effect of rent payable on the LEGOLAND Windsor Hotel following the sale and leaseback transaction and a reduction in marketing expenditure particularly in the Resort Theme Parks operating group in H1 2012 as a result of challenging trading conditions in the 2012 financial year.

EBITDA

As a result of the factors discussed above, EBITDA increased by £16 million, or 17 per cent., from £92 million in H1 2012 to £108 million in H1 2013.

Underlying EBITDA increased by £17 million, or 18 per cent., from £94 million in H1 2012 to £111 million in H1 2013. In H1 2012 EBITDA reflected £2 million of exceptional acquisition and integration costs in respect of Living and Leisure Australia and in H1 2013 EBITDA reflected £3 million of exceptional professional and advisory fees incurred in connection with preparation for the Global Offer.

Like-for-like underlying EBITDA on a constant currency basis grew by 6.5 per cent.† from H1 2012 to H1 2013[58].

[58] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue, underlying EBITDA and other financial information for an explanation of like-for-like underlying EBITDA growth, the basis of its calculation and a reconciliation of like-for-like underlying EBITDA growth to underlying EBITDA.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Depreciation, Amortisation and Impairment

The following table sets out depreciation, amortisation and impairment for the Group and percentage growth/(decline) in those items for H1 2012 and H1 2013:

	H1 2012	H1 2013	% Growth
	(unaudited) £m	£m	
Depreciation	(41)	(46)	15%
Amortisation	(1)	(1)	—
Impairments and Goodwill Reduction[1]	(5)	—	(100)%
Total Depreciation, Amortisation and Impairment	(47)	(47)	—

[1] Impairments includes brand amortisation.

Depreciation, amortisation and impairment in each of H1 2013 and H1 2012 totalled £47 million. Depreciation increased from £41 million in H1 2012 to £46 million in H1 2013, primarily as a result of an increase in property, plant and equipment being depreciated in line with the growth of the Group's estate of Attractions. This increase was offset in part by the presence in H1 2012 of exceptional impairments of £5 million in respect of property, plant and equipment at three of the smaller sites in southern Europe, due to economic uncertainty in that region. Depreciation, amortisation and impairment represented 10 per cent. of the Group's revenue in H1 2013, a decrease of 1 percentage point from 11 per cent. in H1 2012, reflecting primarily the fact that revenue increased across these two periods while total depreciation, amortisation and impairment remained the same.

Operating Profit

Operating profit in H1 2013 was £61 million, an increase of £16 million, or 36 per cent., from £45 million in H1 2012. The Group's operating profit was 13 per cent. of revenue in H1 2013, an increase of 3 percentage points from 10 per cent. in H1 2012, as a result of the factors discussed above.

Finance Income

Finance income in each of H1 2013 and H1 2012 was £17 million. Finance income in H1 2013 was primarily attributable to exceptional unrealised gains of £17 million on marking to market certain interest rate swaps, and in H1 2012 was primarily attributable to exceptional unrealised gains of £12 million on marking to market certain interest rate swaps and foreign exchange contracts. Finance income in H1 2012 also reflected a net foreign exchange gain of £6 million in respect of term loans and intercompany loans recognised as finance income, compared to a small net foreign exchange loss in H1 2013.

Finance Costs

Finance costs in H1 2013 were £79 million, an increase of £15 million, or 23 per cent., from £64 million in H1 2012. This increase in finance costs primarily reflected net foreign exchange losses of approximately £14 million in H1 2013 and an increase in exceptional unrealised losses on marking to market certain interest rate swaps from £2 million in H1 2012 to £4 million in H1 2013.

Taxation

In H1 2013 the Group incurred a tax charge of £1 million, while in H1 2012 the Group had a tax credit of £1 million.

Profit/(Loss) for the Period

The Group's loss in H1 2013 was £2 million, an increase of £1 million, or 100 per cent., from a loss of £1 million H1 2012, as a result of the factors discussed above. The losses in H1 2013 and H1 2012 also reflect the seasonality of the Group's business, as typically a majority of the Group's revenue is generated during the second half of the financial year.

H1 2013 Compared to H1 2012 by Operating Group

In H1 2013, the Group's total EBITDA was £108 million, of which £86 million was attributable to the Midway Attractions operating group, £38 million was attributable to the LEGOLAND Parks operating group and nil was attributable to the Resort Theme Parks operating group, with the difference of £16 million being attributable to Central costs and exceptional items not allocated to a specific operating group.

Midway Attractions

The following table sets out certain financial measures and percentage growth in those items for the Midway Attractions operating group for H1 2012 and H1 2013:

	Midway Attractions		
	H1 2012	**H1 2013**	**% Growth**
	(unaudited) £m	**£m**	
Revenue	193	235	22%
Gross Profit	175#	210#	20%†
Segment EBITDA	67	86	28%

Revenue from the Midway Attractions operating group in H1 2013 was £235 million, an increase of £42 million, or 22 per cent., from £193 million in H1 2012. This increase was driven primarily by an increase in visitor numbers which increased revenues from admission fees and secondary spend by visitors. The increase in visitors was primarily attributable to the Group's continued roll-out of Midway Attractions (with the Group benefiting from the full-year impact of six Midway Attractions opened during the 2012 financial year along with the launch of an additional six Midway Attractions during H1 2013), the full period impact of the acquisition of Living and Leisure Australia in February 2012 and strong growth in visitor numbers at the cluster of Midway Attractions in London, England, particularly the London Eye.

Gross profit from the Midway Attractions operating group in H1 2013 was £210 million#, an increase of £35 million*, or 20 per cent.†, from £175 million# in H1 2012. This increase reflected the increased revenues of the Midway Attractions operating group, which were partially offset by increased cost of sales, in each case attributable primarily to the growth of the estate of Attractions in the Midway Attractions operating group and the increase in visitors described above.

Segment EBITDA from the Midway Attractions operating group in H1 2013 was £86 million, an increase of £19 million, or 28 per cent., from £67 million in H1 2012. Segment EBITDA from the Midway Attractions operating group represented 37 per cent. of its revenue in H1 2013, an increase of 2 percentage points from 35 per cent. in H1 2012, primarily due to an increased percentage of revenue being generated at higher margin Attractions, particularly the cluster of Midway Attractions in London, England.

LEGOLAND Parks

The following table sets out certain financial measures and percentage growth in those items for the LEGOLAND Parks operating group for H1 2012 and H1 2013:

	LEGOLAND Parks		
	H1 2012	**H1 2013**	**% Growth**
	(unaudited) £m	**£m**	
Revenue	128	139	9%
Gross Profit	100#	109#	9%†
Segment EBITDA	35	38	9%

Revenue from the LEGOLAND Parks operating group in H1 2013 was £139 million, an increase of £11 million, or 9 per cent., from £128 million in H1 2012. This increase was driven primarily by the full-year impact of the opening of the LEGOLAND Windsor Hotel in March 2012 and the opening of the LEGOLAND California Hotel in April 2013, which resulted in both increased accommodation revenues and visitor revenues at LEGOLAND Windsor and LEGOLAND California, respectively. This increase in revenues was partially offset by lower visitor numbers at LEGOLAND Florida in H1 2013 than H1 2012, following heightened visitor volumes in the 2012 financial year associated with the park's launch, which took place in October 2011. Visitor numbers at certain European LEGOLAND Parks also declined in H1 2013, primarily as a result of especially adverse weather conditions including snowfall during the Easter holiday period in March and April 2013, which resulted in certain attractions being temporarily closed at some parks.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

* Amount been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Gross profit from the LEGOLAND Parks operating group in H1 2013 was £109 million#, an increase of £9 million*, or 9 per cent.†, from £100 million# in H1 2012. This increase primarily reflected the increased revenues arising from the opening of the LEGOLAND Windsor Hotel and the LEGOLAND California Hotel as described above, which were partially offset by increased cost of sales primarily in connection with the opening of these hotels.

Segment EBITDA from the LEGOLAND Parks in H1 2013 was £38 million, an increase of £3 million, or 9 per cent., from £35 million in H1 2012. This increase reflected the increased revenues of the LEGOLAND Parks operating group as described above, partially offset by increased cost of sales, staff costs and other operating costs, in particular in connection with the operations of the LEGOLAND Windsor Hotel and the LEGOLAND California Hotel. Segment EBITDA from the LEGOLAND Parks operating group as a percentage of its revenue was stable during this period, representing 27 per cent. of its revenue in each of H1 2013 and H1 2012.

Resort Theme Parks

Due to the nature and location of the Attractions in the Resort Theme Parks operating group, this operating group is generally impacted more by seasonality than the Group's other two operating groups, with the majority of its revenues typically generated in the second half of each financial year, in particular, during the peak months of July and August. See "- Current Trading and Prospects" above for a discussion of trading since the end of H1 2013.

The following table sets out certain financial measures and percentage growth/(decline) in those items for the Resort Theme Parks operating group for H1 2012 and H1 2013:

	Resort Theme Parks		
	H1 2012	**H1 2013**	**% Growth**
	(unaudited) £m	**£m**	
Revenue	107	109	2%
Gross Profit	93#	93#	—
Segment EBITDA	2	0	(100)%

Revenue from the Resort Theme Parks in H1 2013 was £109 million, an increase of £2 million, or 2 per cent., from £107 million in H1 2012. This small increase was driven primarily by a marginal increase in hotel revenues. Overall visitor numbers for the Resort Theme Parks operating group were static across H1 2012 and H1 2013. Visitor numbers increased at some of the Resort Theme Parks in the UK following the launch of significant new attractions at those parks, although these increases were offset by the impact of especially adverse weather conditions including snowfall in the UK and Germany during the Easter holiday period in March and April 2013 which led to temporary closure of certain rides at some parks, and, in the case of Gardaland, the continuation of challenging trading conditions in southern Europe due to adverse economic conditions. The increase in revenues was also offset by a decline in admissions revenue per capita between the periods due to increased promotional activity.

Gross profit from the Resort Theme Parks operating group was static at £93 million# in each of H1 2012 and H1 2013. The small increase in revenue across the two periods was offset primarily by increased cost of sales, which increased as a result of the increase in visitor numbers and as a result of inflation.

Segment EBITDA from the Resort Theme Parks operating group in H1 2013 was nil, largely reflecting the relatively low proportion of this operating group's trading that falls within the first half of the financial year. This represents a decrease of £2 million, from £2 million in H1 2012, primarily as a result of increased marketing and rent expenses in H1 2013.

2012 Financial Year Compared to 2011 Financial Year for the Group

Revenue

Revenue in the 2012 financial year was £1,074 million, an increase of £128 million, or 14 per cent., from £946 million in the 2011 financial year. This increase was driven primarily by a 14 per cent. increase in overall Group visitor numbers, from 47.3 million in the 2011 financial year (which included 53 weeks of trading) to 54.0 million in the 2012 financial year (which included 52 weeks of trading), which resulted in increases across all revenue categories including admission fees, hotel revenues and other secondary spend by visitors.

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* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

The increase in visitors was attributable entirely to the Midway Attractions and LEGOLAND Parks operating groups, reflecting principally the full-year impact of LEGOLAND Florida (which opened in October 2011), the Group's continued roll-out of Midway Attractions (with the Group benefiting from the full-year impact of seven Midway Attractions opened during the 2011 financial year along with the launch of an additional six Midway Attractions during the 2012 financial year), the acquisition of Living and Leisure Australia in February 2012, the re-launch of several of the Sydney Attractions Group sites acquired in the 2011 financial year, the opening of the LEGOLAND Windsor Hotel in March 2012 and the improved profile of Attractions as a result of the opening of new rides and attractions and increased promotional activity. The increase in revenue in the 2012 financial year also reflected growth in admissions revenue per capita through yield management, as well as the receipt of management fees in respect of LEGOLAND Malaysia, which opened in September 2012. Additionally, the increase reflected one-off Central revenues of £15 million in connection with the sale and leaseback of the LEGOLAND Windsor Hotel. The increase in visitors was partially offset by a decrease in visitors attributable to the Resort Theme Parks operating group, which primarily reflected adverse weather conditions, the effects of the London Olympics during the peak summer season and adverse economic conditions in Southern Europe (where Gardaland, one of the Group's largest Attractions by visitor numbers, is located).

Like-for-like revenue on a constant currency basis declined by 1 per cent.† from the 2011 financial year to the 2012 financial year[59].

Cost of Sales

Cost of sales in the 2012 financial year was £163 million, an increase of £35 million, or 27 per cent., from £128 million in the 2011 financial year. This increase primarily reflected £15 million in costs of sales in connection with the sale and leaseback of the LEGOLAND Windsor Hotel, offsetting the £15 million in revenues recognised in respect of this transaction as described above. The increase in cost of sales also reflected increased sales of food and beverages and merchandise as a result of the growth of the Group's portfolio of Attractions and increase in visitor numbers as described above, including in particular the roll-out of new Midway Attractions and the full year impact of the opening of LEGOLAND Florida, increases in prices payable by the Group in line with inflation and the replacement of certain branded food and beverage facilities at the Group's Attractions with own-brand facilities (which results in both increased revenues and increased cost of sales for the Group). Cost of sales represented 15 per cent. of the Group's revenue in the 2012 financial year, an increase of 1 percentage point from 14 per cent. in the 2011 financial year, principally reflecting the costs of sales in connection with the sale and leaseback of the LEGOLAND Windsor Hotel (absent which cost of sales would have represented 14 per cent. of the Group's revenue), a greater proportion of sales of LEGO products (which entail higher retail costs of sales as well as royalty payments) and an increase in online sales across the Group (which attract higher commissions payable to the website service providers).

Staff Expenses

Staff expenses in the 2012 financial year were £262 million, an increase of £33 million, or 14 per cent., from £229 million in the 2011 financial year. This increase was primarily attributable to an increase in staff headcount, which was in line with the growth of the Group's business and portfolio of Attractions, including in particular the acquisition of Living and Leisure Australia, the roll-out of new Midway Attractions, the full year effect of the opening of LEGOLAND Florida (which, unlike most of the Group's LEGOLAND Parks and Resort Theme Parks located in Europe, is open and requires staffing year-round) and the opening of the LEGOLAND Windsor Hotel. Largely as a result of the above, the average number of persons employed by the Group (including managers) grew by 2,472, or 20 per cent., from 12,364 in the 2011 financial year to 14,836 in the 2012 financial year. Staff expenses represented 24 per cent. of the Group's revenue in each of the 2012 and 2011 financial years. Average cost per employee across the Group was also broadly stable in the 2011 and 2012 financial years.

[59] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue, underlying EBITDA and other financial information for an explanation of like-for-like revenue growth, the basis of its calculation and a reconciliation of like-for-like revenue growth to revenue.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Other Operating Expenses

The following table sets out other operating expenses for the Group and percentage growth in those expenses for the 2011 and 2012 financial years (unaudited except for total other operating expenses):

	2011	2012	% Growth
	£m	£m	
Rent[(1)]	(69)#	(74)#	7%†
Marketing expenses[(1)]	(56)#	(56)#	0%†
Other expenses[(1)(2)]	(160)#	(179)#	12%†
Total Other Operating Expenses	(285)	(309)	8%

(1) Unaudited.

(2) Other expenses include repairs and maintenance, displays, rates, utilities, travel costs, office costs, insurance, IT costs, exchange differences, fees and other costs.

Other operating expenses in the 2012 financial year were £309 million, an increase of £24 million, or 8 per cent., from £285 million in the 2011 financial year. This increase was primarily attributable to increased rental payments and higher costs for repairs and maintenance, rates, utilities, insurance and IT, in each case driven principally by the addition of new and acquired sites to the Group's portfolio of Attractions. Rent paid by the Group increased £5 million*, due to a combination of annual rent increases (tied to the retail price index) on the sites included within the Group's sale and leaseback arrangements, the roll-out of new Midway Attractions and the acquisition of Living and Leisure Australia, rent payable on the LEGOLAND Windsor Hotel following the sale and leaseback transaction completed in May 2012 and, to a lesser extent, rent increases at existing Attractions. Other operating expenses represented 29 per cent. of the Group's revenue in the 2012 financial year, a decrease of 1 percentage point from 30 per cent. in the 2011 financial year, primarily attributable to the implementation of cost controls and the achievement of operational efficiencies across the Group's expanded Attraction portfolio (particularly synergies achieved through the acquisition of Living and Leisure Australia following the acquisition of the Sydney Attractions Group in the 2011 financial year). The decrease also reflected a reduction of marketing expenditure particularly in the Resort Theme Parks operating group in the 2012 financial year as a result of the challenging trading conditions described above.

EBITDA

As a result of the factors discussed above, EBITDA increased by £36 million, or 12 per cent., from £304 million in the 2011 financial year to £340 million in the 2012 financial year.

Underlying EBITDA increased by £40 million, or 13 per cent., from £306 million in the 2011 financial year to £346 million in the 2012 financial year. In the 2011 financial year EBITDA reflected £2 million of exceptional acquisition and integration costs in respect of the Sydney Attractions Group and in the 2012 financial year EBITDA reflected £6 million of exceptional costs including acquisition and integration costs in respect of Living and Leisure Australia and redundancy costs in relation to Gardaland.

Like-for-like underlying EBITDA on a constant currency basis grew by 2 per cent.† from the 2011 financial year to the 2012 financial year[60].

60 See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue, underlying EBITDA and other financial information for an explanation of like-for-like underlying EBITDA growth, the basis of its calculation and a reconciliation of like-for-like underlying EBITDA growth to underlying EBITDA.

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Depreciation, Amortisation and Impairment

The following table sets out depreciation, amortisation and impairment for the Group and percentage growth in those items for the 2011 and 2012 financial years:

	2011 £m	2012 £m	% Growth
Depreciation	(73)	(87)	19%
Amortisation	(1)	(1)	0%
Impairment[1]	—	(53)	NA
Total Depreciation, amortisation and impairment	(74)	(141)	91%

(1) Impairments includes brand amortisation.

Depreciation, amortisation and impairment in the 2012 financial year totalled £141 million, an increase of £67 million, or 91 per cent., from £74 million in the 2011 financial year. Depreciation, amortisation and impairment represented 13 per cent. of the Group's revenue in the 2012 financial year, an increase of 5 percentage points from 8 per cent. in the 2011 financial year. This increase is attributable primarily to exceptional impairments of £53 million in respect of goodwill relating to Gardaland and in respect of property, plant and equipment at three smaller sites in southern Europe, in each case due to economic uncertainty in that region. The increase also reflects a £14 million increase in depreciation, attributable primarily to depreciation of non-current assets acquired as part of the Living and Leisure Australia acquisition as well as depreciation of investments in the Group's new Attractions.

Operating Profit

Operating profit in the 2012 financial year was £199 million, a decrease of £31 million, or 14 per cent., from £230 million in the 2011 financial year. The Group's operating profit was 19 per cent. of the Group's revenue in the 2012 financial year, a decrease of 5 percentage points from 24 per cent. in the 2011 financial year, as a result of the factors discussed above.

Finance Income

Finance income in the 2012 financial year was £25 million, an increase of £17 million, or 213 per cent., from £8 million in the 2011 financial year. This increase in finance income was primarily attributable to exceptional unrealised gains of £19 million in the 2012 financial year on marking to market certain interest rate swaps and foreign exchange contracts, as compared with exceptional unrealised gains of £3 million in the 2011 financial year on marking to market certain interest rate swaps. The increase in finance income also reflected increased interest income due to higher cash balances in the 2012 financial year.

Finance Costs

Finance costs in the 2012 financial year were £126 million, a decrease of £16 million, or 11 per cent., from £142 million in the 2011 financial year. This decrease in finance costs was largely attributable to exceptional unrealised losses of £14 million in the 2011 financial year on marking to market certain interest rate swaps and gains on derivatives in the 2011 financial year, as compared with exceptional unrealised losses of £2 million in the 2012 financial year. The decrease in finance costs also reflected lower interest payable due to re-pricing of debt in the 2011 financial year, amortisation of finance costs and gains and losses on currency exchange, offset in part by higher interest payable as a result of higher amount of total debt resulting from strategic acquisitions, primarily the Living and Leisure Australia acquisition. The Group's gross bank debt increased by £153 million in the 2012 financial year, primarily to fund the Living and Leisure Australia acquisition.

Taxation

Taxation in the 2012 financial year was £22 million, a decrease of £6 million, or 21 per cent., from a charge of £28 million in the 2011 financial year. This decrease in taxation was primarily attributable to the recognition in 2012 of a deferred tax asset on tangible fixed assets in the UK (arising from the fact that the Group has exhausted its losses brought forward in the UK and is expected to claim capital allowances in the 2013 financial year), a one-off UK corporation tax deduction in 2012 arising from the payment of accrued interest and higher adjustments for prior periods in the 2011 financial year arising from increases in the contingency in respect of the 2010 financial year in the UK and Italy. These factors were partially offset by an increase in the Group's taxable profit in the 2012 financial year and an increase in non-deductible expenses, primarily as a result of a one-off disallowance in respect of the impairment of goodwill in Gardaland. The Group's effective tax rate decreased from 30 per cent in the 2011 financial year to 22 per cent in the 2012 financial year, due primarily to the decrease in taxation while profit before taxation increased marginally from £96 million in the 2011 financial year to £98 million in the 2012 financial year.

Profit/(Loss) for the Year

As a result of the factors discussed above, profit for the 2012 financial year was £76 million, an increase of £8 million, or 12 per cent., from a profit of £68 million in the 2011 financial year.

2012 Financial Year Compared to 2011 Financial Year by Operating Group

In the 2012 financial year, the Group's total EBITDA was £340 million, of which £179 million was attributable to the Midway Attractions operating group, £113 million was attributable to the LEGOLAND Parks operating group and £73 million was attributable to the Resort Theme Parks operating group, with the difference of £25 million being attributable to Central costs and exceptional items not allocated to a specific operating group.

Midway Attractions

The following table sets out certain financial measures and percentage growth in those items for the Midway Attractions operating group for the 2011 and 2012 financial years:

	Midway Attractions		
	2011	2012	% Growth
	£m	£m	
Revenue	360	458	27%
Gross Profit	327#	413#	26%†
Segment EBITDA	146	179	23%

Revenue from the Midway Attractions operating group in the 2012 financial year was £458 million, an increase of £98 million, or 27 per cent., from £360 million in the 2011 financial year. This increase was driven primarily by an increase in visitor numbers which increased revenues from admission fees and secondary spend by visitors, as well as by growth in admissions revenue per capita through yield management. The increase in visitors was primarily attributable to the Group's continued roll-out of Midway Attractions (with the Group benefiting from the full-year impact of seven Midway Attractions opened during the 2011 financial year along with the launch of an additional six Midway Attractions during the 2012 financial year), the acquisition of Living and Leisure Australia in February 2012 and the re-launch of several of the Sydney Attractions Group sites acquired in the 2011 financial year.

Gross profit from the Midway Attractions operating group was £413 million# in the 2012 financial year, an increase of £86 million*, or 26 per cent.†, from £327 million# in the 2011 financial year. This increase primarily reflected the increased revenues of the Midway Attractions operating group, which were partially offset by increased cost of sales, in each case attributable primarily to the growth of the estate of Attractions in the Midway Attractions operating group and the increase in visitors described above.

Segment EBITDA from the Midway Attractions operating group in the 2012 financial year was £179 million, an increase of £33 million, or 23 per cent., from £146 million in the 2011 financial year. This increase reflected the increased revenues of the Midway Attractions operating group, partially offset by increased cost of sales, staff costs and other operating expenses (with the businesses acquired in the Living and Leisure Australia acquisition having slightly higher average costs than those for the Group as a whole). Segment EBITDA from the Midway Attractions operating group as a percentage of its revenue represented 39 per cent. of its revenue in the 2012 financial year and 41 per cent. of its revenue in the 2011 financial year.

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LEGOLAND Parks

The following table sets out certain financial measures and percentage growth in those items for the LEGOLAND Parks operating group for the 2011 and 2012 financial years:

	LEGOLAND Parks		
	2011	2012	% Growth
	£m	£m	
Revenue	253	308	22%
Gross Profit	198#	240#	21%†
Segment EBITDA	87	113	30%

Revenue from the LEGOLAND Parks in the 2012 financial year was £308 million, an increase of £55 million, or 22 per cent., from £253 million in the 2011 financial year. This increase was driven by an increase in visitor numbers which increased revenues from admission fees as well as secondary spend by visitors, as well as by growth in admissions revenue per capita through yield management and the receipt of management fees in respect of LEGOLAND Malaysia, which opened in September 2012. The increase in visitors was primarily attributable to the full-year impact of LEGOLAND Florida (which opened in October 2011) as well as the opening of the LEGOLAND Windsor Hotel in March 2012, which resulted in both increased accommodation revenues and increased visitor revenues at LEGOLAND Windsor.

Gross profit from the LEGOLAND Parks operating group was £240 million# in the 2012 financial year, an increase of £42 million*, or 21 per cent.*, from £198 million# in the 2011 financial year. This increase primarily reflected the increased revenues arising from the opening of LEGOLAND Florida and the opening of the LEGOLAND Windsor Hotel as described above, which were partially offset by increased cost of sales primarily in connection with these openings.

Segment EBITDA from the LEGOLAND Parks in the 2012 financial year was £113 million, an increase of £26 million, or 30 per cent., from £87 million in the 2011 financial year. This increase reflected the increased revenues of the LEGOLAND Parks operating group as described above, partially offset by increased cost of sales, staff costs and other operating costs, in particular in connection with the operations of the LEGOLAND Windsor Hotel and LEGOLAND Florida. Segment EBITDA from the LEGOLAND Parks operating group represented 37 per cent. of its revenue in the 2012 financial year, an increase of 3 percentage points from 34 per cent. in the 2011 financial year.

Resort Theme Parks

The following table sets out certain financial measures and percentage growth/(decline) in those items for the Resort Theme Parks for the 2011 and 2012 financial years:

	Resort Theme Parks		
	2011	2012	% Growth
	£m	£m	
Revenue	330	290	(12)%
Gross Profit	288#	253#	(12)%†
Segment EBITDA	97	73	(25)%

Revenue from the Resort Theme Parks in the 2012 financial year was £290 million, a decrease of £40 million, or 12 per cent., from £330 million in the 2011 financial year. This decrease was driven principally by a decrease in visitor numbers, primarily reflecting adverse weather conditions in Europe during the peak summer season, adverse economic conditions in Southern Europe (where Gardaland is located) and the impact of the London Olympics, which deterred normal tourists from visiting the UK and diverted attention away from the Group's offerings in the UK during the peak summer season.

Gross profit from the Resort Theme Parks operating group was £253 million# in the 2012 financial year, a decrease of £35 million*, or 12 per cent.†, from £288 million# in the 2011 financial year. This decrease primarily reflected the decrease in visitor numbers and revenue described above.

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† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Segment EBITDA from the Resort Theme Parks in the 2012 financial year was £73 million, a decrease of £24 million, or 25 per cent., from £97 million in the 2011 financial year. This decrease reflected primarily the decrease in the Resort Theme Parks operating group's revenues for the reasons described above, partially offset by reductions in marketing, payroll and other variable operating costs made in response to the challenging operating conditions. Segment EBITDA from the Resort Theme Parks operating group represented 25 per cent. of its revenue in the 2012 financial year, a decrease of 4 percentage points from 29 per cent. in the 2011 financial year. This decrease reflected the relatively fixed nature of many of the Resort Theme Parks operating group's operating costs together with the decrease in revenues.

2011 Financial Year Compared to 2010 Financial Year for the Group

Revenue

Revenue in the 2011 financial year was £946 million, an increase of £145 million, or 18 per cent., from £801 million in the 2010 financial year. This increase was driven primarily by a 15 per cent. increase in overall Group visitor numbers, from 41.0 million in the 2010 financial year (which included 52 weeks of trading) to 47.3 million in the 2011 financial year (which included 53 weeks of trading), which resulted in increases across all revenue categories including admission fees, hotel revenues and other secondary spend by visitors.

The increase in visitors was attributable primarily to the acquisition of the Sydney Attractions Group in January 2011, the improved profile of Attractions as a result of the opening of new rides and attractions and heightened promotional activity, the Group's continued roll-out of Midway Attractions (with the Group benefiting from the full-year impact of three Midway Attractions opened during the 2010 financial year along with the launch of an additional seven Midway Attractions during the 2011 financial year) and the launch of LEGOLAND Florida in October 2011. The increase in revenue in the 2011 financial year also reflected growth in admissions revenue per capita through yield management and a development fee received by the Group in the 2011 financial year in respect of LEGOLAND Malaysia.

Like-for-like revenue on a constant currency basis grew by 6 per cent.[†] from the 2010 financial year to the 2011 financial year[61].

Cost of Sales

Cost of sales in the 2011 financial year was £128 million, an increase of £23 million, or 22 per cent., from £105 million in the 2010 financial year. This increase primarily reflected increased sales of food and beverages and merchandise as a result of the growth of the Group's portfolio of Attractions, including in particular the roll-out of new Midway Attractions, the launch of LEGOLAND Florida and the acquisition of the Sydney Attractions Group in January 2011, increases in prices payable by the Group in line with inflation and the replacement of certain branded food and beverage facilities at the Group's Attractions with own-brand facilities (which results in both increased revenues and increased cost of sales for the Group). Cost of sales represented 14 per cent. of the Group's revenue in the 2011 financial year, an increase of 1 percentage point from 13 per cent. in the 2010 financial year, principally reflecting the price inflation and replacement of certain branded food and beverage facilities with own-brand facilities discussed above.

Staff Expenses

Staff expenses in the 2011 financial year were £229 million, an increase of £10 million, or 5 per cent., from £219 million in the 2010 financial year. This increase was primarily attributable to an increase in staff headcount, which was in line with the growth of the Group's business and portfolio of Attractions, in particular the roll-out of new Midway Attractions, the launch of LEGOLAND Florida and the acquisition of the Sydney Attractions Group. The average number of persons employed by the Group (including managers) grew by 1,724, from 10,640 in the 2010 financial year to 12,364 in the 2011 financial year. Staff expenses represented 24 per cent. of the Group's revenue in the 2011 financial year, a decrease of 3 percentage points from 27 per cent. in the 2010 financial year. This decrease reflected the fact that revenues grew at a higher rate than staff expenses as the Group sought to maintain controls over staff expense increases. Average cost per employee increased marginally in 2012.

[61] See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue, underlying EBITDA and other financial information for an explanation of like-for-like revenue growth, the basis of its calculation and a reconciliation of like-for-like revenue growth to revenue.

[†] Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Other Operating Expenses

The following table sets out other operating expenses for the Group and percentage growth in those expenses for the 2010 and 2011 financial years (unaudited except for total other operating expenses):

	2010	2011	% Growth
	£m	£m	
Rent[(1)]	(55)#	(69)#	25%†
Marketing expenses[(1)]	(48)#	(56)#	17%†
Other expenses[(1)(2)]	(154)#	(160)#	4%†
Total Other Operating Expenses	(257)	(285)	11%

(1) Unaudited.
(2) Other expenses include repairs and maintenance, displays, utilities, travel costs, office costs, insurance and IT costs.

Other operating expenses in the 2011 financial year were £285 million, an increase of £28 million, or 11 per cent., from £257 million in the 2010 financial year. This increase was primarily attributable to increased rental payments and higher costs for repairs and maintenance, rates, utilities, insurance and IT, in each case driven principally by the addition of new and acquired sites to the Group's portfolio of Attractions. Rent paid by the Group increased by £14 million#, due primarily to a combination of the roll-out of new Midway Attractions, annual rent increases (tied to the retail price index) on the sites included within the Group's sale and leaseback arrangements and the acquisition of the Sydney Attractions Group. Other operating expenses represented 30 per cent. of the Group's revenue in the 2011 financial year, a decrease of 2 percentage points from 32 per cent. in the 2010 financial year, primarily attributable to the implementation of cost controls and the achievement of operational efficiencies across the Group's expanded Attraction portfolio.

EBITDA

EBITDA in the 2011 financial year was £304 million, an increase of £84 million, or 38 per cent., from £220 million in the 2010 financial year.

Underlying EBITDA increased by £50 million, or 20 per cent., from £256 million in the 2010 financial year to £306 million in the 2011 financial year. In the 2010 financial year EBITDA reflected £36 million of exceptional costs related to cash-settled share-based payments and related costs, costs incurred in connection with the Group's consideration of potential financing options in the 2010 financial year, costs in respect of the shareholder restructuring at the time of CVC Holdco's investment in the Group and costs incurred in connection with the acquisition of the LEGOLAND Florida site and the Sydney Attractions Group. In the 2011 financial year EBITDA reflected £2 million of exceptional costs related to the acquisition of Living and Leisure Australia.

Like-for-like underlying EBITDA on a constant currency basis grew by 6 per cent.† from the 2010 financial year to the 2011 financial year[62].

Depreciation, Amortisation and Impairment

The following table sets out depreciation, amortisation and impairment for the Group and percentage growth/(decline) in those items for the 2010 and 2011 financial years:

	2010	2011	% Growth
	£m	£m	
Depreciation	(57)	(73)	28%
Amortisation	(1)	(1)	(11)%
Impairments[(1)]	(4)	—	(100)%
Total Depreciation, amortisation and impairment	(62)	(74)	19%

(1) Impairments includes brand amortisation.

62 See paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Like-for-like revenue, underlying EBITDA and other financial information for an explanation of like-for-like underlying EBITDA growth, the basis of its calculation and a reconciliation of like-for-like underlying EBITDA growth to underlying EBITDA.

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† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Depreciation, amortisation and impairment in the 2011 financial year totalled £74 million, an increase of £12 million, or 19 per cent., from £62 million in the 2010 financial year. Depreciation, amortisation and impairment represented 8 per cent. of the Group's revenue in each of the 2011 and 2010 financial years. The increase in depreciation, amortisation and impairment was primarily attributable to depreciation of non-current assets acquired as part of the Sydney Attractions Group acquisition as well as depreciation of investments in the Group's existing estate and new Attractions. Impairments in the 2010 financial year included an exceptional £4 million impairment in respect of a small Midway Attraction, a LEGOLAND Discovery Centre in Duisburg, Germany, arising from a review of market conditions in that location.

Operating Profit

Operating profit in the 2011 financial year was £230 million, an increase of £72 million, or 46 per cent., from £158 million in the 2010 financial year. The Group's operating profit was 24 per cent. of the Group's revenue in the 2011 financial year, an increase of 4 percentage points from 20 per cent. in the 2010 financial year, as a result of the factors discussed above.

Finance Income

Finance income in the 2011 financial year was £8 million, a decrease of £12 million, or 60 per cent., from £20 million in the 2010 financial year. This decrease was primarily attributable to significantly higher exceptional unrealised gains on marking to market certain interest rate swaps and foreign exchange contracts in the 2010 financial year as compared with the 2011 financial year. The decrease was partially offset by increased interest income due to higher cash balances in the 2011 financial year and increased net foreign exchange gains.

Finance Costs

Finance costs in the 2011 financial year were £142 million, a decrease of £10 million, or 7 per cent., from £152 million in the 2010 financial year. This decrease primarily reflected £32 million in shareholder loan interest payable in the 2010 financial year as compared with £nil payable in 2011 following the shareholder restructuring at the time of CVC Holdco's investment in the Group. The decrease was offset in part by an increase in interest payable on higher outstanding debt levels as a result of the Sydney Attractions Group acquisition and an increase in exceptional finance costs in 2011. Finance costs in the 2010 financial year included £7 million in respect of exceptional foreign exchange losses recognised following the settlement of certain intra-group loans in connection with a group re-organisation, while finance costs in the 2011 financial year included £14 million in exceptional unrealised gains on marking to market certain financial derivatives.

Taxation

Taxation was broadly stable at £28 million across each of the 2010 and 2011 financial years. The Group's effective tax rate, however, decreased significantly over this period, from 109 per cent. in the 2010 financial year to 30 per cent in the 2011 financial year. This was primarily due to the fact that, while the taxation amount was approximately the same across both years, the Group's profit before tax increased from £26 million in the 2010 financial year to £96 million in the 2011 financial year. The equivalence of the taxation amount in the 2010 and 2011 financial years, in spite of the significant increase in profit before tax between these periods, is the net result of a number of factors, in particular the tax effect of one-off unrecognised tax losses in Luxembourg in 2010 (which arose as a result of the waiver of an intragroup loan in connection with the shareholder restructuring at the time of CVC Holdco's investment in the Group), offset by an increase in income subject to taxation between the 2010 and 2011 financial years.

Profit/(Loss) for the Year

Profit for the 2011 financial year was £68 million, an increase of £70 million from a loss of £2 million in the 2010 financial year, as a result of the factors discussed above.

2011 Financial Year Compared to 2010 Financial Year by Operating Group

In the 2011 financial year, the Group's total EBITDA was £304 million, of which £146 million was attributable to the Midway Attractions operating group, £87 million was attributable to the LEGOLAND Parks operating group and £97 million was attributable to the Resort Theme Parks operating group, with the difference of £26 million being attributable to Central costs and exceptional items not allocated to a specific operating group.

Midway Attractions

The following table sets out certain financial measures and percentage growth in those items for the Midway Attractions for the 2010 and 2011 financial years:

	Midway Attractions		
	2010	2011	% Growth
	£m	£m	
Revenue	273	360	32%
Gross Profit	250#	327#	31%†
Segment EBITDA	116	146	26%

Revenue from the Midway Attractions operating group in the 2011 financial year was £360 million, an increase of £87 million, or 32 per cent., from £273 million in the 2010 financial year. This increase was driven by an increase in visitor numbers which resulted in increased revenues from admission fees and secondary spend by visitors, as well as by growth in admissions revenue per capita through yield management. The increase in visitors was primarily attributable to the Group's continued roll-out of Midway Attractions (with the Group benefiting from the full-year impact of three Midway Attractions opened during the 2010 financial year along with the launch of an additional seven Midway Attractions during the 2011 financial year) and the acquisition of the Sydney Attractions Group in January 2011.

Gross profit from the Midway Attractions operating group was £327 million# in the 2011 financial year, an increase of £77 million*, or 31 per cent.†, from £250 million# in the 2010 financial year. This increase primarily reflected the increased revenues of the Midway Attractions operating group, which were partially offset by increased cost of sales, in each case attributable primarily to the growth of the estate of Attractions in the Midway Attractions operating group and the increase in visitors described above.

Segment EBITDA from the Midway Attractions operating group in the 2011 financial year was £146 million, an increase of £30 million, or 26 per cent., from £116 million in the 2010 financial year. This increase reflected the increased revenues of the Midway Attractions operating group, partially offset by increased cost of sales, staff costs and other operating costs, primarily reflecting the opening of new Midway Attractions and the acquisition of the Sydney Attractions Group. Segment EBITDA from the Midway Attractions represented 41 per cent. of its revenue in the 2011 financial year, a decrease of 1 percentage point from 42 per cent. in the 2010 financial year. This decrease in margin was primarily attributable to the acquisition of the Sydney Attractions Group, which had a lower EBITDA margin than average for the Midway Attractions operating group (primarily due to rental payments on the Sydney Tower Eye), and the temporary closure of the SEA LIFE Centre in Brighton, England in October 2011 for roof repairs.

LEGOLAND Parks

The following table sets out certain financial measures and percentage growth in those items for the LEGOLAND Parks operating group for the 2010 and 2011 financial years:

	LEGOLAND Parks		
	2010	2011	% Growth
	£m	£m	
Revenue	215	253	18%
Gross Profit	169#	198#	17%†
Segment EBITDA	74	87	18%

Revenue from the LEGOLAND Parks operating group in the 2011 financial year was £253 million, an increase of £38 million, or 18 per cent., from £215 million in the 2010 financial year. This increase was primarily driven by an increase in visitor numbers across the LEGOLAND Parks portfolio but particularly at LEGOLAND California, LEGOLAND Deutschland and LEGOLAND Florida (launched in October 2011), which resulted in increased revenues from admission fees and secondary spend by visitors, as well as by growth in admissions revenue per capita through yield management.

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† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Gross profit from the LEGOLAND Parks operating group was £198 million# in the 2011 financial year, an increase of £29 million*, or 17 per cent.†, from £169 million# in the 2010 financial year. This increase primarily reflected the increased revenues for the reasons described above, partially offset by increased cost of sales, which were largely attributable to the opening of LEGOLAND Florida.

Segment EBITDA from the LEGOLAND Parks operating group in the 2011 financial year was £87 million, an increase of £13 million, or 18 per cent., from £74 million in the 2010 financial year. This increase reflected the increased revenues of the LEGOLAND Parks operating group as described above, partially offset by increased cost of sales, staff costs and other operating costs, particularly staff costs at the newly opened LEGOLAND Florida. Segment EBITDA from the LEGOLAND Parks represented 34 per cent. of its revenue in the 2011 financial year, stable with 34 per cent. in the 2010 financial year.

Resort Theme Parks

The following table sets out certain financial measures and percentage growth in those items for the Resort Theme Parks operating group for the 2010 and 2011 financial years:

	Resort Theme Parks		
	2010	2011	% Growth
	£m	£m	
Revenue	311	330	6%
Gross Profit	273#	288#	5%†
Segment EBITDA	89	97	9%

Revenue from the Resort Theme Parks operating group in the 2011 financial year was £330 million, an increase of £19 million, or 6 per cent., from £311 million in the 2010 financial year. This increase was primarily driven by an increase in visitor numbers, particularly at Heide Park and to a lesser extent at Gardaland, which resulted in increased revenues from admission fees and secondary spend by visitors, as well as by growth in admissions revenue per capita through yield management. The increase in visitors was primarily attributable to the improved profile of Attractions as a result of the opening of new rides and attractions and heightened promotional activity.

Gross profit from the Resort Theme Parks operating group was £288 million# in the 2011 financial year, an increase of £15 million*, or 5 per cent.†, from £273 million# in the 2010 financial year. This increase primarily reflected the increase in visitor numbers and revenues of the Resort Theme Parks operating group described above, partially offset by increased cost of sales in line with the increase in visitors and revenues.

Segment EBITDA from the Resort Theme Parks operating group in the 2011 financial year was £97 million, an increase of £8 million, or 9 per cent., from £89 million in the 2010 financial year. This increase reflected the increased revenues of the Resort Theme Parks operating group described above, partially offset by increased cost of sales, staff costs and other operating costs in line with the increase in visitors and revenues. Segment EBITDA represented 29 per cent. of its revenue in each of the 2011 and 2012 financial years.

Liquidity and Capital Resources

The Group's principal sources of liquidity for the period under review have been, and following Admission will be, its cash flows from operating activities and its borrowings under its banking facilities. The principal variations in the Group's borrowing requirements and the Group's principal uses of funds have been in respect of investments in the Group's existing estate, the roll-out of new Attractions and the acquisition of new businesses.

The Group's business is highly cash generative during the Group's main trading period (mid-March to November). The Group's revenue is primarily driven by visitor attendance at its Attractions. Receivables from trade debtors do not constitute a significant portion of the Group's current assets. During the winter months in the northern hemisphere, when its seasonal Attractions (including most of the Resort Theme Parks and European LEGOLAND Parks) are generally closed or have reduced opening hours and generate substantially lower revenue than during the Group's main trading period, the Group generates losses and typically incurs expenditure in carrying out

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maintenance and refurbishment work and investments to upgrade and refresh its existing estate. Reflecting this seasonality, the Group's revolving credit facility under the Restated Facilities is ordinarily drawn down in the northern hemisphere winter months and is ordinarily repaid during the Group's main trading period in the northern hemisphere spring and summer months. The highest point of the drawdown in the 2012 financial year was £42 million from a £138 million revolving credit facility. There had been no drawdown under the revolving credit facility in the 2013 financial year as at 31 August 2013, being the latest practicable date prior to the date of this Prospectus.

Finance Facilities

With effect from 3 July 2013, the Group's finance facilities comprise the Restated Facilities, representing the Facilities Agreement entered into on 4 March 2007 as amended and restated by the Amendment Agreement entered into by the Group and its syndicate lenders on 28 June 2013. The Restated Facilities comprise (i) term facilities comprising currency tranches of (a) €500 million, (b) £455,210,000, (c) US$602,262,500 and (d) AU$185 million and (ii) a £150 million revolving credit facility.

Principal finance facilities during the period under review

Certain members of the Group as borrowers and guarantors entered into the Facilities Agreement on 4 March 2007 with Goldman Sachs International, Lehman Brothers International (Europe), Bayerische Hypo-und Vereinsbank AG, London Branch, Merrill Lynch International and Citigroup Global Markets Limited as arrangers and lenders (the "**Arrangers**") in order to refinance the financial indebtedness of the Group in respect of its operations outside Italy and to fund the acquisition of The Tussauds Group. On the same date, Merlin Entertainments Group Italy 3 Srl ("**MEG Italy**"), a subsidiary of the Company organised under the laws of Italy, entered into a facilities agreement (the "**Italian Bank Facilities**") between MEG Italy, certain members of the Group as borrowers and guarantors, and the Arrangers in order to refinance the financial indebtedness of the Group in respect of its Italian operations. Each of the term facilities under the Facilities Agreement and the Italian Bank Facilities had original maturity dates in March 2012. The amounts available under the Facilities Agreement included (i) term facilities comprising currency tranches of (a) £1,063,900,000, (b) €349,900,000, and (c) US$113,700,000 and (ii) a €105,000,000 revolving credit facility. The amounts available under the Italian Bank Facilities included (i) term facilities of €375,000,000 and (ii) a €45,000,000 revolving credit facility. The interest rates payable on borrowings under the above facilities ranged from 2.25 per cent. to 4.5 per cent.

In July 2010, as part of a refinancing, the Group amended the Facilities Agreement to increase the amounts available under the facilities and to extend the maturity dates to July 2015 and repaid the Italian Bank Facilities by new drawings under the Facilities Agreement. Following the July 2010 refinancing, the amounts available under the Facilities Agreement included (i) term facilities comprising currency tranches of (a) €505,000,000, (b) £396,000,000, and (c) US$421,000,000 and (ii) a £125,000,000 revolving credit facility. The interest rates payable on borrowings under the above facilities ranged from 4.5 per cent to 5.0 per cent.

In May 2011, the Facilities Agreement was further amended and restated to reduce the interest rates, increase the amounts available under the revolving credit facility and extend the maturity dates to July 2017. Following the May 2011 refinancing, the amounts available under the Facilities Agreement included (i) term facilities comprising currency tranches of (a) €505,000,000, (b) £396,000,000, and (c) US$421,000,000 and (ii) a revolving credit facility of up to £150,000,000 and (iii) acquisition term loan facilities of (a) £52,000,000 and (b) AUS$100,000,000. The interest rates payable on borrowings under the above facilities ranged from 4.0 per cent to 5.0 per cent.

On 28 June 2013, the Facilities Agreement was further amended and restated by the Amendment Agreement, with the Restated Facilities, the terms of which are described below, effective from 3 July 2013.

Restated Facilities

The interest rates payable on borrowings under the Restated Facilities range from 3.25 to 4.00 per cent. per annum above LIBOR, or, in relation to borrowings denominated in Euros or Australian Dollars, EURIBOR or the Bank Bill Rate respectively.

The term facilities under the Facilities Agreement will mature in July 2019 and the revolving credit facility will mature in July 2018.

The Facilities Agreement also contains customary representations and warranties and require the borrowers to maintain specified financial ratios for EBITDA to net interest charges of the Group and consolidated net debt to consolidated EBITDA of the Group. In addition, the Facilities Agreement contains customary undertakings including, among other things, restrictions on disposals, acquisitions, indebtedness, the grant of security and payments of dividends other than in certain agreed circumstances, subject to customary qualifications.

As at 31 August 2013, being the latest practicable date prior to the date of this Prospectus, the Group's total available finance facilities (being the Restated Facilities) were comprised of (i) term facilities comprising currency tranches of (a) €500 million, (b) £455,210,000, (c) US$602,262,500 and (d) AU$185 million and (ii) a £150 million revolving credit facility, of which £1,379 million was drawn down (£1,379 million under the term facilities and £nil under the revolving credit facility).

The net financial indebtedness of the Group as at 31 August 2013 was £1,142 million. See "– Capitalisation and Indebtedness" below.

Capital Reorganisation

The consolidated financial statements discussed in this Part 11 and set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. were issued in the name of Merlin Entertainments S.à r.l. ("**ME Lux**"), the ultimate holding company of the Group until the Reorganisation Agreement becomes wholly unconditional, which will occur at 12:00 noon on the second Business Day following the date on which the Pricing Statement is published. With effect from the completion of the Reorganisation Agreement, the new ultimate holding company of the Group will be Merlin Entertainments plc. The Directors do not expect this reorganisation to have a material impact on the Group's consolidated financial statements. See paragraph 15.8 of Part 15 – Additional Information for further details in respect of the share capital reorganisation that will be effected upon completion of the Reorganisation Agreement.

Cash flows

The following table summarises the Group's cash flows during the 2010, 2011 and 2012 financial years respectively and during H1 2012 and H1 2013:

	Financial Year				
	2010	**2011**	**2012**	**H1 2012**	**H1 2013**
				(unaudited)	
	£m	**£m**	**£m**	**£m**	**£m**
Net cash from operating activities	183	292	348	121	147
Net cash (used in)/from investing activities	(116)	(229)	(233)	(161)	(85)
Net cash (used in)/from financing activities	(85)	(67)	(34)	23	(58)
Increase/(decrease) in cash and cash equivalents	(18)	(4)	81	(17)	4

Net cash from operating activities

The primary source of the Group's cash flow is funds generated by operating activities. Net cash from operating activities primarily reflects the Group's EBITDA, as well as working capital movements, changes in provisions and other non-current liabilities and tax paid.

Net cash from operating activities in H1 2013 amounted to a net cash inflow of £147 million, an increase of £26 million, or 21 per cent., from £121 million in H1 2012. Net cash from operating activities in H1 2013 primarily reflected the Group's increased EBITDA of £108 million, an increase of £16 million, or 17 per cent., from £92 million in H1 2012. Working capital movements of £52 million also differ significantly from movements of £36 million in the prior period, reflecting the impact of movements in the levels of trade receivable and payables and higher levels of accruals in respect of corporate expenses, offset by a greater net decrease in inventory levels compared to the previous period that had reflected a positive working capital impact in respect of the completion of the LEGOLAND Windsor Hotel sale and leaseback transaction. There was a decrease of £3 million in provisions and other non-current liabilities in H1 2013, primarily relating to restructuring expenses at the Gardaland Resort in Italy, together with movements in legal, insurance and other provisions. Tax paid by the Group increased from £7 million in H1 2012 to £10 million in H1 2013.

Net cash from operating activities in the 2012 financial year amounted to a net cash inflow of £348 million, an increase of £56 million, or 19 per cent., from £292 million in the 2011 financial year. Net cash from operating activities in the 2012 financial year primarily reflected the Group's increased EBITDA of £340 million, an increase of £36 million, or 12 per cent., from £304 million in the 2011 financial year. Working capital movements of £24 million in the period differed significantly to movements of £3 million in the prior period, reflecting the impact of the construction cost in the 2011 financial year and subsequent sale in the sale and leaseback transaction in the 2012 financial year of the LEGOLAND Windsor Hotel, together with the receipt of monies from Network Rail in the 2012 financial year as compensation for the required relocation of the London Dungeon in connection with Network Rail's redevelopment of the original site, offset in part by movements in the levels of trade receivable and payables and accruals in respect of corporate expenses. The increase in provisions and other non-current liabilities was £1 million in the 2012 financial year, primarily relating to restructuring, legal, insurance and other provisions, compared to an increase in provisions and other non-current liabilities of £2 million in the 2011 financial year, primarily relating to relating to restructuring, legal, insurance and other provisions. Tax paid by the Group remained stable at £17 million in both the 2011 and 2012 financial years.

Net cash from operating activities in the 2011 financial year amounted to a net cash inflow of £292 million, an increase of £109 million, or 60 per cent., from £183 million in the 2010 financial year. Net cash from operating activities in the 2010 financial year primarily reflected the Group's increased EBITDA of £304 million in the 2011 financial year, an increase of £84 million, or 38 per cent., from £220 million in the 2010 financial year. Working capital changes decreased to £3 million in the 2011 financial year, primarily relating to movements in the levels of trade receivable and payables and accrued and prepaid corporate expenses, together with the construction costs of the LEGOLAND Windsor Hotel, from £6 million in the 2010 financial year, primarily relating to movements in the levels of trade receivable and payables and accrued and prepaid corporate expenses. The increase in provisions and other non-current liabilities also decreased in the 2011 financial year, to £2 million, primarily relating to restructuring, legal, insurance and other provisions, compared with £4 million in the 2010 financial year, primarily relating to restructuring, legal, insurance and other provisions. The increase in net cash from operating activities in the 2011 financial year also reflected the impact in the 2010 financial year of £34 million in one-off costs related to the settlement of certain employee share options in cash following changes to the Group's then current share option scheme in connection with a shareholder restructuring at the time of CVC Holdco's investment in the Group. Tax paid by the Group increased from £13 million in the 2010 financial year to £17 million in the 2011 financial year.

Net cash (used in)/from investing activities

Net cash (used in)/from investing activities primarily includes cash used for payments to acquire businesses, net of cash acquired, and cash reinvested by the Group in its existing estate, as well as cash received from proceeds on the disposal of property, plant and equipment and interest received.

Net cash (used in)/from investing activities amounted to a net cash outflow of £85 million in H1 2013 and a net cash outflow of £161 million in H1 2012. In H1 2013, this amount primarily included amounts reinvested by the Group in its existing estate of Attractions and invested in the roll-out of new Midway Attractions. In H1 2012, this amount primarily included £72 million spent by the Group to acquire Living and Leisure Australia and £90 million reinvested by the Group in its existing estate of Attractions and invested in the roll-out of Midway Attractions.

Net cash (used in)/from investing activities in the 2012 financial year amounted to a net cash outflow of £233 million. This amount primarily reflected £72 million spent by the Group to acquire Living and Leisure Australia and £163 million reinvested by the Group in its existing estate of Attractions and invested in the roll-out of new Midway Attractions, slightly offset by interest received by the Group on its investments and cash balances held and government grants received (which together totalled £2 million).

Net cash (used in)/from investing activities in the 2011 financial year amounted to a net cash outflow of £229 million. This amount primarily reflected £58 million spent by the Group to acquire the Sydney Attractions Group and £174 million invested in the development of LEGOLAND Florida and in the roll-out of new Midway Attractions and reinvested by the Group in its existing estate of Attractions, slightly offset by £2 million of interest received by the Group on its investments and cash balances held.

Net cash (used in)/from investing activities in the 2010 financial year amounted to a net cash outflow of £116 million. This amount primarily reflected £16 million spent by the Group to acquire the business and assets of Cypress Gardens, which the Group redeveloped as LEGOLAND Florida, and £103 million reinvested by the Group in its existing estate of Attractions and invested by the Group in the roll-out of Midway Attractions, slightly offset by interest received by the Group on its investments and cash balances held, cash received from disposals and government grants received (which together totalled £3 million).

Net cash used in financing activities

Net cash used in financing activities primarily includes any form of long-term debt financing raised or repaid, interest paid, cash used for payments to acquire available-for-sale financial assets and dividends paid.

Net cash used in financing activities amounted to a net cash outflow of £58 million in H1 2013 and a net cash inflow of £23 million in H1 2012. In H1 2013, this amount primarily included interest paid on the Group's borrowings and payments on interest rate swaps of £52 million, facility fees of £1 million and finance lease interest of £3 million. In H1 2012, the net cash inflow from financing activities primarily reflects the drawdown of £175 million under the Group's revolving credit facilities in connection with the acquisition of Living and Leisure Australia and investment and reinvestment in its existing estate of Attractions and £5 million received from settlement of foreign exchange contracts, partially offset by interest paid on the Group's borrowings of £57 million, repayment of £91 million of the Group's borrowings and £8 million of financing costs in connection with the drawdown under the Group's revolving credit facilities discussed above.

Net cash used in financing activities in the 2012 financial year amounted to a net cash outflow of £34 million. This amount primarily reflected interest paid on the Group's borrowings of £110 million and the repayment of £93 million of the Group's borrowings, as well as financing costs and capital repayments of finance leases (together totalling £11 million), partially offset by the Group's drawdown of £175 million under its revolving credit facilities and £5 million received from settlement of foreign exchange contracts.

Net cash used in financing activities in the 2011 financial year amounted to a net cash outflow of £67 million. This amount primarily reflected interest paid on the Group's borrowings of £117 million and the repayment of £45 million of the Group's borrowings, as well as financing costs, capital repayments of finance leases, payments for the acquisition of foreign exchange contracts and dividends paid to non-controlling interest (together totalling £18 million), partially offset by the Group's drawdown of £113 million under its revolving credit facilities.

Net cash used in financing activities in the 2010 financial year amounted to a net cash outflow of £85 million. This amount primarily reflected interest paid on the Group's borrowings of £109 million, the repayment of £1,057 million of the Group's borrowings and the repayment of £52 million in respect of shareholder loans at the time of the 2010 shareholder restructuring, as well as financing costs of £43 million and capital repayments of finance leases of £2 million, partially offset by the Group's drawdown of £1,093 million under its revolving credit facilities, proceeds from shareholder loans of £76 million and proceeds from the issue of new share capital of £9 million.

Operating free cash flow

Operating free cash flow represents underlying EBITDA after changes in working capital and capital expenditure. For further information on operating free cash flow and the basis of its calculation, see paragraph 4 of Part 6 – Presentation of Financial and Other Information – Non-IFRS Information – Operating free cash flow.

The following table sets forth the unaudited operating free cash flow of the Group for each of the 2010 to 2012 financial years:

	52 weeks ended 25 December 2010	**53 weeks ended 31 December 2011**	**52 weeks ended 29 December 2012**
Underlying EBITDA (£m)	256	306	346
Existing estate capital expenditure[(1)] (£m)	(74)#	(87)#	(92)#
New business development capital expenditure[(2)] (£m)	(45)#	(87)#	(71)#
Change in working capital (£m)	6#	3#	24#
Operating free cash flow (£m)	**143***	**135***	**207***

(1) Existing estate capital expenditure for each financial year includes capital expenditure incurred in respect of Attractions and accommodation facilities open at the end of the preceding financial year.

(2) New business development capital expenditure for each financial year includes capital expenditure incurred in respect of the development of new Attractions and new accommodation facilities.

Operating free cash flow increased by £72 million*, or 53 per cent.†, from £135 million* in the 2011 financial year to £207 million* in the 2012 financial year, primarily as a result of the increase in the Group's underlying EBITDA and a greater positive change in working capital, as well as a reduction in new business development capital expenditure.

Operating free cash flow decreased by £8 million*, or 6 per cent.†, from £143 million* in the 2010 financial year to £135 million* in the 2011 financial year, primarily as a result of increases in both new business development capital expenditure and existing estate capital expenditure, partially offset by an increase in underlying EBITDA.

Cash and cash equivalents

The Group had cash and cash equivalents of £147 million at the end of H1 2013, £142 million at the end of the 2012 financial year, £60 million at the end of the 2011 financial year and £67 million at the end of the 2010 financial year, net of £0.4 million of bank overdrafts used for cash management purposes.

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† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Capital Expenditure

The Group's capital expenditure was £163 million#, £174 million# and £104 million# for the 2012, 2011 and 2010 financial years, respectively.

The Group continuously plans expenditure for the development of its estate, both in respect of (i) upgrading and refreshing its existing estate and (ii) new business, primarily the roll out of Midway Attractions into new locations and countries.

During the period under review, the Group invested approximately eight to ten per cent. of its existing estate revenue in the development of its existing estate of Attractions each year. Going forward, the Group expects to maintain similar levels of investment in its existing estate and this figure is broadly in line with the Group's annual depreciation charge.

Investments include (i) adding new rides and attractions; (ii) replacing old features with new, more up-to-date ones; and (iii) general maintenance and refurbishment of existing attractions (including ensuring health and safety standards are met or exceeded). Such investments are intended to maintain or improve product appeal and guest experience, which is key to increasing visitor attendance levels and length of stay, and support increases in admission fees (above inflation) and secondary spend. The Group typically benefits from increased visitor numbers and revenue from an Attraction in the year of opening a new ride or other significant product investment at the site. For further details regarding the Group's planned approach with regard to upgrading and refreshing its existing estate, see above, "– Factors Affecting the Group's Results of Operations – Management of Investment Cycles".

The Group's capital expenditure relating to the development of new business is primarily focused on the continued roll out of Midway Attractions into new locations and countries globally, as well as the development of second gates and up-sells at the Group's existing Theme Parks and new accommodation offerings. The Group's new business capital expenditure is principally in respect of the development of new sites but can also be in respect of acquired sites.

The Group intends to open approximately six to seven new Midway Attractions per year. For details of the average investment costs in respect of Midway Attractions opened by the Group during the period under review, see above, "– Factors Affecting the Group's Results of Operations – Roll-Out of Midway and other Attractions".

For the 2013 financial year, the Group has planned capital expenditure of approximately £174 million, primarily relating to the development of new attractions and accommodation facilities opened in the 2013 financial year. These include, for example, the SEALIFE Centre in Manchester, UK and Madame Tussauds Wuhan, China within the Midway operating group, "The Smiler" roller-coaster at Alton Towers and the "Zufari" attraction at Chessington World of Adventures within the Resort Theme Parks operating group, and World of Chima at LEGOLAND Florida, the "Land of the Pharaohs" experience and "Castle" hotel at LEGOLAND Deutschland and the LEGOLAND California hotel within the LEGOLAND Parks operating group. The 2013 financial year capital expenditure also relates to early spend towards attractions and accommodations scheduled to open in 2014. These include, for example, Madame Tussauds Beijing, China and the Madame Tussauds and Dungeon attractions in San Francisco, United States within the Midway operating group, a thrill roller-coaster at Heide Park and a 69-room extension at the Chessington hotel within the Resort Theme Parks operating group, and the LEGO "Legend of Chima" waterpark at LEGOLAND California within the LEGOLAND Parks operating group. In addition, the 2013 financial year capital expenditure relates to new attractions at sites not in the "high" year of the capital expenditure cycle and maintenance across all sites. Of this amount, approximately £107 million had already been incurred as at 31 August 2013, being the latest date practicable prior to the date of this Prospectus. The Group expects to fund the capital expenditures from cash flows from operating activities and its current cash.

For the 2014 financial year, the Group has planned capital expenditure of approximately £193 million, primarily relating to the completion of the 2014 financial year capital projects, examples of which are highlighted within the 2013 financial year capital expenditure summary above, as well as early spend on the Midway Attractions roll-out plan for the 2015 financial year and "high" year capital expenditure developments at LEGOLAND Windsor and Gardaland. The 2014 capital expenditure also relates to new attractions at sites not in the "high" year of the capital expenditure cycle and maintenance across all sites. The Group expects to fund the capital expenditures from cash flows from operating activities and its current cash.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

The following tables summarise the Group's capital expenditures during the 2010, 2011 and 2012 financial years, respectively:

	Capital Expenditure				
	2010	2011	2012	% Growth (2010-2011)	% Growth (2011-2012)
	£m	£m	£m		
Midway Attractions:					
Existing Estate(1)	21#	34#	30#	62%†	(12)%†
New Business Development	25#	28#	55#	13%†	95%†
Total Midway Attractions	46#	63#	85#	36%†	35%†
LEGOLAND Parks:					
Existing Estate	19#	17#	29#	(11)%†	71%†
New Business Development	6#	57#	17#	850%†	(70)%†
Total LEGOLAND Parks	25#	74#	46#	196%†	(38)%†
Resort Theme Parks:					
Existing Estate	33#	34#	32#	3%†	(6)%†
New Business Development	—#	—#	—#	—%†	—%†
Total Resort Theme Parks	33#	34#	32#	3%†	(6)%†
Central capital expenditure	—#	4#	1#	—%†	75%†
Total Capital Expenditure	104#	174#	163#	69%†	(6)%†

(1) Existing estate capital expenditure for the Midway Attractions operating group included exceptional capital expenditure incurred in connection with capsule refurbishment for the London eye, totaling £1 m in the 2008 financial year, £3 m in the 2009 financial year, £4 m in the 2010 financial year, £3 m in the 2011 financial year and £2 m in the 2012 financial year.

The Group's capital expenditure in the 2012 financial year included investments of £85 million# in the Midway Attractions, primarily attributable to the relocation of the London Dungeon and the development of LEGOLAND Discovery Centres in Tokyo, Japan, and Oberhausen, Germany, Madame Tussauds Sydney, a SEA LIFE Centre in Rome, Italy and Weymouth Tower in Weymouth, England; £46 million# in the LEGOLAND Parks, primarily attributable to the development of the LEGOLAND California Hotel, the development of a new LEGO themed water park and the "World of Chima" experience at LEGOLAND Florida, the new "Polar X-Plorer" experience at LEGOLAND Billund, the new "Pirate Reef" attraction at LEGOLAND California, the new "Land of the Pharaohs" experience at LEGOLAND Deutschland and the development of the LEGOLAND Windsor Hotel; and £32 million# in the Resort Theme Parks, primarily attributable to the development of the "Smiler" roller coaster at Alton Towers, the "Swarm" roller coaster at Thorpe Park and the "Zufari – Ride into Africa" experience at Chessington World of Adventures.

The Group's capital expenditure in the 2011 financial year included investments of £63 million# in the Midway Attractions, primarily attributable to the refurbishment of the London Eye and the development of SEA LIFE Centres in Jesolo, Italy and Dallas, Texas (USA), Madame Tussauds Vienna, a LEGOLAND Discovery Centre in Dallas, Texas (USA) and the WILD LIFE Sydney Zoo; £74 million# in the LEGOLAND Parks, primarily attributable to the development of LEGOLAND Florida, as well as the development of the "Polar X-Plorer" experience at LEGOLAND Billund, the "Atlantis Submarine Voyage" ride at LEGOLAND Windsor, the development of the LEGOLAND California and LEGOLAND Florida Hotels and the second phase of development of a new holiday village at LEGOLAND Deutschland; and £34 million# in the Resort Theme Parks, primarily attributable to the development of the "Raptor" roller coaster at Gardaland the "Swarm" ride at Thorpe Park and the "Krake" roller coaster at Heide Park.

The Group's capital expenditure in the 2010 financial year included investments of £46 million# in the Midway Attractions, primarily attributable to the refurbishment of the London Eye and the development of Madame Tussauds Bangkok and Madame Tussauds Vienna, LEGOLAND Discovery Centres in Manchester, England and Dallas, Texas (USA), a SEA LIFE Centre in Arizona (USA), and new attractions at Madame Tussauds London; £25 million# in the LEGOLAND Parks, primarily attributable to the development of a new themed water park at LEGOLAND California, the "Atlantis Submarine Voyage" ride at LEGOLAND Windsor, the "Land of Pharaohs" ride at LEGOLAND Billund and the development of LEGOLAND Florida; and £33 million# in the Resort Theme Parks, primarily attributable to the development of the "Raptor" roller coaster at Gardaland, the "Krake" roller coaster at Heide Park, the "Swarm" ride at Thorpe Park, "TH13TEEN" roller coaster at Alton Towers and the introduction of the "Wild Asia" and "Wanyama" attractions at Chessington World of Adventures.

Amount has been extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

† Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Contractual Commitments and Off Balance Sheet Arrangements

Contractual Commitments

The following table summarises the Group's contractual obligations, commercial commitments and principal payments scheduled as at 29 June 2013 (other than capital commitments and liabilities under defined benefit pension schemes, which are described below):

	Payments due by period			
Contractual Commitments	**Total**	**less than 1 year**	**1-5 years**	**more than 5 years**
	£m	**£m**	**£m**	**£m**
Long-term debt obligations	1,766	65	281	1,420
Finance leases	287	6	25	256
Operating leases	1,708	69	272	1,367
Other long-term liabilities — interest rate swaps	46	30	16	—
Total	3,807	170	594	3,043

Long-term debt obligations comprise secured bank loans, with principal and undiscounted forecast interest payments of £1,766 million as at 29 June 2013.

Finance leases and operating leases predominantly relate to rental payments on the Group's estate. Finance leases, which totalled £287 million as at 29 June 2013, are leases of property, plant and equipment for which substantially all the risks and rewards of ownership of the asset leased have passed to the Group, and include leases in respect of the majority of rides at Alton Towers, Heide Park and Thorpe Park leased by the Group following completion of its sale and leaseback transaction with the Prestbury Group in July 2007.

Operating leases, which totalled £1,708 million as at 29 June 2013, are leases of property, plant and equipment for which a significant portion of the risks and rewards of ownership are retained by the lessor, and include leases in respect of substantially all land and buildings at Alton Towers Theme Park and Hotel, Heide Park Theme Park and Hotel, Madame Tussauds London, Thorpe Park and Warwick Castle which are leased by the Group following completion of its sale and leaseback transaction with the Prestbury Group in July 2007, a lease in respect of the LEGOLAND Windsor Hotel which is leased by the Group following completion of its sale and leaseback transaction with Richie Properties in May 2012 and leases in respect of the land and buildings for most of the Group's Midway Attractions.

Other long-term liabilities comprised undiscounted interest rate swap payments of £46 million as at 29 June 2013.

Additionally, as at 29 June 2013, the Group had capital commitments of £20 million, primarily in respect of the development of new rides and features at its existing estate of Attractions and the roll-out of new Midway Attractions, and obligations under its defined benefit pension schemes of £19 million (on a present value basis).

On 29 October 2013, a subsidiary of the Company, Merlin Entertainments Group Limited, and Gangwon Provincial Government (**"Gangwon"**) entered into an undertaking agreement relating to the development of a LEGOLAND Park in Gwang-do, South Korea (the **"Undertaking Agreement"**). The expected total cost of the project is approximately US$300 million. It is not expected that any payment in excess of US$10 million will be required to be paid by Merlin pursuant to the Undertaking Agreement before the end of the 2014 financial year. See Paragraph 15.11 of Part 15 – Additional Information.

Off Balance Sheet Arrangements

In July 2007, the Group entered into sale and leaseback arrangements with the Prestbury Group in respect of substantially all land and buildings at Alton Towers Theme Park and Hotel, Heide Park Theme Park and Hotel, Madame Tussauds London, Thorpe Park and Warwick Castle. In May 2012, the Group entered into a sale and leaseback arrangement with Richie Properties in respect of the LEGOLAND Windsor Hotel.

The Group does not have any other sale and leaseback or other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Group's financial condition, changes in financial condition, revenue or expenses, operating results, liquidity, capital expenditures or capital resources that is material to investors.

Pensions

The Group operates a number of defined contribution pension schemes as well as a closed defined benefit scheme for certain former UK employees of The Tussauds Group, which was acquired in 2007, and a closed defined benefit scheme for certain employees of Gardaland in Italy. The Tussauds Group scheme entitles retired employees to receive an annual payment based on a percentage of final salary for each year of service that the employee provided. The entitlement of the retired employees under the Gardaland scheme is dependent on the state laws in place at the date employment commenced and is subject to a certain minimum period of service. Details in respect of the expenses relating to the defined contribution schemes and the assets and liabilities in respect of these defined benefit schemes are set out in note 6.2 to the consolidated historical financial information set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

As with all employers in the UK, the Group will be impacted by the requirement to enrol all eligible UK jobholders (which includes all employees aged between 22 and the state pension age who earn over £9,440 in the tax year 2013-2014) into a defined contribution pension scheme automatically (a process known as auto-enrolment). Auto-enrolment requires the Group to make contributions to each participating jobholder's defined contribution pension (based on "qualifying earnings" (as defined below)) with effect from the Group's staging date. The Group's staging date was 1 September 2013, although the Group has postponed its staging date to 26 November 2013. During the period prior to the Group's staging date, eligible UK jobholders may elect to join a defined contribution pension scheme and so qualify for employer contributions. The Group has opted to adopt the qualifying earnings ("**QE**") basis of contributions. Qualifying earnings (for the purposes of the 2013-2014 tax year) are earnings between £5,668 and £41,450. Compulsory employer contributions are being phased in at a rate of 1% of a participating employee's QE until 30 September 2017, rising to 2% from 1 October 2017 until 30 September 2018 and 3% thereafter. However, the Group also allows eligible UK employees, depending on grade entitlement, to increase their contributions based on basic salary, in which case the Group's matching employer contributions are based on the relevant employees' entire basic salaries rather than QE. The Directors believe that if all of the Group's eligible UK employees as at August 2013 were to elect to participate in the scheme, the expected costs to the Group in the year immediately following the Group's staging date would not be material.

Capitalisation and Indebtedness of the Group

The following table sets out the indebtedness of the Group as at 31 August 2013. This statement of indebtedness has been extracted without material adjustment from the Group's unaudited management accounts:

	£m
Current debt	
Secured[1]	(4)
Unguaranteed/unsecured	—
Total current debt	(4)
Non-current debt (excluding current portion of long-term debt)	
Secured[1]	(1,434)
Unguaranteed/unsecured	—
Total non-current debt (excluding current portion of long term debt)	(1,434)
Total Debt	(1,438)

(1) Secured debt comprises bank loans, including interest accrued, finance leases and fair value of derivative financial instruments.

The following table sets out the capitalisation of the Group as at 29 June 2013. This statement of capitalisation has been extracted without material adjustment from the Group's audited consolidated IFRS historical financial information presented in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

	As at 29 June 2013
Shareholders' equity	
Share capital and premium	1,235
Retained earnings	(56)
Other reserves	(543)
Total parent equity	636
Non-controlling interest	4
Total equity	640

The following table sets out the net financial indebtedness of the Group as at 31 August 2013. This statement of net financial indebtedness has been extracted without material adjustment from the Group's unaudited management accounts.

	£m
Cash and cash equivalents	296
Bank overdrafts used for cash management purposes	—
Liquidity	296
Current bank loans	(1)
Current shareholder loans	—
Current finance lease obligations	—
Other current financial debt[(1)]	(3)
Current financial debt	(4)
Net current financial liquidity	292
Non-current bank loans	(1,348)[(2)]
Non-current finance lease obligations	(86)
Non-current shareholder loans	—
Non-current financial indebtedness	(1,434)
Net financial indebtedness	(1,142)

(1) Other current financial debt represents fair value of derivative financial instruments.

(2) Comprises debt of £1,379 million and a credit of £31 million for finance cost capitalised.

Disclosures about Market and Credit Risks

The Group is exposed to market risks, including interest rate, credit and liquidity risks, as well as adverse changes in currency exchange rates. The Group's risk management policies are determined by the Directors and managed by the Group's finance department in accordance with documented internal control procedures. All significant transactions are authorised by a committee of the Board committee.

Currency Risk

The Group is exposed to foreign currency risk arising from movements in foreign exchange rates. The Group's reporting currency is Pounds Sterling, and in addition to the United Kingdom, the Group has major operations in Eurozone countries, the United States, Denmark and Australia. The Group's primary operating assets, revenues and costs are denominated in Pounds Sterling, Euro, US Dollars, Danish Kroner and Australian Dollars. As a result, the Group is exposed to both transactional and translational foreign exchange risk.

Transactional foreign exchange risk arises as a result of payments the Group makes or receives in local currencies and as a result of differences in exchange rates on the dates commercial transactions are entered into and the dates they are settled. Most sites earn local currency revenues and incur local currency costs. Where sites have non-local currency cashflows, these are managed centrally and hedged when exposures are known, certain and material, through a portfolio of foreign exchange trades.

Translational foreign exchange risk arises when translating the value of the Group's non-UK assets and liabilities and the results of its non-UK subsidiaries into Pounds Sterling. The Group manages this risk by hedging certain of its non-Sterling denominated net assets through appropriately denominated borrowings (with changes in the value of non-Sterling denominated assets arising as a result of currency translation being offset by corresponding changes in the value of non-Sterling denominated liabilities).

Foreign Exchange Sensitivity Analysis

The following table, which has been extracted without material adjustment from note 5.6 of the financial information set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., shows the sensitivity of the Group's profit/loss during the period under review to a 10 per cent. strengthening or weakening of Pounds Sterling against the relevant foreign currencies at the relevant 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 per cent. from the Pounds 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. The sensitivity analysis for forward foreign exchange contracts uses a discounted cash flow technique applying a 10 per cent. strengthening/weakening of Pounds Sterling against Euros, US Dollars, Danish Kroner and Australian Dollars. The analysis assumes that all other variables remain constant.

10% strengthening of Sterling

	Profit or (loss) impact			
	Cash	Secured bank loans	Derivatives (unhedged)	Total
	£m	£m	£m	£m
52 weeks ended 25 December 2010				
Euro	—	—	1	1
US Dollars	—	9	(5)	4
Hong Kong Dollars	—	—	(1)	(1)
	—	9	(5)	4
53 weeks ended 31 December 2011				
Euro	—	—	3	3
US Dollars	—	9	(1)	8
Danish Kroner	—	—	(1)	(1)
Australian Dollars	—	—	(3)	(3)
	—	9	(2)	7
52 weeks ended 29 December 2012				
Euro	—	2	3	5
US Dollars	—	10	(1)	9
Danish Kroner	—	—	(1)	(1)
Australian Dollars	—	(2)	—	(2)
	—	10	1	11
26 weeks ended 29 June 2013				
Euro	—	2	(3)	(1)
US Dollars	—	11	2	13
Danish Kroner	—	—	1	1
Hong Kong Dollars	—	—	1	1
Australian Dollars	—	(2)	—	(2)
-	—	11	1	12

10% weakening of Sterling

	Profit or (loss) impact			
	Cash	Secured bank loans	Derivatives (unhedged)	Total
	£m	£m	£m	£m
52 weeks ended 25 December 2010				
Euro	—	—	(1)	(1)
US Dollars	—	(9)	7	(2)
Hong Kong Dollars	—	—	1	1
	—	(9)	7	(2)
53 weeks ended 31 December 2011				
Euro	—	—	(3)	(3)
US Dollars	—	(9)	1	(8)
Danish Kroner	—	—	1	1
Australian Dollars	—	—	5	5
	—	(9)	4	(5)
52 weeks ended 29 December 2012				
Euro	—	(2)	(3)	(5)
US Dollars	—	(10)	1	(9)
Danish Kroner	—	—	1	1
Australian Dollars	—	2	—	2
	—	(10)	(1)	(11)
26 weeks ended 29 June 2013				
Euro	—	(2)	3	1
US Dollars	—	(11)	(2)	(13)
Danish Kroner	—	—	(1)	(1)
Australian Dollars	—	2	—	2
	—	(11)	—	(11)

A 10 per cent. strengthening/weakening of Sterling would have no impact on the hedging reserve.

Interest Rate Risk

The Group is exposed to interest rate risk on both its interest-bearing assets and interest-bearing liabilities.

The Group has drawn senior debt in Pounds Sterling, Euros, Australian Dollars and US Dollars under the senior credit facilities available to it under the Facilities Agreement. During the period under review, in order to limit its risk exposure on the floating rate portion of this debt, the Group was required under the terms of its senior credit facilities to enter into interest rate swap arrangements for a minimum of 2/3 of the gross debt amount which had the effect of converting floating rate debt into fixed rate debt. This requirement under the Group's senior credit facilities expired in August 2013. However, the Group chose to hedge in excess of this requirement while it was in place and intends to continue to hedge in excess of this level going forward. As at the end of each of the 2010, 2011 and 2012 financial years and the end of H1 2013, 98 per cent., 98 per cent., 76 per cent. and 77 per cent., respectively, of its senior debt, all of which was floating rate debt, was hedged by interest rate swaps.

The Group has Pounds Sterling, Euro and US Dollar loans available, but currently undrawn, under its revolving credit facilities. The Group is not required under these credit facilities to hedge these drawn down amounts and the Group has no hedges in place to that effect.

Interest Rate Sensitivity Analysis – Fair Value

The following table, which has been extracted without material adjustment from note 5.6 of the financial information set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., shows the Group's sensitivity to changes in interest rates calculated by measuring the impact on profit and loss or equity of a change in the present value of derivatives. This assumes a shift in the yield curve of +/- 50 basis points (bp).

If interest rates had been 50bp higher/lower and all other variables were held constant, the impact would be as follows:

	52 weeks ended 25 December 2010		53 weeks ended 31 December 2011		52 weeks ended 29 December 2012		26 weeks ended 29 June 2013	
	Profit or (loss)	Equity	Profit or (loss)	Equity	Profit or (loss)	Equity	Profit or (loss)	Equity
	£m	£m	£m	£m	£m	£m	£m	£m
50bp increase in interest rates	17	3	13	3	11	2	6	6
50bp reduction in interest rates	(18)	(3)	(13)	(3)	(11)	(2)	(6)	(6)

Interest Rate Sensitivity Analysis – Cash Flow

The following table, which has been extracted without material adjustment from note 5.6 of the financial information set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l., shows the sensitivity of the Group's cash flows to changes in interest rates on its unhedged variable rate borrowings, calculated by comparing the annual interest expense/income which would apply to year end balances at year end interest rates, to the annual expense/income which would arise using year end interest rates increased by 50bp. This analysis assumes that all other variables remain constant.

	Profit or (loss)			
	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m
Bank loans and overdrafts	(5)	(6)	(7)	(7)
Interest rate swaps	5	6	5	5
Cash and cash equivalents	—	—	1	1
Cash flow sensitivity (net)	—	—	(1)	(1)

A decrease of 50bp would have an inverse effect on profit or loss as that shown in the table above.

Credit Risk

The Group is subject to limited credit risk in respect of trade counterparties, such as tour companies and other businesses that sell tickets as part of a package offering (which represents a very small proportion of the Group's business) and larger function bookings. The Group manages its credit risk by implementing policies that require appropriate credit checks on potential trade counterparties before sales commence and dealing with creditworthy counterparties. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group manages and monitors the credit rating of its counterparty exposures including any exposure arising from bank deposits, cash held at bank and derivative transactions. The Group will only place funds and transact derivatives with banks with a minimum investment grade credit rating of Baa3 or BBB- (with Moody's or Standard and Poors) or better. In practice, however, the Group deposits the majority of its cash with banks with an investment grade credit rating of A or better. The Directors do not believe that the Group has any material concentrations of credit risk, as its exposure is spread over a large number of customers and counterparties.

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its financial obligations as they fall due. The Group's policy on liquidity risk is to maintain flexibility in funding by keeping a minimum specific amount of liquid resources available. The Group produces regular cash forecasts to identify its liquidity requirements over the coming 12 months and manages its exposure to liquidity risk through maintaining a diversity of funding resources. The Group has access to a £150 million revolving credit facility under the Restated Facilities in addition to its existing borrowings to meet any shortfalls. Surplus cash is actively managed across Group bank accounts to cover local shortfalls or invested in bank deposits or liquidity funds in line with Group policies on counterparty exposure. In some jurisdictions bank cash pooling arrangements are in place to optimise the use of cash.

Critical Accounting Policies

The Group's consolidated financial statements are prepared in accordance with IFRS. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ.

The Group's accounting policies are summarised in the notes to the audited consolidated financial statements included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. The Directors consider the following policies to be the most significant policies that require management to make subjective and complex judgements or to consider matters that are inherently uncertain.

Recognition of Deferred Tax Assets

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

Business combinations

When a business combination takes place, management consider the rights and intentions of the management of both entities and the overall controlling parties before and after acquisition to determine who the acquiring party is, and then account for business combinations by applying the purchase method. Having determined the acquiring party, any individually identifiable assets and contingent liabilities acquired are valued. These include the property, plant and equipment and any intangible assets which can be sold separately or which arise from legal rights regardless of whether those rights are separable, with any remaining balance being assigned to goodwill.

Given the specialised nature of the property, plant and equipment acquired, fair values are calculated on a depreciated replacement cost basis. The key estimates are the replacement cost, where industry specific indices are used to restate original historic cost; and depreciation, where the total and remaining economic useful lives are considered, together with the residual value of each asset. The total estimated lives applied are consistent with those set out in note 4.1 to the consolidated historical financial information in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. Residual values are based on industry specific indices.

Goodwill and useful life of brands

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

Where they arise on acquisition, brands have been valued based on discounted future cash flows using the relief from royalty method, including 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.

Impairment testing

The carrying amounts of the Group's goodwill, intangible assets and property, plant and equipment ("**PPE**") are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

The level at which the assets concerned are reviewed varies as follows: Goodwill is reviewed at an Operating Group level, being the relevant grouping of cash generating units (CGUs) at which the benefit of such goodwill arises. A CGU is the smallest identifiable group of assets that generates largely independent cash inflows, being the Group's individual attractions. Brands are reviewed individually. PPE is reviewed at an attraction level. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the assets belong.

Management judge the recoverable amount of an asset as the greater of its value in use and its fair value less costs to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. The Group's internally approved five year business plans are used as the basis for these calculations, with cash flows beyond the five year business plan horizon then extrapolated using a long term growth rate.

Common assumptions have been adopted for the purpose of testing goodwill across the business and for testing brand values as their risk profiles are similar. The key assumptions and estimates used when calculating the net present value of future cash flows from the Group's businesses include growth in EBITDA, the timing and quantum of future capital expenditure and maintenance expenditure, long term growth rates and discount rates to reflect the risks involved. These assumptions and estimates are described further in note 4.3 to the consolidated historical financial information in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

Recognition of provisions

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

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

Accounting for interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value, being consideration received less any directly attributable transaction costs. Thereafter, interest-bearing loans and 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 rate basis. To calculate this effective interest rate the Group estimates the date of repayment, expected future gearing during the life of the facility based on the Group's business plans and forecasts, and expected future interest rates. This includes the amortisation of all transaction costs over the same period. The Group assesses whether the terms of the borrowings provide a clear commercial incentive or a contractual commitment to repay them over a specific period that is shorter then the contractual life of the facility. If this is the case the Group will adopt that as the period used for the purposes of the effective interest rate calculations. If neither of these conditions exists the Group calculates its effective interest rate and hence amortises transaction costs based on the contractual term of the facility.

If the Group modifies its debt arrangements, it considers how substantive the change is in determining the appropriate accounting. This includes both qualitative analysis, and quantitative analysis of the level of change in the cash flows of the new and old arrangements.

Fair value of derivative financial instruments

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

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Thereafter changes in fair value are recognised immediately in the income statement, except in specific circumstances where the Group adopts hedge accounting as described below.

The fair value of interest rate swaps are determined by reference to market rates at the end of the accounting period. It 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, credit risks and bid/ask spreads.

The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates at the end of the accounting period.

The fair value of derivative provisions for committed share issues is determined by reference to contractually agreed amounts and the value of the shares to be issued, which the managers assess based on the value attributed in recent transactions of the Group's shares.

The Group has designated certain derivatives as hedges against variable cash flows resulting from fluctuations in interest rates. 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, and 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, as to whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 per cent. Effectiveness testing is performed using regression analysis at inception and on a regular basis thereafter.

The effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. 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, and under the same line item in the statement of comprehensive income as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, cumulative gains or losses previously recognised in other comprehensive income are recognised immediately in profit or loss.

Recent Accounting Pronouncements

For details of recent accounting pronouncements, see note 6.6 to the consolidated historical financial statements included in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l.

PART 12 – ACCOUNTANTS' REPORT AND FINANCIAL INFORMATION ON MERLIN ENTERTAINMENTS S.À R.L

(A) ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF MERLIN ENTERTAINMENTS S.À R.L.

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The Directors
Merlin Entertainments plc
3 Market Close
Poole
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30 October 2013

Dear Sirs

Merlin Entertainments S.à r.l.

We report on the consolidated financial information of Merlin Entertainments S.à r.l. and its subsidiary undertakings set out on pages 143 to 213. This financial information has been prepared for inclusion in the prospectus dated 30 October of Merlin Entertainments plc on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the 26 week period ended 30 June 2012 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors of Merlin Entertainments plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the prospectus dated 30 October, a true and fair view of the state of affairs of Merlin Entertainments S.à r.l. and its subsidiary undertakings as at 27 December 2008, 26 December 2009, 25 December 2010, 31 December 2011, 29 December 2012 and as at 29 June 2013 and of its consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 52 week period ended 27 December 2008, 52 week period ended 26 December 2009, 52 week period ended 25 December 2010, 53 week period ended 31 December 2011, 52 week period ended 29 December 2012 and 26 week period ended 29 June 2013 in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards, as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

(B) FINANCIAL INFORMATION FOR MERLIN ENTERTAINMENTS S.À R.L. FOR THE 2008 FINANCIAL YEAR, 2009 FINANCIAL YEAR, 2010 FINANCIAL YEAR, 2011 FINANCIAL YEAR AND 2012 FINANCIAL YEAR AND 26 WEEKS ENDED 29 JUNE 2013

Consolidated Income Statement

	Note	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
							(unaudited)	
		£m	£m	£m	£m	£m	£m	£m
Revenue	2.1	662	769	801	946	1,074	445	483
Cost of sales	2.1	(88)	(104)	(105)	(128)	(163)	(76)	(68)
Gross profit		574	665	696	818	911	369	415
Staff expenses	2.1	(164)	(191)	(219)	(229)	(262)	(124)	(137)
Other operating expenses		(209)	(238)	(257)	(285)	(309)	(153)	(170)
Underlying EBITDA[1]		203	236	256	306	346	94	111
Exceptional and non-trading items	2.2	(2)	—	(36)	(2)	(6)	(2)	(3)
EBITDA[1]	2.1	201	236	220	304	340	92	108
Depreciation, amortisation and impairment	4.1, 4.2	(81)	(59)	(62)	(74)	(141)	(47)	(47)
Operating profit		120	177	158	230	199	45	61
Finance income	5.5	46	11	20	8	25	17	17
Finance costs	5.5	(241)	(202)	(152)	(142)	(126)	(64)	(79)
(Loss)/profit before tax		(75)	(14)	26	96	98	(2)	(1)
Taxation	2.3	(5)	(17)	(28)	(28)	(22)	1	(1)
(Loss)/profit for the period		**(80)**	**(31)**	**(2)**	**68**	**76**	**(1)**	**(2)**
(Loss)/profit attributable to:								
Owners of ME Lux		(79)	(31)	(4)	67	76	(1)	(2)
Non-controlling interest		(1)	—	2	1	—	—	—
(Loss)/profit for the period		**(80)**	**(31)**	**(2)**	**68**	**76**	**(1)**	**(2)**
Earnings per share								
Basic earnings per share (pence)	2.4	(58.0)	(22.8)	(2.9)	49.1	55.6	(0.7)	(1.5)
Diluted earnings per share (pence)	2.4	(58.0)	(22.8)	(2.9)	49.1	55.6	(0.7)	(1.5)

(1) EBITDA 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.

Underlying EBITDA excludes exceptional and non-trading items, details of which are provided in note 2.2.

Consolidated Statement of Comprehensive Income

EBITDA as stated is shown after exceptional and non-trading items, details of which are provided in note 2.2. Underlying EBITDA which excludes exceptional and non-trading items, for the periods under review is shown below:

	Note	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
							(unaudited)	
		£m	£m	£m	£m	£m	£m	£m
(Loss)/profit for the period		(80)	(31)	(2)	68	76	(1)	(2)
Other comprehensive income								
Items that cannot be reclassified to profit and loss								
Defined benefit plan actuarial gains and losses	6.2	(1)	(1)	2	(2)	—	—	—
Income tax on items relating to components of other comprehensive income	2.3	—	1	—	1	—	—	—
		(1)	—	2	(1)	—	—	—
Items that may be reclassified to profit and loss								
Exchange differences on retranslation of subsidiaries		21	—	(20)	(15)	(24)	(34)	37
Exchange differences relating to the net investment in foreign operations	5.5	(76)	19	24	6	6	15	(14)
Effective portion of changes in fair value of cash flow hedges		—	—	—	(7)	(1)	(1)	2
Income tax on items relating to components of other comprehensive income	2.3	(2)	1	(1)	—	1	1	—
		(57)	20	3	(16)	(18)	19	25
Other comprehensive income for the period net of income tax		(58)	20	5	(17)	(18)	(19)	25
Total comprehensive income for the period		**(138)**	**(11)**	**3**	**51**	**58**	**(20)**	**23**
Total comprehensive income attributable to:								
Owners of the Company		(138)	(11)	2	50	59	(20)	23
Non-controlling interest		—	—	1	1	(1)	—	—
Total comprehensive income for the period		**(138)**	**(11)**	**3**	**51**	**58**	**(20)**	**23**

Consolidated Statement of Financial Position

	Note	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
		£m	£m	£m	£m	£m	£m
Non-current assets							
Property, plant and equipment	4.1	910	909	951	1,112	1,290	1,354
Intangible assets	4.2	978	946	917	970	970	988
Investments	6.1	1	1	1	1	—	—
Other receivables	4.4	5	4	4	4	3	3
Deferred tax assets	2.3	41	32	16	16	34	40
		1,935	1,892	1,889	2,103	2,297	2,385
Current assets							
Inventories	4.4	12	12	16	29	23	36
Trade and other receivables	4.4	41	40	48	42	47	70
Other financial assets	5.4	—	—	2	2	—	1
Cash and cash equivalents	5.1	139	87	67	60	142	147
		192	139	133	133	212	254
Total assets		2,127	2,031	2,022	2,236	2,509	2,639
Current liabilities							
Interest-bearing loans and borrowings	5.2	102	28	12	5	4	1
Finance leases	5.1	2	2	2	2	—	—
Other financial liabilities	5.4	77	83	65	81	63	50
Trade and other payables	4.4	104	103	127	142	179	260
Tax payable		—	2	6	15	19	10
Provisions	4.5	6	7	7	9	13	12
		291	225	219	254	278	333
Non-current liabilities							
Interest-bearing loans and borrowings (excluding shareholder loans)	5.2	1,109	1,081	1,061	1,178	1,333	1,369
Finance leases	5.1	93	89	86	84	84	86
Other payables	4.4	8	15	17	19	22	23
Provisions	4.5	22	15	18	25	36	39
Employee benefits	6.2	4	5	3	5	5	4
Deferred tax liabilities	2.3	123	119	113	116	134	145
		1,359	1,324	1,298	1,427	1,614	1,666
Total liabilities excluding non-current shareholder loans		1,650	1,549	1,517	1,681	1,892	1,999
Net assets excluding non-current shareholder loans		477	482	505	555	617	640
Non-current shareholder loans	5.2	581	596	—	—	—	—
Net (liabilities)/assets		**(104)**	**(114)**	**505**	**555**	**617**	**640**
Issued capital and reserves attributable to owners of the Company		(108)	(118)	500	550	613	636
Non-controlling interest		4	4	5	5	4	4
Total equity	5.7	**(104)**	**(114)**	**505**	**555**	**617**	**640**

Consolidated Statement of Changes in Equity

	Note	Share capital	Share premium	Capital reserve	Translation reserve	Hedging reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m	£m
At 30 December 2007 as previously stated		—	88	—	(8)	—	(51)	29	4	33
Adjustment for reverse acquisition	5.7	1	1,142	(1,143)	—	—	—	—	—	—
At 30 December 2007		1	1,230	(1,143)	(8)	—	(51)	29	4	33
Loss for the period		—	—	—	—	—	(79)	(79)	(1)	(80)
Other comprehensive income for the period net of income tax		—	—	—	(58)	—	(1)	(59)	1	(58)
Total comprehensive income for the period		—	—	—	(58)	—	(80)	(138)	—	(138)
Equity-settled share-based transactions	5.7	—	—	—	—	—	1	1	—	1
At 27 December 2008		**1**	**1,230**	**(1,143)**	**(66)**	**—**	**(130)**	**(108)**	**4**	**(104)**
Loss for the period		—	—	—	—	—	(31)	(31)	—	(31)
Other comprehensive income for the period net of income tax		—	—	—	20	—	—	20	—	20
Total comprehensive income for the period		—	—	—	20	—	(31)	(11)	—	(11)
Equity-settled share-based transactions	5.7	—	—	—	—	—	1	1	—	1
At 26 December 2009		**1**	**1,230**	**(1,143)**	**(46)**	**—**	**(160)**	**(118)**	**4**	**(114)**
Loss for the period		—	—	—	—	—	(4)	(4)	2	(2)
Other comprehensive income for the period net of income tax		—	—	—	4	—	2	6	(1)	5
Total comprehensive income for the period		—	—	—	4	—	(2)	2	1	3
Reverse acquisition	5.7	—	—	650	—	—	—	650	—	650
Cash-settled share-based transactions	5.7	—	—	—	—	—	(34)	(34)	—	(34)
At 25 December 2010		**1**	**1,230**	**(493)**	**(42)**	**—**	**(196)**	**500**	**5**	**505**
Profit for the period		—	—	—	—	—	67	67	1	68
Other comprehensive income for the period net of income tax		—	—	—	(10)	(6)	(1)	(17)	—	(17)
Total comprehensive income for the period		—	—	—	(10)	(6)	66	50	1	51
Dividends to non-controlling interest		—	—	—	—	—	—	—	(1)	(1)
At 31 December 2011		**1**	**1,230**	**(493)**	**(52)**	**(6)**	**(130)**	**550**	**5**	**555**
Profit for the period		—	—	—	—	—	76	76	—	76
Other comprehensive income for the period net of income tax		—	—	—	(16)	(1)	—	(17)	(1)	(18)
Total comprehensive income for the period		—	—	—	(16)	(1)	76	59	(1)	58
Shares issued		—	4	—	—	—	—	4	—	4
At 29 December 2012		**1**	**1,234**	**(493)**	**(68)**	**(7)**	**(54)**	**613**	**4**	**617**
Loss for the period		—	—	—	—	—	(2)	(2)	—	(2)
Other comprehensive income for the period net of income tax		—	—	—	23	2	—	25	—	25
Total comprehensive income for the period		—	—	—	23	2	(2)	23	—	23
At 29 June 2013	**5.7**	**1**	**1,234**	**(493)**	**(45)**	**(5)**	**(56)**	**636**	**4**	**640**

Consolidated Statement of Cash Flows

	Note	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
							(unaudited)	
		£m	£m	£m	£m	£m	£m	£m
Cash flows from operating activities								
(Loss)/profit for the period		(80)	(31)	(2)	68	76	(1)	(2)
Adjustments for:								
Depreciation, amortisation and impairment	4.1, 4.2	81	59	62	74	141	47	47
Finance income	5.5	(46)	(11)	(20)	(8)	(25)	(17)	(17)
Finance costs	5.5	241	202	152	142	126	64	79
Taxation	2.3	5	17	28	28	22	(1)	1
		201	236	220	304	340	92	108
Amortisation of grants		1	—	—	—	—	—	—
Working capital changes		16	3	6	3	24	36	52
Increase/(decrease) in provisions and other non-current liabilities		6	—	4	2	1	—	(3)
Cash-settled share-based transactions		—	—	(34)	—	—	—	—
		224	239	196	309	365	128	157
Tax paid		(5)	(5)	(13)	(17)	(17)	(7)	(10)
Net cash inflow from operating activities		219	234	183	292	348	121	147
Cash flows from investing activities								
Interest received		16	1	1	2	2	1	1
Acquisition of subsidiaries	3.1	(20)	(1)	(16)	(58)	(72)	(72)	(1)
Acquisition of property, plant and equipment		(96)	(101)	(103)	(174)	(163)	(90)	(85)
Disposal of property, plant and equipment		1	—	—	—	—	—	—
Government grants received		—	—	2	1	—	—	—
Net cash outflow from investing activities		(99)	(101)	(116)	(229)	(233)	(161)	(85)
Cash flows from financing activities								
Proceeds from issue of share capital		—	—	9	—	—	—	—
Proceeds from bank loans		79	—	1,093	113	175	175	—
Proceeds from shareholder loans		—	—	76	—	—	—	—
Financing costs		—	—	(43)	(14)	(8)	(8)	—
Capital repayments of finance leases		(2)	(2)	(2)	(2)	(3)	(1)	—
Interest paid		(106)	(101)	(109)	(117)	(110)	(57)	(57)
Acquisition of foreign exchange contracts		—	—	—	(1)	—	—	—
Settlement of foreign exchange contracts		—	—	—	—	5	5	—
Repayment of borrowings		—	(83)	(1,057)	(45)	(93)	(91)	(1)
Repayment of shareholder loans		—	—	(52)	—	—	—	—
Dividends paid to non-controlling interest		(3)	—	—	(1)	—	—	—
Net cash (outflow)/inflow from financing activities		(32)	(186)	(85)	(67)	(34)	23	(58)
Net increase/(decrease) in cash and cash equivalents		88	(53)	(18)	(4)	81	(17)	4
Cash and cash equivalents, net of bank overdrafts, at beginning of period		40	139	87	67	60	60	142
Effect of movements in foreign exchange		11	1	(2)	(3)	1	(1)	1
Cash and cash equivalents, net of bank overdrafts, at end of period	5.1	139	87	67	60	142	42	147

Note 1 Basis of Preparation

Basis of preparation

Merlin Entertainments S.à r.l. (ME Lux and together with its subsidiaries, the Existing Group) is a company incorporated in Luxembourg and its registered office is 1st floor, Polaris-Vertigo Building, 2-4 rue Eugene Ruppert, L-2453, Luxembourg.

The consolidated financial information presented herein is for the 52 week period ended 27 December 2008, 52 week period ended 26 December 2009, 52 week period ended 25 December 2010, the 53 week period ended 31 December 2011, the 52 week period ended 29 December 2012, the 26 week period ended 30 June 2012 and the 26 week period ended 29 June 2013.

The consolidated financial information has been prepared on the historical cost basis except for derivative financial instruments measured at their fair value.

The consolidated financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation and the Listing Rules, and in accordance with this basis of preparation. The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS).

This consolidated financial information does not constitute statutory accounts for these periods. The statutory accounts for the periods ended in December 2008, 2009, 2010, 2011 and 2012 were prepared for the purposes of Luxembourg company law and under Adopted IFRS. The reports of the auditors for those periods were unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

The accounting policies set out in the sections below have been applied consistently to all periods presented within the financial information and have been applied consistently by all subsidiaries and joint ventures.

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

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

Basis of preparation – Going Concern

The Directors are satisfied that the Existing Group has sufficient resources to continue in operation for the foreseeable future. The Directors reviewed detailed financial forecasts covering the period to December 2014 and summary financial forecasts for the following twelve months.

As at 29 June 2013 the Existing Group held cash and cash equivalents of £147 million and had total borrowings of £1,370 million. On 28 June 2013 the Existing Group agreed amendments to its loan agreements that extended the contractual date of repayment from July 2017 to July 2019.

For these reasons, the Directors consider it appropriate to prepare the historical financial information on a going concern basis.

Basis of consolidation

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 Existing Group. Control exists when the Existing Group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. 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 Existing 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.

Note 1 Basis of Preparation (continued)

Foreign currency

Foreign currency transactions are translated into the functional currency of the relevant Existing Group company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

The results and financial position of those Existing Group companies that do not have a Sterling functional currency are translated into Sterling as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses are translated at average exchange rates during the year;
- all resulting exchange differences are recognised in equity in the translation reserve.

Classification of financial instruments issued by the Existing Group

Financial instruments often consist of a combination of debt and equity and the Existing Group has to decide how to attribute values to each. They are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Existing 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 Existing Group; and

(ii) where the instrument will or may be settled in the Existing Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Existing Group's own equity instruments or is a derivative that will be settled by the Existing 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, and where such an instrument takes the legal form of ME Lux'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 costs. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Judgements and estimates

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

On an ongoing basis the following areas involve a higher degree of judgement or complexity and are explained in more detail in the related notes:

- Recognition of deferred tax assets (note 2.3)
- Brand useful lives (note 4.2)
- Impairment testing (note 4.3)

The following specific items also involved a higher degree of judgement or complexity:

- Accounting for the acquisitions of Sydney Attractions Group and Living and Leisure Australia and the fair value of the assets and liabilities acquired (note 3.1)
- Accounting for the Existing Group's amendments to its financing facilities (note 5.2)
- Accounting for the modification to the equity-settled share-based payment plan in the 2010 financial year (note 5.7)

New standards and interpretations

A full list of new accounting standards and interpretations that have been implemented in the period or will be implemented next year, and which have no significant impact, can be found in note 6.6.

Note 2 Results for the Year

2.1 Profit before tax

Segmental information

A segment is a component of the Existing Group that engages in business activities from which it may earn revenues and incur expenses. The Existing Group delivers two different types of visitor experiences through its portfolio of Midway Attractions and Theme Parks. Midway Attractions are predominantly indoor attractions located in city centres or resorts providing visits of shorter duration (typically up to two hours). The Theme Parks portfolio consists of 'LEGOLAND Parks' which are aimed at families with younger children and which have the LEGO product as their central theme; and 'Resort Theme Parks' which are stand-alone national brands generally aimed at families and/or teenagers/young adults. The management of the Merlin business is aligned directly to these two attraction types and organised into three operating groups, being Midway Attractions, LEGOLAND Parks and Resort Theme Parks, which form the segments on which the information shown below is prepared.

The Existing Group determines and presents segments based on the information that is provided internally to the Chief Executive Officer (CEO), who is the Existing Group's chief operating decision maker. A 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. Performance is measured based on segment EBITDA, as included in internal management reports.

Information regarding the results of each segment is included below:

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Midway Attractions	204	247	273	360	458	193	235
LEGOLAND Parks	168	203	215	253	308	128	139
Resort Theme Parks	283	312	311	330	290	107	109
Segment revenue	655	762	799	943	1,056	428	483
Central and other revenue	7	7	2	3	18	17	—
Revenue	662	769	801	946	1,074	445	483
Midway Attractions	89	103	116	146	179	67	86
LEGOLAND Parks	57	68	74	87	113	35	38
Resort Theme Parks	82	89	89	97	73	2	—
Segment profit, being segment EBITDA	228	260	279	330	365	104	124
Central costs	(25)	(24)	(23)	(24)	(19)	(10)	(13)
Underlying EBITDA	203	236	256	306	346	94	111
Exceptional and non-trading items within EBITDA (note 2.2)	(2)	—	(36)	(2)	(6)	(2)	(3)
EBITDA	201	236	220	304	340	92	108
Depreciation, amortisation and impairment included within underlying trading	(53)	(59)	(58)	(74)	(88)	(42)	(47)
Depreciation, amortisation and impairment included within exceptional and non-trading (note 2.2)	(28)	—	(4)	—	(53)	(5)	—
Underlying operating profit	150	177	198	232	258	52	64
Exceptional and non-trading items (note 2.2)	(30)	—	(40)	(2)	(59)	(7)	(3)
Operating profit	120	177	158	230	199	45	61
Net finance costs	(195)	(191)	(132)	(134)	(101)	(47)	(62)
Consolidated (loss)/profit before tax	(75)	(14)	26	96	98	(2)	(1)

Seasonality of operations

The Existing Group's portfolio of attractions operates on different trading cycles. Being predominantly indoor attractions, Midway Attractions are generally open throughout the year with high points around public holidays and vacation periods. In contrast, as outdoor attractions, the Existing Group's Theme Parks are predominantly closed or operate reduced opening times during the winter. These attractions are also biased towards vacation periods, normally around June to September.

Note 2 Results for the Year (continued)

2.1 Profit before tax (continued)

Geographical areas

While each operating group is managed on a worldwide basis the information presented below is based on the geographical locations of the visitor attractions concerned.

Geographical information

	Revenue						
	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012 (unaudited)	26 weeks ended 29 June 2013
	£m	£m	£m	£m	£m	£m	£m
United Kingdom	321	355	382	404	425	184	187
Continental Europe	260	295	282	324	280	106	108
North America	74	108	120	154	217	102	114
Asia Pacific	7	11	17	64	152	53	74
	662	769	801	946	1,074	445	483

	Non-current assets					
	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
United Kingdom	716	733	718	733	757	771
Continental Europe	969	917	862	859	796	841
North America	198	201	277	345	362	396
Asia Pacific	10	8	15	149	348	337
	1,893	1,859	1,872	2,086	2,263	2,345
Deferred tax	41	32	16	16	34	40
Investments	1	1	1	1	—	—
	1,935	1,892	1,889	2,103	2,297	2,385

ME Lux does not generate revenues or hold any significant assets in Luxembourg, which is its country of domicile.

Revenue

Revenue arises from the operation of visitor attractions and theme park resorts. Revenue represents the amounts (excluding VAT and similar taxes) received from customers for 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 Existing Group enters into service contracts for attraction development and revenue is recognised under these contracts on a percentage completion basis. Service contract revenue is not material.

Cost of sales

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

Note 2 Results for the Year (continued)

2.1 Profit before tax (continued)

Operating costs

Staff numbers and costs

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

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
Operations	8,366	8,963	9,129	10,831	13,117	12,684	13,891
Attraction management and central administration	1,412	1,329	1,511	1,533	1,719	1,696	1,588
	9,778	10,292	10,640	12,364	14,836	14,380	15,479

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
	£m	£m	£m	£m	£m	(unaudited) £m	£m
Wages and salaries	141	164	180	196	226	106	117
Share-based payments	1	1	6	—	—	—	—
Social security costs	18	21	28	27	28	14	15
Other pension costs	4	5	5	6	8	4	5
	164	191	219	229	262	124	137

Auditors' remuneration

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
	£m	£m	£m	£m	£m	(unaudited) £m	£m
Audit of these financial statements	0.7	0.9	0.8	1.0	1.2	—	1.0
Audit of financial statements of subsidiaries	0.1	0.1	0.1	0.1	0.3	—	—
Other assurance services	—	—	0.3	0.2	0.1	0.1	—
Other services relating to taxation	0.3	0.6	0.4	0.4	0.3	—	—
Services relating to corporate finance transactions	—	1.5	0.7	—	0.1	0.1	0.9
All other services	—	—	0.1	0.1	0.2	—	—
	1.1	3.1	2.4	1.8	2.2	0.2	1.9

2.2 Exceptional and non-trading items

Accounting policy

Due to their material nature, certain exceptional and non-trading items have been classified separately in order to draw them to the attention of the reader. In the judgement of the managers this presentation shows the underlying business performance of the Existing Group more accurately.

Note 2 Results for the Year (continued)

2.2 Exceptional and non-trading items (continued)

Exceptional and non-trading items

The following items are exceptional or non-trading:

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Within staff expenses:							
Cash-settled share-based payments and other related costs[1]	—	—	20	—	—	—	—
Redundancy and related costs[2]	—	—	—	—	1	—	—
	—	—	20	—	1	—	—
Within other operating expenses:							
Costs in respect of potential IPO[3]	—	—	5	—	—	—	3
Costs in respect of group re-organisation[4]	—	—	9	—	—	—	—
Acquisition costs[5]	—	—	2	2	5	2	—
Aborted acquisition costs	2	—	—	—	—	—	—
	2	—	16	2	5	2	3
Exceptional and non-trading items included within EBITDA	2	—	36	2	6	2	3
Within depreciation, amortisation and impairment:							
Impairment of intangible assets[6]	—	—	—	—	40	—	—
Impairment of property, plant and equipment[6]	11	—	4	—	13	5	—
Reduction of goodwill[7]	11	—	—	—	—	—	—
Amortisation of brands[8]	6	—	—	—	—	—	—
	28	—	4	—	53	5	—
Exceptional and non-trading items included within operating profit	30	—	40	2	59	7	3
Within finance income and costs:							
Unrealised gain on re-measurement of financial derivatives at fair value[9]	—	(4)	(19)	(3)	(14)	(7)	(17)
Unrealised loss on re-measurement of financial derivatives at fair value[9]	57	12	—	14	2	2	4
Gain on re-measurement of financial liabilities measured at amortised cost[10]	(28)	(7)	—	—	—	—	—
Loss on re-measurement of financial liabilities measured at amortised cost[10]	8	11	—	—	—	—	—
Foreign currency translation differences for foreign operations[11]	—	—	7	—	—	—	—
Settlement of foreign exchange contracts[12]	—	—	—	—	(5)	(5)	—
	37	12	(12)	11	(17)	(10)	(13)
Exceptional and non-trading items before income tax	67	12	28	13	42	(3)	(10)
Exceptional and non-trading items income tax charge	(10)	(5)	(4)	—	2	1	1
Exceptional and non-trading items for the period	57	7	24	13	44	(2)	(9)

(1) Prior to the shareholder transaction undertaken in the 2010 financial year (note 5.7), the Existing Group's existing share option scheme that enabled key management personnel and senior employees to purchase options in the Existing 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 Existing Group elected to take the resulting charge, insofar as it related to options already granted, directly to equity.

Note 2 Results for the Year (continued)

2.2 Exceptional and non-trading items (continued)

Where grants of options were made subsequent to the scheme modification and prior to the completion of the shareholder transaction, the resulting charge was 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 were not part of the Existing Group's underlying operating expenses.

(2) In the 2012 financial year redundancy and related costs were incurred following an internal review of the Gardaland Resort business in Italy. These are separately presented as they were not part of the Existing Group's underlying operating expenses.

(3) During the 2010 financial year the Existing Group considered a number of future financing options, including the possibility of listing shares in the Existing Group through an Initial Public Offering. Certain professional and advisory fees were incurred as part of this process which are separately presented as they were not part of the Existing Group's underlying operating expenses.

Certain professional and advisory fees have been incurred in H1 2013 as part of the process of potentially listing shares in the Group through an Initial Pubic Offering. They are separately presented as they are not part of the Existing Group's underlying operating expenses.

(4) In the 2010 financial year certain professional and advisory fees were incurred in connection with the shareholder transaction (note 5.7), the creation of the new holding company for the Existing Group and subsequent group re-organisation. These are separately presented as they were not part of the Existing Group's underlying operating expenses.

(5) Directly attributable acquisition and subsequent integration costs were incurred in respect of the acquisitions described in note 3.1. These are separately presented as they were not part of the Existing Group's underlying operating expenses.

(6) Impairment losses of £11 million were incurred in the 2008 financial year in respect of property, plant and equipment at a small number of the Existing Group's Midway Attractions (note 4.1).

Impairment losses of £4 million were incurred in the 2010 financial year in respect of property, plant and equipment at one of the Existing Group's Midway Attractions (note 4.1).

Total impairment losses of £53 million were incurred in the 2012 financial year, being £40 million in respect of goodwill for the Resort Theme Parks operating group (note 4.2) and £13 million in aggregate in respect of property, plant and equipment at three of the Existing Group's Midway Attractions (note 4.1). These were all driven by lower projected cash flows within business plans arising from adverse economic conditions within southern Europe.

(7) As a result of previous acquisitions during 2007, certain deferred tax assets were not recognised as it was considered unlikely that they would be utilised in future periods. The performance of certain of the acquired businesses was better than anticipated and these deferred tax assets were recognised in the 2008 financial year and included within taxation in the consolidated income statement. £11 million was recognised as an adjustment to goodwill and included within depreciation and amortisation in the consolidated income statement.

(8) In the 2008 financial year, amortisation of brands was separately presented because amortisation ceased in the 2009 financial year (note 4.2) and therefore it is no longer part of the Existing Group's underlying amortisation charge.

(9) The Existing Group has separately presented gains and losses on derivative financial instruments where the items are not hedge accounted, in order to better present the underlying finance cost for the Existing Group (note 5.5).

(10) 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 Existing Group's underlying finance cost (notes 5.2 and 5.5).

(11) The shareholder transaction and subsequent group re-organisation in the 2010 financial year (note 5.7) 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 were not part of the Existing Group's underlying finance cost.

(12) The Existing Group entered into a number of foreign exchange contracts in connection with the acquisition of Living and Leisure Australia in the 2012 financial year. They were not hedge accounted and accordingly gains were recognised when they were settled. These are separately presented as they were not part of the Existing Group's underlying finance income.

2.3 Taxation

Accounting policies

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

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

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised.

Note 2 Results for the Year (continued)

2.3 Taxation (continued)

Recognised in the income statement

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012 (unaudited)	26 weeks ended 29 June 2013
	£m	£m	£m	£m	£m	£m	£m
Current tax expense							
Current period	17	18	12	19	18	(1)	2
Adjustment for prior periods	(7)	(10)	2	5	—	—	—
Total current income tax	10	8	14	24	18	(1)	2
Deferred tax expense							
Origination and reversal of temporary differences	1	7	15	5	3	1	—
Changes in tax rate	(1)	—	(1)	(3)	(1)	(1)	—
Adjustment for prior periods	(5)	2	—	2	2	—	(1)
Total deferred tax	(5)	9	14	4	4	—	(1)
Total tax expense/ (income) in income statement	5	17	28	28	22	(1)	1

Reconciliation of effective tax rate

	52 weeks ended 27 December 2008		52 weeks ended 26 December 2009		52 weeks ended 25 December 2010		53 weeks ended 31 December 2011	
	%	£m	%	£m	%	£m	%	£m
(Loss)/profit before tax		(75)		(14)		26		96
Income tax using the domestic corporation tax rate	29.6%	(22)	29.6%	(4)	29.6%	8	28.8%	28
Non-deductible expenses	(14.0)%	11	(119.0)%	16	60.4%	15	12.3%	12
Income not subject to tax	—	—	—	—	(170.0)%	(44)	(25.8)%	(25)
Effect of tax rates in foreign jurisdictions	2.6%	(2)	(8.0)%	1	18.1%	5	7.4%	7
Effect of changes in tax rate	0.5%	(1)	(0.7)%	—	(4.2)%	(1)	(3.0)%	(3)
Unrecognised temporary differences	(42.1)%	31	(86.1)%	12	167.3%	43	2.5%	2
Adjustment for prior periods	16.2%	(12)	59.1%	(8)	7.7%	2	7.4%	7
Total tax expense in income statement	(7.2)%	5	(125.1)%	17	108.9%	28	29.6%	28

	52 weeks ended 29 December 2012		26 weeks 30 June 2012 (unaudited)	26 weeks 29 June 2013
	%	£m	£m	£m
Profit/(loss) before tax		98	(2)	(1)
Income tax using the domestic corporation tax rate	28.8%	28	(1)	—
Non-deductible expenses	23.0%	22	—	—
Income not subject to tax	(17.7)%	(17)	—	(9)
Effect of tax rates in foreign jurisdictions	7.0%	7	—	7
Effect of changes in tax rate	(0.9)%	(1)	—	—
Unrecognised temporary differences	(19.2)%	(19)	—	4
Adjustment for prior periods	1.4%	2	—	(1)
Total tax expense/(income) in income statement	22.4%	22	(1)	1

Note 2 Results for the Year (continued)

2.3 Taxation (continued)

Recognised directly in equity through the statement of other comprehensive income

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012 (unaudited)	26 weeks ended 29 June 2013
	£m	£m	£m	£m	£m	£m	£m
Foreign exchange translation differences relating to net investment in foreign operations ...	2	(1)	1	1	(1)	(1)	—
Effective portion of changes in fair value of cash flow hedges	—	—	—	(1)	—	—	—
Actuarial gains and losses	—	(1)	—	(1)	—	—	—
Total tax expense/ (income) in statement of other comprehensive income	2	(2)	1	(1)	(1)	(1)	—

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets					
	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Property, plant and equipment........	3	—	—	—	—	—
Other short term temporary differences.........................	21	22	8	13	19	17
Intangible assets......................	—	—	—	—	—	—
Tax value of loss carry-forwards	17	10	8	25	13	14
Tax assets	41	32	16	38	32	31
Set-off tax	—	—	—	(22)	2	9
Net tax assets	41	32	16	16	34	40

	Liabilities					
	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Property, plant and equipment........	(64)	(57)	(61)	(88)	(83)	(85)
Other short term temporary differences.........................	(3)	(8)	(1)	—	—	—
Intangible assets......................	(56)	(54)	(51)	(50)	(49)	(51)
Tax value of loss carry-forwards	—	—	—	—	—	—
Tax liabilities.........................	(123)	(119)	(113)	(138)	(132)	(136)
Set-off tax	—	—	—	22	(2)	(9)
Net tax liabilities	(123)	(119)	(113)	(116)	(134)	(145)

Note 2 Results for the Year (continued)

2.3 Taxation (continued)

	Net					
	27 December 2008	**26 December 2009**	**25 December 2010**	**31 December 2011**	**29 December 2012**	**29 June 2013**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Property, plant and equipment	(61)	(57)	(61)	(88)	(83)	(85)
Other short term temporary differences	18	14	7	13	19	17
Intangible assets	(56)	(54)	(51)	(50)	(49)	(51)
Tax value of loss carry-forwards	17	10	8	25	13	14
	(82)	(87)	(97)	(100)	(100)	(105)

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

Set-off tax is separately presented to show deferred tax assets and liabilities by category before the effect of offsetting these amounts in the statement of financial position where the Existing Group has the right and intention to offset these amounts.

Movement in deferred tax during the period

	Property, plant and equipment	**Other short term temporary differences**	**Intangible assets**	**Tax value of loss carry-forwards**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Balance at 30 December 2007	(46)	4	(51)	25	(68)
Acquisitions through business combinations (note 3.1)	—	—	(1)	—	(1)
Recognised in income	(1)	11	3	(8)	5
Recognised in other comprehensive income	—	(1)	—	—	(1)
Effect of movements in foreign exchange	(14)	4	(7)	—	(17)
Balance at 27 December 2008	(61)	18	(56)	17	(82)
Recognised in income	2	(5)	—	(6)	(9)
Recognised in other comprehensive income	—	1	—	—	1
Effect of movements in foreign exchange	2	—	2	(1)	3
Balance at 26 December 2009	(57)	14	(54)	10	(87)
Recognised in income	(7)	(6)	1	(2)	(14)
Effect of movements in foreign exchange	3	(1)	2	—	4
Balance at 25 December 2010	(61)	7	(51)	8	(97)
Acquisitions through business combinations (note 3.1)	(1)	1	(1)	—	(1)
Recognised in income	(26)	3	2	17	(4)
Recognised in other comprehensive income	—	2	—	—	2
Balance at 31 December 2011	(88)	13	(50)	25	(100)
Acquisitions through business combinations (note 3.1)	(1)	4	—	—	3
Recognised in income	4	3	1	(12)	(4)
Effect of movements in foreign exchange	2	(1)	—	—	1
Balance at 29 December 2012	(83)	19	(49)	13	(100)
Recognised in income	3	(2)	(1)	1	1
Recognised in other comprehensive income	—	(1)	—	—	(1)
Effect of movements in foreign exchange	(5)	1	(1)	—	(5)
Balance at 29 June 2013	(85)	17	(51)	14	(105)

Note 2 Results for the Year (continued)

2.3 Taxation (continued)

Unrecognised deferred tax assets

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	30	30	31	40	29	26
Other short term temporary differences	34	47	29	38	30	33
Intangible assets	—	—	6	8	6	5
Tax value of loss carry-forwards	68	59	80	91	94	105
Net tax assets	132	136	146	177	159	169

The unrecognised deferred tax assets relating to loss carry-forwards include £3 million which expire within 5 years and £1 million which expire within 10 years of 29 June 2013. The remaining losses and other timing differences do not expire under current tax legislation.

2.4 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Adjusted earnings per share is calculated in the same way except that the profit for the period attributable to ordinary shareholders is adjusted for exceptional and non-trading items (see note 2.2).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
(Loss)/profit attributable to ordinary shareholders	(79)	(31)	(4)	67	76	(1)	(2)
Exceptional and non-trading items net of tax (see note 2.2)	57	7	24	13	44	(2)	(9)
Adjusted (loss)/ profit attributable to ordinary shareholders	(22)	(24)	20	80	120	(3)	(11)

Note 2 Results for the Year (continued)

2.4 Earnings per share (continued)

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012 (unaudited)	26 weeks ended 29 June 2013
Basic weighted average number of shares	136,249,710	136,249,710	136,249,710	136,504,156	136,767,050	136,767,050	136,767,050
Dilutive potential ordinary shares	—	—	—	—	—	—	—
Diluted weighted average number of shares	136,249,710	136,249,710	136,249,710	136,504,156	136,767,050	136,767,050	136,767,050

Basic earnings per share

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012 (unaudited)	26 weeks ended 29 June 2013
	Pence	Pence	Pence	Pence	Pence	Pence	Pence
Basic (loss)/earnings per share	(58.0)	(22.8)	(2.9)	49.1	55.6	(0.7)	(1.5)
Diluted (loss)/earnings per share	(58.0)	(22.8)	(2.9)	49.1	55.6	(0.7)	(1.5)

Adjusted earnings per share

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012 (unaudited)	26 weeks ended 29 June 2013
	Pence	Pence	Pence	Pence	Pence	Pence	Pence
Adjusted (loss)/earnings per share	(16.1)	(17.6)	14.7	58.6	87.7	(2.2)	(8.0)
Adjusted diluted (loss)/earnings per share	(16.1)	(17.6)	14.7	58.6	87.7	(2.2)	(8.0)

The above earnings per share figures are based on the number of ME Lux's shares in issue. Note 6.5 explains that prior to Admission all of ME Lux's ordinary shares then in issue will be purchased by Merlin Entertainments plc in consideration for the issue of its shares to the existing shareholders of ME Lux. As a result the historic earnings per share figures may not be directly comparable to those which would apply to Merlin Entertainments plc.

Note 3 Business Combinations

3.1 Business combinations

Accounting policies

When a business combination takes place, the managers consider the rights and intentions of the managers of both entities and the overall controlling parties before and after acquisition to determine who the acquiring party is, and then account for business combinations by applying the purchase method. Having determined the acquiring party, any individually identifiable assets, liabilities and contingent liabilities acquired are valued. These include the property, plant and equipment and any intangible assets which can be sold separately or which arise from legal rights regardless of whether those rights are separable, with any remaining balance being assigned to goodwill.

Note 3 Business Combinations (continued)

3.1 Business combinations (continued)

Given the specialised nature of the property, plant and equipment acquired, fair values are calculated on a depreciated replacement cost basis. The key estimates are the replacement cost, where industry specific indices are used to restate original historic cost; and depreciation, where the total and remaining economic useful lives are considered, together with the residual value of each asset. The total estimated lives applied are consistent with those set out in note 4.1. Residual values are based on industry specific indices.

Under IFRS 3 (Revised) "Business Combinations" directly attributable acquisition costs are expensed rather than included as part of the purchase price, and contingent consideration is accounted for at fair value at the acquisition date with subsequent changes in the fair value recognised in the income statement. No adjustment has been made in relation to the amounts incurred in the 2008 or 2009 financial years as they are not considered material by the managers.

2008 financial year

SEA LIFE Centre Blackpool

On 19 May 2008, the Existing Group acquired the previous joint venture partner's 50% interest in Sea Life Centre (Blackpool) Limited.

London Aquarium

On 22 May 2008, the Existing Group acquired the business and assets of the London Aquarium from County Hall Aquarium.

Underwater Adventures Aquarium

On 12 December 2008, the Existing Group acquired the business and assets of the Underwater Adventures Aquarium in Minnesota, USA, from The Minnesota Aquarium LLC.

The consideration paid for the three acquisitions amounted to £20 million.

The acquisitions made during the 2008 financial year had the following effect on the Existing Group's assets and liabilities:

	Fair values at acquisition
	£m
Acquirees' net assets at the acquisition date:	
Property, plant and equipment	6
Brands	2
Other intangible assets	1
Finance leases	(2)
Trade and other payables	(1)
Deferred tax assets and liabilities	(1)
Net identifiable assets and liabilities	5
Goodwill	15
Consideration	20
Analysis of consideration:	
Cash	20
Analysis of net cash outflow:	
Cash paid at acquisition	20
Net cash outflow	20

Goodwill arose on the above acquisitions as they provided opportunities to further deliver the Existing Group's strategy of growth, including the roll-out of chainable brands and the ability to generate improved marketing leverage through geographical clustering. This goodwill is not deductible for tax purposes.

In the period to 27 December 2008 these acquisitions contributed £6 million to the consolidated revenue and £2 million to the consolidated operating profit of the Existing Group. Had these acquisitions occurred on 30 December 2007, the estimated Existing Group revenue would have been £669 million and the estimated underlying operating profit would have been £151 million.

Note 3 Business Combinations (continued)

3.1 Business combinations (continued)

2009 financial year

The Existing Group made no acquisitions during the 2009 financial year.

The accounting for the acquisitions made in the 2008 financial year was finalised during the 2009 financial year and no adjustments were made to the values of the assets and liabilities acquired. The purchase consideration was subject to trading performance in the 2009 financial year and as such an additional consideration became payable, together with legal fees, which resulted in an increase in goodwill of £1 million in the 2009 financial year (note 4.2).

2010 financial year

Cypress Gardens

On 7 January 2010, the Existing Group acquired the business and assets of Cypress Gardens, a theme park in Florida, USA, for the sum of £16 million. Of this £15 million was settled in cash at completion and £1 million was deferred and paid within four months of completion.

A significant redevelopment of the site took place and it reopened as LEGOLAND Florida in October 2011.

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

	Fair values at acquisition
	£m
Acquiree's net assets at the acquisition date:	
Land and buildings	14
Plant and machinery	1
Net identifiable assets and liabilities	15
Goodwill	1
Consideration	16
Analysis of consideration:	
Cash	16
Analysis of net cash outflow:	
Cash paid at acquisition	16
Net cash outflow	16

Goodwill arose on the above acquisition as it provided opportunities to further deliver the Existing Group's strategy of growth through the creation of a fifth LEGOLAND Park. This goodwill is not deductible for tax purposes.

During the period to 25 December 2010, while the site was closed, the business incurred net costs of £1 million, which formed part of the consolidated underlying operating profit of the Existing Group. Had this acquisition occurred on 27 December 2009, there would have been no impact on the Existing Group's revenue or operating profit.

Blackpool Tower Complex

On 31 March 2010 the Existing 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 Existing Group's assets and liabilities. No consideration was paid and no assets were acquired, with the sites being occupied under operating lease arrangements over the period of the development and management agreements.

2011 financial year

The Existing Group acquired the Sydney Attractions Group of companies for £61 million from Village Roadshow Limited, with effect from 26 December 2010. This included the Sydney Aquarium, Sydney Wildlife World and the Sydney Tower Observatory and Skywalk, together with Kelly Tarlton's Antarctic Encounter and Underwater World in Auckland, New Zealand. This acquisition marked the Existing Group's entry into the Australian and

Note 3 Business Combinations (continued)

3.1 Business combinations (continued)

New Zealand markets. As part of financing this acquisition, the Existing Group drew down new debt under its existing financing facilities, and the consideration was settled in cash. Directly attributable acquisition costs of £2 million were incurred on the transaction in the 2010 financial year.

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

	Fair values at acquisition
	£m
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	55
Brands	3
Other intangible assets	1
Inventories	1
Trade and other receivables	1
Cash and cash equivalents	3
Bank loans and amounts owed to former shareholders	(44)
Trade and other payables	(6)
Provisions and employee benefits	(4)
Current tax liabilities	(2)
Deferred tax assets and liabilities	(1)
Net identifiable assets and liabilities	7
Goodwill	54
Consideration	61
Analysis of consideration:	
Cash	61
Analysis of net cash outflow:	
Cash acquired	(3)
Cash paid at acquisition	61
Net cash outflow	58

Goodwill arose on the above acquisition as it provided opportunities for the Existing Group both to expand into new territories as well as to facilitate the roll-out of further Midway Attractions. This goodwill is not deductible for tax purposes.

In the period to 31 December 2011 this acquisition contributed £42 million to the consolidated revenue and £10 million to the consolidated underlying operating profit of the Existing Group.

2012 financial year

Living and Leisure Australia

The Existing Group's offer to acquire all of Living and Leisure Australia (LLA) went unconditional with effect from 10 February 2012. This included nine leisure attractions in the Asia Pacific region as well as a management contract in Dubai. The acquired businesses were integrated into the Existing Group's existing Midway Attractions operating group.

As part of financing this acquisition, the Existing Group drew down new debt under its existing financing facilities, and the consideration of £98 million was settled in cash. Directly attributable acquisition costs were incurred on the transaction and the subsequent integration activities of £2 million in the 2011 financial year and £5 million in the 2012 financial year.

Goodwill arose on this acquisition as it provided opportunities for the Existing Group to use its knowledge to develop the profitability of existing attractions as well as expand into new territories and facilitate the roll-out of further Midway Attractions.

Note 3 Business Combinations (continued)

3.1 Business combinations (continued)

SEA LIFE London Aquarium Shop

The Existing Group also acquired Cotswold Village Green Limited for £1 million in cash on 20 March 2012, which operated the shop adjacent to the SEA LIFE London Aquarium at County Hall, London. The net assets acquired were £nil. Goodwill arose on this acquisition as it provided an opportunity for the Existing Group to expand its retail offering at the SEA LIFE London Aquarium site.

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

	Fair values at acquisition
	£m
Acquirees' net assets at the acquisition date:	
Property, plant and equipment	132
Other intangible assets	5
Inventories	2
Trade and other receivables	4
Cash and cash equivalents	27
Bank loans	(90)
Finance leases	(1)
Trade and other payables	(21)
Provisions and employee benefits	(10)
Current tax liabilities	(4)
Deferred tax assets and liabilities	3
Net identifiable assets and liabilities	47
Goodwill	52
Consideration	99
Analysis of consideration:	
Cash	99
Analysis of net cash outflow:	
Cash acquired	(27)
Cash paid at acquisition	99
Net cash outflow	72

The goodwill on these transactions is not deductible for tax purposes.

In the period to 29 December 2012 these acquisitions contributed £75 million to the consolidated revenue and a profit of £19 million to the consolidated underlying operating profit of the Existing Group. Had the acquisitions occurred on 1 January 2012, the estimated Existing Group revenue would have been £1,083 million and the estimated underlying operating profit would have been £258 million.

H1 2013

Rays Ski Shop

The Existing Group acquired Rays Ski Shop in Victoria, Australia for £1 million in cash on 9 January 2013. The net assets acquired were £nil. Goodwill arose on this acquisition as it provided an opportunity for the Existing Group to expand its offering to customers visiting the Hotham and Falls Creek Ski Resorts.

Note 4 Operating Assets and Liabilities

4.1 Property, plant and equipment

Accounting policies

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

Where parts of an item of PPE have different useful lives, they are accounted for separately.

Note 4 Operating Assets and Liabilities (continued)

4.1 Property, plant and equipment (continued)

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

The estimated useful lives are as follows:

Asset class	Depreciation policy
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 any additions is included within PPE and depreciated over the lease term. A corresponding provision is set up as disclosed in note 4.5.

Note 4 Operating Assets and Liabilities (continued)

4.1 Property, plant and equipment (continued)

Property, plant and equipment

	Land and buildings	Plant and equipment	Under construction	Total
	£m	£m	£m	£m
Cost				
Balance at 30 December 2007	436	314	27	777
Acquisitions through business combinations (note 3.1)	2	4	—	6
Additions	14	30	49	93
Movements in asset retirement provisions	8	—	—	8
Disposals	—	(1)	—	(1)
Transfers	27	26	(53)	—
Effect of movements in foreign exchange	113	49	8	170
Balance at 27 December 2008	600	422	31	1,053
Additions	7	26	67	100
Movements in asset retirement provisions	—	(4)	—	(4)
Disposals	—	(12)	—	(12)
Transfers	20	35	(55)	—
Effect of movements in foreign exchange	(32)	(13)	(2)	(47)
Balance at 26 December 2009	595	454	41	1,090
Acquisitions through business combinations (note 3.1)	14	1	—	15
Additions	5	33	74	112
Movements in asset retirement provisions	(1)	1	—	—
Disposals	—	(4)	—	(4)
Transfers	16	43	(59)	—
Effect of movements in foreign exchange	(17)	(9)	(1)	(27)
Balance at 25 December 2010	612	519	55	1,186
Acquisitions through business combinations (note 3.1)	30	23	2	55
Additions	30	59	89	178
Movements in asset retirement provisions	2	2	—	4
Disposals	—	(3)	—	(3)
Transfers	30	61	(91)	—
Effect of movements in foreign exchange	(5)	(3)	2	(6)
Balance at 31 December 2011	699	658	57	1,414
Cost				
Balance at 1 January 2012	699	658	57	1,414
Acquisitions through business combinations (note 3.1)	91	39	2	132
Additions	11	32	127	170
Movements in asset retirement provisions	3	1	—	4
Disposals	(1)	(8)	—	(9)
Transfers	30	65	(95)	—
Effect of movements in foreign exchange	(21)	(13)	(1)	(35)
Balance at 29 December 2012	812	774	90	1,676
Additions	9	17	52	78
Movements in asset retirement provisions	2	—	—	2
Disposals	—	(7)	—	(7)
Transfers	53	56	(109)	—
Effect of movements in foreign exchange	25	15	4	44
Balance at 29 June 2013	901	855	37	1,793

Note 4 Operating Assets and Liabilities (continued)

4.1 Property, plant and equipment (continued)

	Land and buildings	Plant and equipment	Under construction	Total
	£m	£m	£m	£m
Depreciation				
Balance at 30 December 2007	19	39	—	58
Depreciation for the period – owned assets	16	30	—	46
Depreciation for the period – leased assets	3	3	—	6
Impairment	4	7	—	11
Disposals	—	(1)	—	(1)
Transfers	6	(6)	—	—
Effect of movements in foreign exchange	10	13	—	23
Balance at 27 December 2008	58	85	—	143
Depreciation for the period – owned assets	17	36	—	53
Depreciation for the period – leased assets	2	3	—	5
Disposals	—	(11)	—	(11)
Effect of movements in foreign exchange	(4)	(5)	—	(9)
Balance at 26 December 2009	73	108	—	181
Depreciation for the period – owned assets	14	38	—	52
Depreciation for the period – leased assets	2	3	—	5
Impairment	3	1	—	4
Disposals	—	(4)	—	(4)
Effect of movements in foreign exchange	—	(3)	—	(3)
Balance at 25 December 2010	92	143	—	235
Depreciation for the period – owned assets	18	50	—	68
Depreciation for the period – leased assets	2	3	—	5
Disposals	—	(3)	—	(3)
Effect of movements in foreign exchange	(1)	(2)	—	(3)
Balance at 31 December 2011	111	191	—	302
Depreciation for the period – owned assets	23	60	—	83
Depreciation for the period – leased assets	2	2	—	4
Impairment	8	5	—	13
Disposals	(1)	(8)	—	(9)
Effect of movements in foreign exchange	(4)	(3)	—	(7)
Balance at 29 December 2012	139	247	—	386
Depreciation for the period – owned assets	13	31	—	44
Depreciation for the period – leased assets	1	1	—	2
Disposals	—	(7)	—	(7)
Effect of movements in foreign exchange	6	8	—	14
Balance at 29 June 2013	159	280	—	439
Carrying amounts				
At 30 December 2007	417	275	27	719
At 27 December 2008	542	337	31	910
At 26 December 2009	522	346	41	909
At 25 December 2010	520	376	55	951
At 31 December 2011	588	467	57	1,112
At 29 December 2012	673	527	90	1,290
At 29 June 2013	**742**	**575**	**37**	**1,354**

PPE was tested for impairment in accordance with the Existing Group's accounting policy, as referred to in note 4.3. Impairment charges have been made in the 2008, 2009, 2010, 2011, 2012 financial years and H1 2013 of

Note 4 Operating Assets and Liabilities (continued)

4.1 Property, plant and equipment (continued)

£4 million, £nil, £3 million, £nil, £8 million and £nil respectively in land and buildings and £7 million, £nil, £1 million, £nil, £5 million and £nil respectively in plant and equipment. These charges were in respect of a small number of the Existing Group's Midway Attractions, arising from a review of market and economic conditions at those locations, and were included within depreciation, amortisation and impairment in the consolidated income statement.

The Group leases buildings and plant and equipment under finance lease agreements secured on those assets, some of which arose as a result of the arrangements referred to in note 5.3. The net carrying amount of assets held under finance lease was:

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Buildings	51	49	44	42	20	21
Plant and equipment	53	50	45	42	39	39

Capital commitments

Capital commitments at the period end for which no provision has been made:

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Capital commitments	31	24	39	62	40	20

Capital commitments are expected to be settled within two financial years of the reporting date.

4.2 Goodwill and intangible assets

Accounting policies

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

Where they arise on acquisition, brands have been valued based on discounted future cash flows using the relief from royalty method, including 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. The brands are tested annually for impairment.

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

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

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

Asset class	Estimated useful life
Licences	Life of licence (from 5 to 15 years)
Other intangible assets	Relevant contractual period (up to 30 years)

Note 4 Operating Assets and Liabilities (continued)

4.2 Goodwill and intangible assets (continued)

Goodwill and intangible assets

		Intangible assets		
	Goodwill	**Brands**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
Cost				
Balance at 30 December 2007	794	176	14	984
Acquisitions through business combinations (note 3.1)	15	2	1	18
Effect of movements in foreign exchange	103	23	3	129
Balance at 27 December 2008	912	201	18	1,131
Acquisitions through business combinations (note 3.1)	1	—	—	1
Effect of movements in foreign exchange	(27)	(6)	(1)	(34)
Balance at 26 December 2009	886	195	17	1,098
Acquisitions through business combinations (note 3.1)	1	—	—	1
Additions	—	—	1	1
Effect of movements in foreign exchange	(26)	(4)	—	(30)
Balance at 25 December 2010	861	191	18	1,070
Acquisitions through business combinations (note 3.1)	54	3	1	58
Effect of movements in foreign exchange	(3)	(2)	1	(4)
Balance at 31 December 2011	912	192	20	1,124
Acquisitions through business combinations (note 3.1)	52	—	5	57
Additions	—	—	1	1
Effect of movements in foreign exchange	(15)	(2)	(1)	(18)
Balance at 29 December 2012	949	190	25	1,164
Acquisitions through business combinations (note 3.1)	1	—	—	1
Additions	—	—	1	1
Effect of movements in foreign exchange	16	4	—	20
Balance at 29 June 2013	966	194	26	1,186
Amortisation and impairment				
Balance at 30 December 2007	122	6	4	132
Amortisation for the period	—	6	1	7
Reduction of goodwill(1)	11	—	—	11
Effects of movements in foreign exchange	1	2	—	3
Balance at 27 December 2008	134	14	5	153
Amortisation for the period	—	—	1	1
Effects of movements in foreign exchange	(1)	(1)	—	(2)
Balance at 26 December 2009	133	13	6	152
Amortisation for the period	—	—	1	1
Balance at 25 December 2010	133	13	7	153
Amortisation for the period	—	—	1	1
Balance at 31 December 2011	133	13	8	154
Amortisation for the period	—	—	1	1
Impairment	40	—	—	40
Effects of movements in foreign exchange	—	(1)	—	(1)
Balance at 29 December 2012	173	12	9	194
Amortisation for the period	—	—	1	1
Effect of movements in foreign exchange	3	—	—	3
Balance at 29 June 2013	176	12	10	198

Note 4 Operating Assets and Liabilities (continued)

4.2 Goodwill and intangible assets (continued)

		Intangible assets		
	Goodwill	**Brands**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
Carrying amounts				
At 30 December 2007	672	170	10	852
At 27 December 2008	778	187	13	978
At 26 December 2009	753	182	11	946
At 25 December 2010	728	178	11	917
At 31 December 2011	779	179	12	970
At 29 December 2012	776	178	16	970
At 29 June 2013	**790**	**182**	**16**	**988**

(1) As a result of previous acquisitions during the 2007 financial year, certain deferred tax assets were not recognised as it was considered unlikely that they would be utilised in future periods. The performance of certain of the acquired businesses was better than anticipated and these deferred tax assets were recognised in the 2008 financial year and included within taxation in the consolidated income statement. £11 million was recognised as an adjustment to goodwill and included within depreciation and amortisation in the consolidated income statement.

Intangible assets are tested for impairment in accordance with the Existing Group's accounting policy, as referred to in note 4.3. Impairment charges have been made of £nil in the 2008 financial year, £nil in the 2009 financial year, £nil in the 2010 financial year, £nil in the 2011 financial year, £40 million in the 2012 financial year in respect of goodwill within the Resort Theme Parks segment and £nil in H1 2013.

Goodwill

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

	27 December 2008	**26 December 2009**	**25 December 2010**	**31 December 2011**	**29 December 2012**	**29 June 2013**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Midway Attractions	464	455	445	500	543	547
LEGOLAND Parks	42	40	40	39	39	40
Resort Theme Parks	272	258	243	240	194	203
	778	753	728	779	776	790

Note 4 Operating Assets and Liabilities (continued)

4.2 Goodwill and intangible assets (continued)

Brands

The Existing Group has valued the following acquired brands, all with indefinite useful economic lives. They are all denominated in their relevant local currencies and therefore the carrying value is subject to movements in the underlying exchange rate.

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Midway Attractions						
Madame Tussauds	27	26	26	26	26	27
SEA LIFE	14	14	14	16	16	16
London Eye	10	10	10	10	10	10
Other	9	8	8	8	8	8
	60	58	58	60	60	61
Resort Theme Parks						
Gardaland Resort	55	52	49	48	47	50
Alton Towers Resort	32	32	32	32	32	32
Thorpe Park	15	15	15	15	15	15
Heide Park	13	13	12	12	12	12
Other	12	12	12	12	12	12
	127	124	120	119	118	121
	187	182	178	179	178	182

The Madame Tussauds brand value is predominantly related to the London attraction but includes value identified with the Existing Group's other acquired Madame Tussauds attractions. The SEA LIFE brand is related to the Existing Group's portfolio of SEA LIFE attractions (including aquaria in London and Sydney). The London Eye, Gardaland Resort, Alton Towers Resort, Thorpe Park and Heide Park brands all arise from those specific visitor attractions.

During the 2009 financial year, the useful lives of certain brands were reassessed as indefinite. This was 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 felt this was 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.

The effect of this change was accounted for prospectively, effective 28 December 2008. The effect on the 2009 financial year was to increase operating profit by £7 million. As the brands were previously being amortised on a straight line basis, the effect was largely the same in the 2010, 2011 and 2012 financial years and will largely be the same in future accounting periods until the previously assessed end of the asset lives between 2034 and 2037.

4.3 Impairment testing

Accounting policies

The carrying amounts of the Existing Group's goodwill, intangible assets and PPE are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, or if the asset has an indefinite life, the asset's recoverable amount is estimated.

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

Note 4 Operating Assets and Liabilities (continued)

4.3 Impairment testing (continued)

The level at which the assets concerned are reviewed varies as follows:

Asset	
Goodwill	Goodwill is reviewed at an operating group level, being the relevant grouping of cash-generating units (CGUs) at which the benefit of such goodwill arises. A CGU is the smallest identifiable group of assets that generates largely independent cash inflows, being the Existing Group's individual attractions.
Brands	Brands are reviewed individually.
PPE	PPE is reviewed at an attraction level.

For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the assets belong.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of goodwill, and then to reduce the carrying amount of other intangible assets and other assets on a pro rata basis.

Calculation of recoverable amount

Management judge the recoverable amount of an asset as the greater of its value in use and its fair value less costs to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. The Existing Group's internally approved five year business plans are used as the basis for these calculations, with cash flows beyond the five year business plan horizon then extrapolated using a long term growth rate.

Common assumptions have been adopted for the purpose of testing goodwill across the business and for testing brand values as their risk profiles are similar. The key assumptions and estimates used when calculating the net present value of future cash flows from the Existing Group's businesses are as follows:

Estimate	
Growth in EBITDA	Visitor numbers and revenue – Projections are based on market analysis, including the total available market, historic trends, competition and site development activity, both in terms of capital expenditure on rides and attractions as well as marketing activity. 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.
Timing and quantum of future capital and maintenance expenditure	Projections are based on the attractions' long-term development plans, taking into account the capital investment necessary to maintain and sustain the performance of the attractions' assets.
Long term growth rates	A growth rate of 2.5% was determined, based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.
Discount rates to reflect the risks involved	Based on the estimated weighted average cost of capital of a 'market participant' within the main geographical regions where the Existing Group operates, these are drawn from market data and businesses in similar sectors, and adjusted for asset specific risks. The key assumptions of the 'market participant' include the ratio of debt to equity financing, risk free rates and the medium term risks associated with equity investments.

Note 4 Operating Assets and Liabilities (continued)

4.3 Impairment testing (continued)

Net present values are calculated using an appropriate pre-tax discount rate of 11% for the 2008 and 2009 financial years, between 10% and 12% for the 2010 financial year, 10% and 13% for the 2011 financial year, 9% and 12% for the 2012 financial year and 9% and 13% for H1 2013. These are derived from the Existing Group's post-tax weighted average cost of capital of 8% for the 2008 and 2009 financial years, between 7% and 9% for the 2010 financial year, 7% and 10% for the 2011 financial year, 7% and 9% for the 2012 financial year and 7% and 10% for H1 2013.

The managers consider that no reasonably foreseeable change in any of the above key assumptions, in particular the discount rate and growth rate assumptions used, would significantly alter the outcome of the Existing Group's impairment testing of the Midway Attractions and LEGOLAND Parks operating groups.

Total impairment losses of £53 million were recorded in the 2012 financial year, being £40 million in respect of a partial impairment of goodwill for the Resort Theme Parks operating group and £13 million in aggregate in respect of property, plant and equipment at three of the Existing Group's Midway Attractions. These were all primarily driven by lower projected cash flows within business plans arising from adverse economic conditions within southern Europe.

The key assumptions used in assessing the recoverable amount of Resort Theme Parks' goodwill in the 2012 financial year were the EBITDA forecasts and discount rate applied. If the estimated EBITDA levels used in the value in use calculations had been 1% lower than the estimate used at 29 December 2012 the Existing Group would have recognised a further impairment against goodwill of £10 million. A pre-tax discount rate of 11% had been used to discount the forecast cash flows in these calculations. If the discount rate used in the value in use calculations had been 0.1% higher than the estimate used at 29 December 2012 the Existing Group would have recognised a further impairment against goodwill of £8 million.

At 29 June 2013 if the estimated EBITDA levels used in the value in use calculations had been 1% lower or the discount rate used had been 0.1% higher the Resort Theme Parks' goodwill would not be impaired.

4.4 Working capital

Accounting policies

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. Where the Existing Group is constructing assets over a period of time for sale, as part of future development activity, they are classified as work in progress.

Trade and other receivables

Trade receivables are recognised and carried at the original invoice amount less an allowance for any amounts considered by management to be uncollectible. Bad debts are written off when identified. Other receivables are stated at their amortised cost less impairment losses.

Inventories

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Maintenance inventory	2	3	3	5	6	6
Work in progress	—	—	3	12	—	—
Goods for resale	10	9	10	12	17	30
	12	12	16	29	23	36

Note 4 Operating Assets and Liabilities (continued)

4.4 Working capital (continued)

Trade and other receivables

Non-current assets

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Prepayments and accrued income	5	4	4	4	3	3

Current assets

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Trade receivables	12	7	15	11	12	24
Other receivables	6	13	7	4	12	13
Prepayments and accrued income	23	20	26	27	23	33
	41	40	48	42	47	70

Ageing of trade receivables

The ageing analysis of trade receivables, net of allowance for uncollectible amounts, is as follows:

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Neither past due nor impaired	6	5	10	6	7	17
Up to 30 days overdue	2	1	2	3	4	5
Between 30 and 60 days overdue	1	1	3	2	1	2
Over 60 days overdue	3	—	—	—	—	—
	12	7	15	11	12	24

Trade and other payables

Current liabilities

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Trade payables	27	24	33	35	33	40
Accruals and deferred income	70	71	87	100	133	191
Other payables	7	8	7	7	13	29
	104	103	127	142	179	260

Non-current liabilities

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Accruals and deferred income	2	2	3	4	3	3
Other payables	6	13	14	15	19	20
	8	15	17	19	22	23

4.5 Provisions

Accounting policy

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

Note 4 Operating Assets and Liabilities (continued)

4.5 Provisions (continued)

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

Provisions

	Asset retirement provisions	Onerous construction contract	Other	Total
	£m	£m	£m	£m
Balance at 30 December 2007	8	5	1	14
Provisions made during the period	8	—	4	12
Utilised during the period	—	(1)	(1)	(2)
Effect of movements in foreign exchange	2	1	1	4
Balance at 27 December 2008	18	5	5	28
Current	—	5	1	6
Non-current	18	—	4	22
Balance at 28 December 2008	18	5	5	28
Provisions made during the period	1	—	4	5
Utilised during the period	—	(4)	(1)	(5)
Unused amounts reversed	(5)	—	—	(5)
Unwinding of discount	1	—	—	1
Effect of movements in foreign exchange	(1)	(1)	—	(2)
Balance at 26 December 2009	14	—	8	22
Current	—	—	7	7
Non-current	14	—	1	15
Balance at 27 December 2009	14	—	8	22
Provisions made during the period	2	—	4	6
Utilised during the period	—	—	(1)	(1)
Unused amounts reversed	(2)	—	—	(2)
Unwinding of discount	1	—	—	1
Effect of movements in foreign exchange	(1)	—	—	(1)
Balance at 25 December 2010	14	—	11	25
Current	—	—	7	7
Non-current	14	—	4	18
Balance at 26 December 2010	14	—	11	25
Acquisitions through business combinations (note 3.1)	4	—	—	4
Provisions made during the period	4	—	3	7
Utilised during the period	—	—	(2)	(2)
Unwinding of discount	1	—	—	1
Effect of movements in foreign exchange	(1)	—	—	(1)
Balance at 31 December 2011	22	—	12	34
Current	—	—	9	9
Non-current	22	—	3	25
	22	—	12	34

Note 4 Operating Assets and Liabilities (continued)

4.5 Provisions (continued)

	Asset retirement provisions	Onerous construction contract	Other	Total
	£m	£m	£m	£m
Balance at 1 January 2012	22	—	12	34
Acquisitions through business combinations (note 3.1)	3	—	7	10
Provisions made during the period	4	—	5	9
Utilised during the period	(1)	—	(2)	(3)
Unwinding of discount	1	—	—	1
Effect of movements in foreign exchange	—	—	(2)	(2)
Balance at 29 December 2012	29	—	20	49
Current	—	—	13	13
Non-current	29	—	7	36
Balance at 30 December 2012	29	—	20	49
Provisions made during the period	2	—	1	3
Utilised during the period	—	—	(2)	(2)
Unused amounts reversed	—	—	(1)	(1)
Unwinding of discount	1	—	—	1
Effect of movements in foreign exchange	—	—	1	1
Balance at 29 June 2013	32	—	19	51
Current	—	—	12	12
Non-current	32	—	7	39
	32	—	19	51

Asset retirement provisions

Certain attractions operate on leasehold sites and these provisions relate to the anticipated costs of removing assets and restoring the sites concerned at the end of the lease term.

They are established on inception and discounted back to present value with the discount then being unwound through the income statement as part of finance costs. They are reviewed at least annually.

Onerous construction contract

The relevant contract completed in the 2009 financial year.

Other

Other provisions largely relate to the estimated cost arising from open insurance claims, indirect tax matters and legal issues.

Note 5 Capital Structure and Financing

5.1 Net debt

Analysis of net debt

Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings and finance lease liabilities. Cash and cash equivalents comprise cash balances, call deposits and other short-term liquid investments such as money market funds which are subject to an insignificant risk of a change in value.

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	139	87	67	60	142	147
Interest-bearing loans and borrowings (note 5.2)	(1,194)	(1,092)	(1,073)	(1,183)	(1,337)	(1,370)
Net bank debt	(1,055)	(1,005)	(1,006)	(1,123)	(1,195)	(1,223)
Current finance leases (note 5.3)	(2)	(2)	(2)	(2)	—	—
Non-current finance leases (note 5.3)	(93)	(89)	(86)	(84)	(84)	(86)
Net debt	(1,150)	(1,096)	(1,094)	(1,209)	(1,279)	(1,309)

Included in cash and cash equivalents are restricted funds of £5 million at 27 December 2008, 26 December 2009 and 25 December 2010 and £6 million at 31 December 2011, 29 December 2012 and 29 June 2013.

5.2 Borrowings

Accounting policy

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value, being consideration received less any directly attributable transaction costs. Thereafter, interest-bearing loans and 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 rate basis. To calculate this effective interest rate the Existing Group estimates the expected future gearing during the life of the facility based on the Existing Group's business plans and forecasts, and expected future interest rates. This includes the amortisation of all transaction costs over the same period. The Existing Group assesses whether the terms of the borrowings provide a clear commercial incentive or a contractual commitment to repay them over a specific period that is shorter than the contractual life of the facility. If this is the case the Existing Group will adopt that as the period used for the purposes of the effective interest rate calculations. If neither of these conditions exists the Existing Group calculates its effective interest rate and hence amortises transaction costs based on the contractual term of the facility.

If the Existing Group modifies its debt arrangements, it considers how substantive the change is in determining the appropriate accounting. This includes both qualitative analysis, and quantitative analysis of the level of change in the cash flows of the new and old arrangements.

Interest-bearing loans and borrowings

Current liabilities

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Secured bank loans	83	7	5	3	1	—
Italian shareholder debt	17	17	—	—	—	—
Interest payable	2	4	7	2	3	1
	102	28	12	5	4	1

Non-current liabilities

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Secured bank loans	1,109	1,081	1,061	1,178	1,333	1,369

Note 5 Capital Structure and Financing (continued)

5.2 Borrowings (continued)

Non-current shareholder loans

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Shareholder loans	581	596	—	—	—	—

Terms and debt repayment schedule

This table provides information about the contractual terms of the Existing Group's interest-bearing loans and borrowings, showing both the principal and carrying values, which are measured at amortised cost. For more information about the Existing Group's exposure to interest rate, liquidity, foreign currency and credit risks, see note 5.6.

		27 December 2008		26 December 2009		25 December 2010	
	Currency	Principal value	Carrying amount	Principal value	Carrying amount	Principal value	Carrying amount
		£m	£m	£m	£m	£m	£m
Bank loans							
Secured bank loan	GBP	538	504	474	468	396	383
Secured bank loan	EUR	526	532	478	479	429	414
Secured bank loan	USD	145	147	134	134	272	264
Secured bank loan	RMB	9	9	7	7	5	5
		1,218	1,192	1,093	1,088	1,102	1,066
Interest payable			2		4		7
			1,194		1,092		1,073
Shareholder loans							
A PECs	EUR	181	241	170	248	—	—
B PECs	EUR	29	37	27	37	—	—
C PECs	EUR	210	248	198	256	—	—
D PECs	EUR	47	55	44	55	—	—
Italian shareholder debt	EUR	14	17	14	17	—	—
		481	598	453	613	—	—

		31 December 2011		29 December 2012		29 June 2013	
	Currency	Principal value	Carrying amount	Principal value	Carrying amount	Principal value	Carrying amount
		£m	£m	£m	£m	£m	£m
Secured bank loan	GBP	396	387	455	447	455	449
Secured bank loan	EUR	422	410	463	454	485	478
Secured bank loan	USD	271	265	277	273	295	292
Secured bank loan	AUD	121	116	164	159	154	150
Secured bank loan	RMB	3	3	1	1	—	—
		1,213	1,181	1,360	1,334	1,389	1,369
Interest payable			2		3		1
			1,183		1,337		1,370

At 29 June 2013, the outstanding secured bank loans all had a scheduled maturity in 2019 and had nominal interest rates as follows: GBP – 4.80%; EUR – 4.19%; USD – 4.44%; and AUD – 7.52%.

Bank loans

Between 2007 and 2009 the Existing Group's bank facilities were contractually repayable in May 2012. In 2007 the Existing Group had adopted May 2009 as its date of repayment for the purposes of calculating the effective interest rate of those borrowings. During the 2008 financial year this assumption changed and the assumed repayment date

Note 5 Capital Structure and Financing (continued)

5.2 Borrowings (continued)

became December 2010. During the 2009 financial year this assumption changed further and the assumed repayment date became March 2010. These adjustments to the amortisation period of loan issuance costs resulted in gains and losses on re-measurement of financial liabilities at amortised cost which are separately presented as exceptional and non-trading as these items were not part of the Existing Group's underlying finance cost (note 2.2).

In July 2010, the pre-existing financing arrangements were either legally settled or substantially modified, so that refinancing was accounted for as an extinguishment and reissue, with new loans contractually repayable in July 2015. In May 2011 the Existing Group then amended this facility such that the loans bore interest at lower rates and were contractually repayable in July 2017. Reflecting management's judgement that this was a non-substantive change to an existing facility, the Existing Group accounted for it on a continuation accounting basis. The Existing Group adopted December 2014 as the date of repayment of its bank facility for the purposes of calculating the effective interest rate of those borrowings.

On 28 June 2013 the Existing Group entered into an amendment to that facility that extended the contractual date of repayment from July 2017 to July 2019. Reflecting management's judgement that this is a non-substantive change to an existing facility, the Existing Group accounted for this on a continuation accounting basis. At the reporting date the amended terms of the borrowings provide no clear commercial incentive or contractual commitment to repay them over a specific period that is shorter than the contractual life of the facility and accordingly the Existing Group calculates its effective interest rate and hence amortises transaction costs based on the contractual term of the facility. The loans are secured by a fixed and floating charge over the assets held by the Existing Group.

The nominal interest rate for secured bank loans in the table above represents the floating interest rate which prevailed at the reporting date. The Existing Group uses interest rate swaps to hedge its interest rate exposure and these are described in note 5.4.

Preferred Equity Certificates ("PECs")

PECs were held by shareholders of the Existing Group and were repaid or converted to equity share capital as part of the shareholder transaction that took place in the 2010 financial 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 ME Lux 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 Existing 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 Existing Group settled the debt in full resulting in a payment of £17 million.

5.3 Lease obligations

Accounting policies

Leases in which the Existing 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.

Note 5 Capital Structure and Financing (continued)

5.3 Lease obligations (continued)

Finance lease payments

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

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.

Lease arrangements

The Existing Group undertook a sale and leaseback transaction during the 2007 financial year, involving the property, plant and equipment of certain acquired operating units. The leases entered into are accounted for as finance or operating leases depending on the specific circumstances of each lease.

Each of these lease agreements runs for a period of 35 years from inception and allows for annual rent increases based on the inflationary index in the United Kingdom and fixed increases in Continental Europe. The Existing Group has the option, but is not contractually required, to extend each of the lease agreements individually for two further terms of 35 years, subject to an adjustment to market rates at that time.

During the 2012 financial year the Existing Group undertook a sale and leaseback transaction of the LEGOLAND Windsor Hotel. The lease entered into is being accounted for as an operating lease. The gain on the sale is deferred over the 35 year lease term.

In addition, the Existing Group also enters into operating leases for a number of its premises. These leases are typically of a duration of between ten and 60 years, with rent increases generally determined based on local market practice. The key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. The amount recognised as an expense in the income statement in respect of operating leases was £47 million for the 2008 financial year, £52 million for the 2009 financial year, £55 million for the 2010 financial year, £71 million for the 2011 financial year, £76 million for the 2012 financial year, £37 million for H1 2012 (unaudited) and £40 million for H1 2013.

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

Finance leases

These tables provide information about the future minimum lease payments and contractual terms of the Existing Group's finance lease liabilities, as follows:

	27 December 2008			26 December 2009			25 December 2010		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Less than one year	7	5	2	7	5	2	7	5	2
Between one and five years	28	25	3	27	22	5	24	21	3
More than five years	254	164	90	274	190	84	263	180	83
	289	194	95	308	217	91	294	206	88

Note 5 Capital Structure and Financing (continued)

5.3 Lease obligations (continued)

	31 December 2011			29 December 2012			29 June 2013		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Less than one year	8	6	2	6	6	—	6	6	—
Between one and five years	23	23	—	24	24	—	25	24	1
More than five years	260	176	84	254	170	84	256	171	85
	291	205	86	284	200	84	287	201	86

	Currency	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
		£m	£m	£m	£m	£m	£m
Finance lease liabilities	GBP	55	54	54	54	54	54
Finance lease liabilities	EUR	—	6	4	2	—	—
Finance lease liabilities	EUR	40	31	30	30	30	32
		95	91	88	86	84	86

At 29 June 2013, the outstanding finance lease liabilities all had a scheduled maturity in 2042 and had nominal interest rates as follows: GBP – 5.64%; and EUR – 9.11%. The nominal interest rate for finance leases represents the weighted average effective interest rate. This is used because the table above aggregates finance leases with the same maturity date and currency.

Operating leases

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

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Less than one year	40	44	49	59	68	69
Between one and five years	167	191	206	233	269	272
More than five years	1,175	1,215	1,230	1,289	1,359	1,367
	1,382	1,450	1,485	1,581	1,696	1,708

5.4 Derivative financial instruments

Accounting policies

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

Interest rate swaps, foreign exchange contracts and committed share issues

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Thereafter changes in fair value are recognised immediately in the income statement, except in specific circumstances where the Existing Group adopts hedge accounting as described below.

The fair value of interest rate swaps is determined by reference to market rates at the end of the accounting period. It is the estimated amount that the Existing Group would receive or pay to exit the swap at the end of the reporting period, taking into account current interest rates, credit risks and bid/ask spreads.

The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates at the end of the accounting period.

Note 5 Capital Structure and Financing (continued)

5.4 Derivative financial instruments (continued)

The fair value of derivative provisions for committed share issues is determined by reference to contractually agreed amounts and the value of the shares to be issued, which the managers assess based on the value attributed in recent transactions of the Existing Group's shares.

Hedge accounting

The Existing Group has designated certain derivatives as hedges against variable cash flows resulting from fluctuations in interest rates. On initial designation of the hedge, the Existing Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, and the methods that will be used to assess the effectiveness of the hedging relationship. The Existing Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. Effectiveness testing is performed using regression analysis at inception and on a regular basis thereafter.

The effectively hedged portion of the changes in fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. 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, and under the same line item in the statement of comprehensive income as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, cumulative gains or losses previously recognised in other comprehensive income are recognised immediately in profit or loss.

Other financial assets

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Derivative financial instruments						
Non-hedge accounted interest rate swaps	—	—	—	—	—	1
Non-hedge accounted foreign exchange contracts	—	—	2	2	—	—
	—	—	2	2	—	1

Other financial liabilities

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Derivative financial instruments						
Hedge accounted interest rate swaps	—	—	1	8	8	7
Non-hedge accounted interest rate swaps	76	83	64	69	55	39
Non-hedge accounted foreign exchange contracts	1	—	—	—	—	4
Non-hedge accounted committed share issues	—	—	—	4	—	—
	77	83	65	81	63	50

The Group's exposure to interest rate, liquidity, foreign currency and credit risks is disclosed in note 5.6.

5.5 Finance income and costs

Accounting policies

Income and costs

Finance income comprises interest income, applicable foreign exchange gains and gains on hedging instruments that are recognised in the income statement. Finance costs comprise interest expense, finance charges on finance leases,

Note 5 Capital Structure and Financing (continued)

5.5 Finance income and costs (continued)

applicable foreign exchange losses and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue, using the effective interest method.

Where it is probable that the Existing Group is committed to issue shares in the future, any difference between the consideration to be received and the value of the shares to be issued is recognised within finance costs as a loss on recognition of committed share issues.

Capitalisation of borrowing costs

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

Net investment in foreign entities

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 Existing Group treats specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. In the event of a foreign entity being sold or a hedging item being extinguished, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

Finance income and costs

Finance income

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
In respect of assets not held at fair value							
Interest income	17	—	1	1	6	4	—
Gain on re-measurement of financial liabilities measured at amortised cost (note 5.2)	28	7	—	—	—	—	—
In respect of liabilities held at fair value							
Unrealised gain on re-measurement of financial derivatives at fair value							
– Interest rate swaps and foreign exchange contracts	—	4	19	3	14	7	17
Other							
Net foreign exchange gain	1	—	—	4	5	6	—
	46	11	20	8	25	17	17

Note 5 Capital Structure and Financing (continued)

5.5 Finance income and costs (continued)

Finance costs

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
In respect of liabilities not held at fair value							
Interest expense on financial liabilities measured at amortised cost	135	121	115	126	122	61	60
Interest expense on shareholder loans	40	48	32	—	—	—	—
Loss on re-measurement of financial liabilities measured at amortised cost (note 5.2)	8	11	—	—	—	—	—
Other interest expense	1	9	1	2	2	1	1
In respect of liabilities held at fair value							
Unrealised loss on re-measurement of financial derivatives at fair value							
– Interest rate swaps and foreign exchange contracts	57	12	—	10	2	2	4
– Committed share issues	—	—	—	4	—	—	—
Other							
Net foreign exchange loss	—	1	4	—	—	—	14
	241	202	152	142	126	64	79

Capitalised borrowing costs were as follows:

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Capitalised borrowing costs	—	1	2	5	3	2	2
Capitalisation rate	7.8%	8.3%	8.7%	8.1%	7.5%	7.7%	7.2%

Recognised in consolidated statement of other comprehensive income

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
	£m	£m	£m	£m	£m	£m	£m
Foreign currency translation differences relating to the net investment in foreign operations	76	(19)	(24)	(6)	(6)	(15)	14

Foreign currency translation differences relating to the net investment in foreign operations are stated before attributable income tax (note 2.3).

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis

Interest rate risk

Interest rate risk is the risk that the Group is impacted by changes in interest rates. At 29 June 2013 the Existing Group had floating rate debt in Sterling, Euros, US Dollars, Australian Dollars and Chinese Renminbi.

The Existing Group hedges its exposure to its floating rate loans with interest rate swaps. At 29 June 2013 77% of the secured bank loans were hedged in this way.

The interest rate profile of the Existing Group's interest-bearing financial instruments was:

	Carrying amount					
	27 December 2008	**26 December 2009**	**25 December 2010**	**31 December 2011**	**29 December 2012**	**29 June 2013**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Fixed rate instruments						
Financial liabilities – finance leases	(95)	(91)	(88)	(86)	(84)	(86)
Financial liabilities – interest rate swaps	(76)	(83)	(65)	(77)	(63)	(45)
Financial liabilities – shareholder loans	(581)	(596)	—	—	—	—
	(752)	(770)	(153)	(163)	(147)	(131)
Variable rate instruments						
Financial assets – cash and cash equivalents	139	87	67	60	142	147
Financial liabilities – bank loans and overdrafts	(1,192)	(1,088)	(1,066)	(1,181)	(1,334)	(1,369)
Financial liabilities – shareholder loans	(17)	(17)	—	—	—	—
	(1,070)	(1,018)	(999)	(1,121)	(1,192)	(1,222)

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 fair value of the swaps is dependent on the fixed rate.

The Existing Group has performed sensitivity analysis on these balances as follows:

Fair value sensitivity analysis

This analysis shows the Existing Group's sensitivity to changes in interest rates. It is calculated by measuring the impact on profit and loss or equity of a change in the present value of derivatives. This assumes a shift in the yield curve of +/- 50 basis points (bp).

If interest rates had been 50bp higher/lower and all other variables were held constant, the impact would be as follows:

	52 weeks ended 27 December 2008		**52 weeks ended 26 December 2009**		**52 weeks ended 25 December 2010**		**53 weeks ended 31 December 2011**		**52 weeks ended 29 December 2012**		**26 weeks ended 29 June 2013**	
	Profit or (loss)	**Equity**	**Profit or (loss)**	**Equity**	**Profit or (loss)**	**Equity**	**Profit or (loss)**	**Equity**	**Profit or (loss)**	**Equity**	**Profit or (loss)**	**Equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
50bp increase in interest rates	18	—	13	—	17	3	13	3	11	2	6	6
50bp reduction in interest rates	(18)	—	(13)	—	(18)	(3)	(13)	(3)	(11)	(2)	(6)	(6)

Cash flow sensitivity analysis

This analysis shows the sensitivity of the Existing Group's cash flows to changes in interest rates.

It is performed by comparing the annual interest expense/income which would apply to year end balances at year end interest rates, to the annual expense/income which would arise using year end interest rates increased by 50bp.

This analysis assumes that all other variables remain constant. Any remaining sensitivity is attributable to the Existing Group's exposure to interest rates on its unhedged variable rate borrowings.

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

	Profit or (loss)					
	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Bank loans and overdrafts	(6)	(5)	(5)	(6)	(7)	(7)
Interest rate swaps	5	5	5	6	5	5
Cash and cash equivalents	1	—	—	—	1	1
Cash flow sensitivity (net)	—	—	—	—	(1)	(1)

A decrease of 50bp would result in a profit of £nil at 27 December 2008, £nil at 26 December 2009, £nil at 25 December 2010, £nil at 31 December 2011, £1 million at 29 December 2012 and £nil at 29 June 2013.

Liquidity risk

Liquidity risk is the risk that the Existing Group will not have sufficient funds to meet its financial obligations as they fall due. The Existing 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 twelve months, which are reviewed by the Existing Group's Chief Financial Officer. Surplus cash is actively managed across Existing Group bank accounts to cover local shortfalls or invested in bank deposits or liquidity funds in line with Existing Group policies on counterparty exposure. In some jurisdictions bank cash pooling arrangements are in place to optimise the use of cash. The Existing Group has access to a revolving credit facility of £150 million in addition to its existing borrowings to meet any shortfalls.

At 29 June 2013, the Existing Group had cash and cash equivalents of £147 million together with the revolving credit facility, which can be used to meet its contractual cash flows.

The following table sets out the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements and shareholder PECs. This analysis assumes that interest rates prevailing at the reporting date remain constant.

	Carrying amount	Contractual cash flows	0 to <1 year	1 to <2 years	2 to <5 years	5 years and over
	£m	£m	£m	£m	£m	£m
27 December 2008						
Non-derivative financial liabilities						
Secured bank loans	1,192	(1,468)	(162)	(74)	(1,232)	—
Finance lease liabilities	95	(290)	(8)	(8)	(20)	(254)
Italian shareholder debt (note 5.2)	17	(18)	(18)	—	—	—
Trade payables	27	(27)	(27)	—	—	—
Derivative financial liabilities						
Non-hedge accounted interest rate swaps	76	(69)	(19)	(19)	(31)	—
Non-hedge accounted foreign exchange contracts	1	(1)	(1)	—	—	—
	1,408	(1,873)	(235)	(101)	(1,283)	(254)
26 December 2009						
Non-derivative financial liabilities						
Secured bank loans	1,088	(1,214)	(52)	(54)	(1,108)	—
Finance lease liabilities	91	(226)	(7)	(8)	(19)	(192)
Italian shareholder debt (note 5.2)	17	(17)	(17)	—	—	—
Trade payables	24	(24)	(24)	—	—	—
Derivative financial liabilities						
Non-hedge accounted interest rate swaps	83	(118)	(46)	(45)	(27)	—
	1,303	(1,599)	(146)	(107)	(1,154)	(192)

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

	Carrying amount £m	Contractual cash flows £m	0 to <1 year £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
25 December 2010						
Non-derivative financial liabilities						
Secured bank loans	1,066	(1,390)	(72)	(57)	(1,261)	—
Finance lease liabilities	88	(214)	(7)	(8)	(16)	(183)
Trade payables	33	(33)	(33)	—	—	—
Derivative financial liabilities						
Hedge accounted interest rate swaps	1	(4)	(1)	—	(3)	—
Non-hedge accounted interest rate swaps	64	(114)	(35)	(27)	(52)	—
	1,252	(1,755)	(148)	(92)	(1,332)	(183)
31 December 2011						
Non-derivative financial liabilities						
Secured bank loans	1,181	(1,577)	(66)	(63)	(201)	(1,247)
Finance lease liabilities	86	(211)	(8)	(6)	(17)	(180)
Trade payables	35	(35)	(35)	—	—	—
Derivative financial liabilities						
Hedge accounted interest rate swaps	8	(11)	(2)	(4)	(5)	—
Non-hedge accounted interest rate swaps	69	(73)	(26)	(23)	(24)	—
	1,379	(1,907)	(137)	(96)	(247)	(1,427)
29 December 2012						
Non-derivative financial liabilities						
Secured bank loans	1,334	(1,671)	(67)	(67)	(1,537)	—
Finance lease liabilities	84	(205)	(6)	(6)	(18)	(175)
Trade payables	33	(33)	(33)	—	—	—
Derivative financial liabilities						
Hedge accounted interest rate swaps	8	(9)	(4)	(5)	—	—
Non-hedge accounted interest rate swaps	55	(63)	(27)	(27)	(9)	—
	1,514	(1,981)	(137)	(105)	(1,564)	(175)
29 June 2013						
Non-derivative financial liabilities						
Secured bank loans	1,369	(1,766)	(65)	(69)	(212)	(1,420)
Finance lease liabilities	86	(204)	(6)	(6)	(19)	(173)
Trade payables	40	(40)	(40)	—	—	—
Derivative financial liabilities						
Hedge accounted interest rate swaps	7	(15)	(5)	(5)	(5)	—
Non-hedge accounted interest rate swaps	39	(42)	(26)	(16)	—	—
Non-hedge accounted foreign exchange contracts	4	(4)	(4)	—	—	—
	1,545	(2,071)	(146)	(96)	(236)	(1,593)

In addition to the Italian shareholder debt detailed above, the Existing Group had additional shareholder loans in the form of PECs of £581 million at 27 December 2008 and £596 million at 26 December 2009 with final contractual maturity dates between 2035 and 2037 (see note 5.2). This debt was settled as part of the shareholder transaction that took place in the 2010 financial year (note 5.7).

Foreign currency risk

The Existing Group is exposed to foreign currency risk arising from movements in foreign exchange rates. This arises from differences in the dates commercial transactions are entered into and the date they are settled; recognised assets and liabilities; and net investments in foreign operations. The Existing Group uses a portfolio of foreign exchange trades to manage specific foreign exchange exposures on cross border transactions where they arise.

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

The Existing Group operates internationally with its operating assets, revenues and costs denominated primarily in the functional currencies of the relevant local territories. The principal currencies are Sterling, Euros, US Dollars and Australian Dollars. The Group's bank debt is predominantly in those same currencies, in ratios intended to provide a match between funding requirements and the cash generation capabilities of the Existing Group's operations in each of its locations.

The Group's financial instruments are set out by currency below:

	Sterling	Euro	US Dollar	Australian Dollar	Other	Total
	£m	£m	£m	£m	£m	£m
27 December 2008						
Cash and cash equivalents	52	35	44	—	8	139
Trade receivables	7	2	2	—	1	12
Secured bank loans	(504)	(532)	(147)	—	(9)	(1,192)
Shareholder loans	—	(598)	—	—	—	(598)
Finance lease liabilities	(55)	(40)	—	—	—	(95)
Derivatives	(30)	(29)	(18)	—	—	(77)
Trade payables	(11)	(12)	(2)	—	(2)	(27)
	(541)	(1,174)	(121)	—	(2)	(1,838)
26 December 2009						
Cash and cash equivalents	54	16	15	—	2	87
Trade receivables	4	1	1	—	1	7
Secured bank loans	(468)	(479)	(134)	—	(7)	(1,088)
Shareholder loans	—	(613)	—	—	—	(613)
Finance lease liabilities	(54)	(37)	—	—	—	(91)
Derivatives	(34)	(37)	(12)	—	—	(83)
Trade payables	(8)	(13)	(2)	—	(1)	(24)
	(506)	(1,162)	(132)	—	(5)	(1,805)
25 December 2010						
Cash and cash equivalents	52	6	4	—	5	67
Trade receivables	10	2	2	—	1	15
Secured bank loans	(383)	(414)	(264)	—	(5)	(1,066)
Finance lease liabilities	(54)	(34)	—	—	—	(88)
Derivatives	(26)	(27)	(10)	—	—	(63)
Trade payables	(13)	(16)	(2)	—	(2)	(33)
	(414)	(483)	(270)	—	(1)	(1,168)
31 December 2011						
Cash and cash equivalents	36	10	8	3	3	60
Trade receivables	5	2	2	1	1	11
Secured bank loans	(387)	(410)	(265)	(116)	(3)	(1,181)
Finance lease liabilities	(54)	(32)	—	—	—	(86)
Derivatives	(29)	(31)	(14)	(1)	—	(75)
Trade payables	(14)	(10)	(6)	(1)	(4)	(35)
	(443)	(471)	(275)	(114)	(3)	(1,306)
29 December 2012						
Cash and cash equivalents	116	9	6	4	7	142
Trade receivables	5	2	2	2	1	12
Secured bank loans	(447)	(454)	(273)	(159)	(1)	(1,334)
Finance lease liabilities	(54)	(30)	—	—	—	(84)
Derivatives	(23)	(28)	(12)	—	—	(63)
Trade payables	(10)	(12)	(7)	(2)	(2)	(33)
	(413)	(513)	(284)	(155)	5	(1,360)

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

	Sterling	Euro	US Dollar	Australian Dollar	Other	Total
	£m	£m	£m	£m	£m	£m
29 June 2013						
Cash and cash equivalents	117	9	10	1	10	147
Trade receivables	12	6	2	1	3	24
Secured bank loans	(449)	(478)	(292)	(150)	—	(1,369)
Finance lease liabilities	(54)	(32)	—	—	—	(86)
Derivatives	(16)	(20)	(12)	(1)	—	(49)
Trade payables	(15)	(13)	(6)	(2)	(4)	(40)
	(405)	(528)	(298)	(151)	9	(1,373)

The Existing Group treats certain structural intercompany loans as net investment hedging instruments, as follows:

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Sterling denominated loans	57	57	57	57	57	57
Euro denominated loans	492	464	573	563	552	578
US Dollar denominated loans	—	—	42	42	40	43

Translation movements on these loans are therefore shown in other comprehensive income, see note 5.5.

Foreign currency sensitivity analysis

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

The Existing 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% from the Sterling exchange rates existing at the end of the reporting period. Where the Existing Group has designated specific monetary assets or liabilities as hedging instruments that are hedging underlying foreign exchange exposures, this has been taken account of. The sensitivity analysis for forward foreign exchange contracts uses a discounted cash flow technique applying a 10% strengthening/weakening of Sterling against Euros, US Dollars, Danish Kroner and Australian Dollars. The analysis assumes that all other variables remain constant.

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

The impact of these retranslations on profit/loss has been aggregated and is as follows, split by category of financial instrument:

10% strengthening of Sterling

	Profit or (loss) impact			
	Cash	Secured bank loans	Derivatives (unhedged)	Total
	£m	£m	£m	£m
52 weeks ended 27 December 2008				
Euro	—	1	—	1
US Dollars	(3)	1	3	1
Danish Kroner	—	(1)	—	(1)
	(3)	1	3	1
52 weeks ended 26 December 2009				
Euro	(1)	1	—	—
US Dollars	—	2	1	3
Danish Kroner	—	(2)	—	(2)
	(1)	1	1	1
52 weeks ended 25 December 2010				
Euro	—	—	1	1
US Dollars	—	9	(5)	4
Hong Kong Dollars	—	—	(1)	(1)
	—	9	(5)	4
53 weeks ended 31 December 2011				
Euro	—	—	3	3
US Dollars	—	9	(1)	8
Danish Kroner	—	—	(1)	(1)
Australian Dollars	—	—	(3)	(3)
	—	9	(2)	7
52 weeks ended 29 December 2012				
Euro	—	2	3	5
US Dollars	—	10	(1)	9
Danish Kroner	—	—	(1)	(1)
Australian Dollars	—	(2)	—	(2)
	—	10	1	11
26 weeks ended 29 June 2013				
Euro	—	2	(3)	(1)
US Dollars	—	11	2	13
Danish Kroner	—	—	1	1
Hong Kong Dollars	—	—	1	1
Australian Dollars	—	(2)	—	(2)
-	—	11	1	12

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

10% weakening of Sterling

	Profit or (loss) impact			
	Cash	Secured bank loans	Derivatives (unhedged)	Total
	£m	£m	£m	£m
52 weeks ended 27 December 2008				
Euro	—	(1)	(1)	(2)
US Dollars	3	(1)	(3)	(1)
Danish Kroner	—	1	—	1
	3	(1)	(4)	(2)
52 weeks ended 26 December 2009				
Euro	1	(1)	—	—
US Dollars	—	(1)	(1)	(2)
Danish Kroner	—	1	—	1
	1	(1)	(1)	(1)
52 weeks ended 25 December 2010				
Euro	—	—	(1)	(1)
US Dollars	—	(9)	7	(2)
Hong Kong Dollars	—	—	1	1
	—	(9)	7	(2)
53 weeks ended 31 December 2011				
Euro	—	—	(3)	(3)
US Dollars	—	(9)	1	(8)
Danish Kroner	—	—	1	1
Australian Dollars	—	—	5	5
	—	(9)	4	(5)
52 weeks ended 29 December 2012				
Euro	—	(2)	(3)	(5)
US Dollars	—	(10)	1	(9)
Danish Kroner	—	—	1	1
Australian Dollars	—	2	—	2
	—	(10)	(1)	(11)
26 weeks ended 29 June 2013				
Euro	—	(2)	3	1
US Dollars	—	(11)	(2)	(13)
Danish Kroner	—	—	(1)	(1)
Australian Dollars	—	2	—	2
	—	(11)	—	(11)

A 10% strengthening/weakening of Sterling would have no impact on the hedging reserve.

Credit risk

Credit risk is the risk of financial loss to the Existing Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Existing 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 Existing Group manages credit exposures in connection with financing and treasury activities including exposures arising from bank deposits, cash held at banks and financial and derivative transactions, by appraisal, formal approval and ongoing monitoring of the credit position of counterparties. Counterparty exposures are measured against a formal transaction limit appropriate to that counterparty's credit position.

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

Fair values

Basis for determining fair values

Derivatives

Derivatives are carried at fair value, as defined in note 5.4.

Non-derivative financial assets

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.

Non-derivative financial liabilities

The carrying value of secured bank loans is based on the present value of future cash flows over the borrowing period until the repayment date used for the purposes of calculating the effective interest rate of those borrowings. In contrast, the calculation of fair value requires that a similar calculation is undertaken but using the contractual repayment date and the market rate of interest at the reporting date. The discount rate used for determining the fair value of the secured bank loans was 7.8% at 27 December 2008, 6.1% at 26 December 2009, 7.8% at 25 December 2010, 31 December 2011, 29 December 2012 and 5.8% at 29 June 2013. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair value 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:

	52 weeks ended 27 December 2008		52 weeks ended 26 December 2009		52 weeks ended 25 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m
Derivative assets and liabilities						
Hedge accounted interest rate swaps	—	—	—	—	(1)	(1)
Non-hedge accounted interest rate swaps	(76)	(76)	(83)	(83)	(64)	(64)
Non-hedge accounted foreign exchange contracts	(1)	(1)	—	—	2	2
Non-derivative assets and liabilities						
Trade and other receivables	18	18	20	20	22	22
Cash and cash equivalents	139	139	87	87	67	67
Secured bank loans	(1,192)	(1,149)	(1,088)	(1,087)	(1,066)	(1,067)
Shareholder loans	(598)	(591)	(613)	(613)	—	—
Finance lease liabilities	(95)	(95)	(91)	(91)	(88)	(88)
Trade and other payables	(27)	(27)	(24)	(24)	(33)	(33)
	(1,832)	(1,782)	(1,792)	(1,791)	(1,161)	(1,162)

Note 5 Capital Structure and Financing (continued)

5.6 Financial risk factors and fair value analysis (continued)

	53 weeks ended 31 December 2011		52 weeks ended 29 December 2012		26 weeks ended 29 June 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m
Derivative assets and liabilities						
Hedge accounted interest rate swaps	(8)	(8)	(8)	(8)	(7)	(7)
Non-hedge accounted interest rate swaps	(69)	(69)	(55)	(55)	(38)	(38)
Non-hedge accounted foreign exchange contracts	2	2	—	—	(4)	(4)
Non-hedge accounted committed share issues	(4)	(4)	—	—	—	—
Non-derivative assets and liabilities						
Trade and other receivables	15	15	24	24	37	37
Cash and cash equivalents	60	60	142	142	147	147
Secured bank loans	(1,181)	(1,117)	(1,334)	(1,275)	(1,369)	(1,379)
Finance lease liabilities	(86)	(86)	(84)	(84)	(86)	(86)
Trade and other payables	(35)	(35)	(33)	(33)	(40)	(40)
	(1,306)	(1,242)	(1,348)	(1,289)	(1,360)	(1,370)

Fair value hierarchy

The Existing Group 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 assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The Existing Group had £77 million of derivative financial liabilities classified as Level 2 at 27 December 2008, £83 million at 26 December 2009, £63 million at 25 December 2010, £79 million at 31 December 2011, £63 million at 29 December 2012 and £49 million at 29 June 2013. There have been no transfers between levels and no other financial instruments are held at fair value.

5.7 Equity and capital management

Capital management

The capital structure of the Existing Group consists of debt which includes borrowings (see note 5.2), cash and cash equivalents and equity attributable to equity holders of the parent company, as disclosed below. The Existing 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 Existing Group.

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

The Existing 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 Existing Group.

Share schemes have been created to allow employees of the Existing Group to participate in the ownership of the Existing Group's equity instruments, in order to ensure employees are focused on growing the value of the Existing Group to achieve the aims of all the shareholders.

Note 5 Capital Structure and Financing (continued)

5.7 Equity and capital management (continued)

Share capital and reserves

Share capital

	Ordinary shares					
	27 December 2008	**26 December 2009**	**25 December 2010**	**31 December 2011**	**29 December 2012**	**29 June 2013**
On issue at beginning of period – fully paid	156,249,710	156,249,710	156,249,710	156,249,710	156,271,845	156,767,050
Issued in the period	—	—	—	22,135	495,205	—
On issue at end of period – fully paid	156,249,710	156,249,710	156,249,710	156,271,845	156,767,050	156,767,050
Authorised	£m	£m	£m	£m	£m	£m
A ordinary shares of €0.01 each	1	1	1	1	1	1
B ordinary shares of €0.01 each	—	—	—	—	—	—
	1	1	1	1	1	1
Allotted, called up and fully paid	£m	£m	£m	£m	£m	£m
A ordinary shares of €0.01 each	1	1	1	1	1	1
B ordinary shares of €0.01 each	—	—	—	—	—	—
	1	1	1	1	1	1

Shareholder transaction

On 23 July 2010 the entire share capital and shareholder Preferred Equity Certificates ("PECs") of the Existing 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 Existing 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 determined that Merlin Entertainments Group Luxembourg S.à r.l was the accounting acquirer of Merlin Entertainments S.à r.l. As such, this transaction was accounted for as a reverse acquisition.

As a result, for the 2010 financial year, the consolidated financial statements were issued in the name of Merlin Entertainments S.à r.l., but were a continuation of the consolidated financial statements of Merlin Entertainments Group Luxembourg S.à r.l. Comparative information for the 2008 and 2009 financial years was adjusted as if Merlin Entertainments S.à r.l. had always been the Existing Group's ultimate controlling party

The share capital above reflects this retroactive adjustment.

Issue of shares

During the 2011 financial year 22,135 A ordinary shares were issued at a premium of £nil.

Note 5 Capital Structure and Financing (continued)

5.7 Equity and capital management (continued)

To assist with the acquisition and development into LEGOLAND Florida of the Cypress Gardens theme park in the 2010 financial year, the Existing Group entered into an agreement with an existing shareholder to invest US$30 million in return for the issue of shares and PECs, in the previous holding company of the Existing Group. The agreement allowed for additional shares to be issued at par to the shareholder should a listing or sale of the Existing Group not take place before 31 August 2012. In the 2011 financial year it was considered probable that such an event would not occur, and accordingly this committed share issue was recognised at a value of £4 million (as disclosed in note 5.4). During the 2012 financial year 495,205 A ordinary shares were therefore issued resulting in a premium of £4 million.

All issued shares are fully paid.

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 ME Lux 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.

The nominal value of shares in issue is shown in share capital, with any additional consideration for those shares shown in share premium.

Capital reserve

In retroactively adjusting the consolidated financial statements to the earliest date that would be disclosed in the consolidated financial statements, a capital reserve of £1,143 million 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 PECs 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.

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.

Reserve for own shares

By way of control of the Merlin Entertainments Employee Benefit Trust, the Existing Group owns 20,000,000 B class Treasury shares held on trust for the beneficiaries of share-based payment plans. These shares are carried at par value, being £169,205 and result in a reduction to equity. These shares are legally owned by Merlin Entertainments Share Plan Nominee Limited, a company controlled by certain key management.

Share-based payment transactions

Accounting policies

Share-based payment transactions – equity-settled arrangements

The fair value of equity-settled share-based payments 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.

Note 5 Capital Structure and Financing (continued)

5.7 Equity and capital management (continued)

Summary of schemes

Equity-settled schemes

Equity-settled schemes have been created that enable certain senior employees to acquire B class ordinary shares at market value. Market value is determined based on an analysis of profit multiples in the Existing Group's industry sector. At the discretion of the CEO further shares can also be granted in recognition of long service and/or outstanding contribution. These shares are expected to vest on a qualifying transaction, including a stock exchange listing.

No charge has arisen on these schemes. The number of shares issued is as follows:

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
						Number
At beginning of period	—	—	—	—	17,996,500	19,283,150
Issued during the period	—	—	—	18,388,300	1,626,875	503,275
Forfeited during the period	—	—	—	(391,800)	(340,225)	(81,700)
At end of period	—	—	—	17,996,500	19,283,150	19,704,725

Equity and cash-settled scheme *(closed in the 2010 financial year)*

During the 2008 financial year the Existing Group had established a share option scheme that enabled key management personnel and senior employees to purchase options in the Existing Group. The fair value of options granted was determined on the date of the award. The share options vested upon listing or sale of ME Lux and there were no performance related vesting conditions. The scheme was originally accounted for on an equity-settled basis.

On 23 June 2010, in anticipation of a shareholder transaction, the scheme rules were modified 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 £34 million, which ME Lux 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 was included within operating expenses (note 2.2).

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

	27 December 2008		26 December 2009		25 December 2010	
	Number	WAEP (£)	Number	WAEP (£)	Number	WAEP (£)
Outstanding at beginning of period	—	—	86,795	0.37	90,510	0.37
Granted during the period	90,430	0.37	7,605	0.37	—	—
Forfeited during the period	(3,635)	0.37	(3,890)	0.37	(280)	0.37
Transferred to cash-settled scheme	—	—	—	—	(90,230)	0.37
Outstanding at end of period	86,795	—	90,510	—	—	—

Cash-settled scheme

Following the change in scheme rules on 23 June 2010 noted above, the following movements in share options took place, until all options were exercised on completion of the shareholder transaction:

	27 December 2008		26 December 2009		25 December 2010	
	Number	WAEP (£)	Number	WAEP (£)	Number	WAEP (£)
Transferred from equity-settled scheme	—	—	—	—	90,230	0.37
Granted during the period	—	—	—	—	16,395	0.37
Exercised during the period	—	—	—	—	(106,625)	0.37
Outstanding at end of period	—	—	—	—	—	—

Note 5 Capital Structure and Financing (continued)

5.7 Equity and capital management (continued)

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:

	Equity-settled scheme		Cash-settled scheme
	27 December 2008	26 December 2009	25 December 2010
Share price	£ 26.58	£ 26.58	£ 375.81
Exercise price	£ 0.37	£ 0.37	£ 0.37
Expected volatility (weighted average volatility based on statistical estimates)	30%	30%	30%
Option life (expected weighted average life)	3 years	2 years	Less than 1 year
Expected dividends	—	—	—
Risk-free interest rate (based on Government Bonds)	4%	4%	4%

Compensation expense

	27 December 2008	26 December 2009	25 December 2010
	£m	£m	£m
Equity-settled scheme			
Share options granted in 2008	1	1	—
Total expense recognised as employee costs, within underlying trading	1	1	—
Cash-settled scheme			
Share options granted in 2010	—	—	6
Total expense recognised as employee costs, within exceptional and non-trading items	—	—	6
Total expense recognised as employee costs	1	1	6

Note 6 Other Notes

6.1 Investments

Accounting policy

Joint ventures

Joint ventures are those entities over whose activities the Existing Group has joint control, established by contractual agreement. The consolidated financial statements include the Existing 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.

Investment in joint ventures

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
At beginning of period	1	1	1	1	1	—
Effect of movements in foreign exchange	—	—	—	—	(1)	—
At end of period	1	1	1	1	—	—

Note 6 Other Notes (continued)

6.2 Employee benefits

Accounting policies

Defined contribution pension schemes

In the case of defined contribution schemes, the Existing Group pays fixed contributions into a separate fund on behalf of the employee and has no further obligations to employees. The risks and rewards associated with this type of scheme are assumed by the members rather than the employer. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Defined benefit pension schemes

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

All actuarial gains and losses are recognised in the period they occur directly in equity through other comprehensive income.

Defined contribution pension schemes

The Existing Group operates a number of defined contribution pension schemes and the total expense relating to those schemes was as follows:

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Defined contribution schemes	4	5	5	6	8	4	5

Defined benefit pension schemes

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

Note 6 Other Notes (continued)

6.2 Employee benefits (continued)

The assets and liabilities of the schemes are:

	Tussauds Group	Gardaland	Total
	£m	£m	£m
52 weeks ended 27 December 2008			
Equities	6	—	6
Corporate bonds and cash	2	—	2
Property	1	—	1
Fair value of scheme assets	9	—	9
Present value of defined benefit obligations	(11)	(2)	(13)
Net pension liability	(2)	(2)	(4)
52 weeks ended 26 December 2009			
Equities	6	—	6
Corporate bonds and cash	4	—	4
Property	1	—	1
Fair value of scheme assets	11	—	11
Present value of defined benefit obligations	(14)	(2)	(16)
Net pension liability	(3)	(2)	(5)
52 weeks ended 25 December 2010			
Equities	7	—	7
Corporate bonds and cash	4	—	4
Property	2	—	2
Fair value of scheme assets	13	—	13
Present value of defined benefit obligations	(14)	(2)	(16)
Net pension liability	(1)	(2)	(3)
53 weeks ended 31 December 2011			
Equities	6	—	6
Corporate bonds and cash	5	—	5
Property	2	—	2
Fair value of scheme assets	13	—	13
Present value of defined benefit obligations	(16)	(2)	(18)
Net pension liability	(3)	(2)	(5)
52 weeks ended 29 December 2012			
Equities	7	—	7
Corporate bonds and cash	3	—	3
Property	5	—	5
Fair value of scheme assets	15	—	15
Present value of defined benefit obligations	(18)	(2)	(20)
Net pension liability	(3)	(2)	(5)
26 weeks ended 29 June 2013			
Equities	7	—	7
Corporate bonds and cash	2	—	2
Property	6	—	6
Fair value of scheme assets	15	—	15
Present value of defined benefit obligations	(18)	(1)	(19)
Net pension liability	(3)	(1)	(4)

Note 6 Other Notes (continued)

6.2 Employee benefits (continued)

Movement in the present value of scheme assets

	Tussauds Group	Gardaland	Total
	£m	£m	£m
At 30 December 2007	11	—	11
Expected return on scheme assets	1	—	1
Actuarial losses	(3)	—	(3)
At 27 December 2008	9	—	9
Expected return on scheme assets	1	—	1
Actuarial gains	1	—	1
At 26 December 2009	11	—	11
Expected return on scheme assets	1	—	1
Actuarial gains	1	—	1
At 25 December 2010	13	—	13
Expected return on scheme assets	1	—	1
Actuarial losses	(1)	—	(1)
At 31 December 2011	13	—	13
Expected return on scheme assets	1	—	1
Actuarial gains	1	—	1
At 29 December 2012	15	—	15
Expected return on scheme assets	—	—	—
Actuarial gains	—	—	—
At 29 June 2013	15	—	15

The actual return on scheme assets for the Tussauds Group pension scheme was a loss of £2 million for the 52 weeks ended 27 December 2008, a profit of £2 million for the 52 weeks ended 26 December 2009, £2 million for the 52 weeks ended 25 December 2010, £nil for the 53 weeks ended 31 December 2011, £2 million for the 52 weeks ended 29 December 2012 and £nil for the 26 weeks ended 29 June 2013.

Movement in the present value of the defined benefit obligations

	Tussauds Group	Gardaland	Total
	£m	£m	£m
At 30 December 2007	(12)	(2)	(14)
Interest cost	(1)	—	(1)
Actuarial gains	2	—	2
At 27 December 2008	(11)	(2)	(13)
Interest cost	(1)	—	(1)
Actuarial losses	(2)	—	(2)
At 26 December 2009	(14)	(2)	(16)
Interest cost	(1)	—	(1)
Actuarial gains	1	—	1
At 25 December 2010	(14)	(2)	(16)
Interest cost	(1)	—	(1)
Actuarial losses	(1)	—	(1)
At 31 December 2011	(16)	(2)	(18)
Interest cost	(1)	—	(1)
Actuarial losses	(1)	—	(1)
At 29 December 2012	(18)	(2)	(20)
Transfers out	—	1	1
At 29 June 2013	(18)	(1)	(19)

Note 6 Other Notes (continued)

6.2 Employee benefits (continued)

Analysis of amounts charged against profits

	Tussauds Group	Gardaland	Total
	£m	£m	£m
52 weeks ended 27 December 2008			
Finance cost			
Interest on defined benefit pension scheme obligations	1	—	1
Expected return on defined benefit pension scheme assets	(1)	—	(1)
Total	—	—	—
52 weeks ended 26 December 2009			
Finance cost			
Interest on defined benefit pension scheme obligations	1	—	1
Expected return on defined benefit pension scheme assets	(1)	—	(1)
Total	—	—	—
52 weeks ended 25 December 2010			
Finance cost			
Interest on defined benefit pension scheme obligations	1	—	1
Expected return on defined benefit pension scheme assets	(1)	—	(1)
Total	—	—	—
53 weeks ended 31 December 2011			
Finance cost			
Interest on defined benefit pension scheme obligations	1	—	1
Expected return on defined benefit pension scheme assets	(1)	—	(1)
Total	—	—	—
52 weeks ended 29 December 2012			
Finance cost			
Interest on defined benefit pension scheme obligations	1	—	1
Expected return on defined benefit pension scheme assets	(1)	—	(1)
Total	—	—	—
26 weeks ended 29 June 2013			
Finance cost			
Interest on defined benefit pension scheme obligations	—	—	—
Expected return on defined benefit pension scheme assets	—	—	—
Total	—	—	—

Actuarial gains and losses recognised directly in other comprehensive income

	Tussauds Group	Gardaland	Total
	£m	£m	£m
Cumulative amount at 30 December 2007	—	—	—
Net actuarial losses recognised in the period	(1)	—	(1)
Cumulative amount at 27 December 2008	(1)	—	(1)
Net actuarial losses recognised in the period	(1)	—	(1)
Cumulative amount at 26 December 2009	(2)	—	(2)
Net actuarial gains recognised in the period	2	—	2
Cumulative amount at 25 December 2010	—	—	—
Net actuarial losses recognised in the period	(2)	—	(2)
Cumulative amount at 31 December 2011	(2)	—	(2)
Net actuarial losses recognised in the period	—	—	—
Cumulative amount at 29 December 2012	(2)	—	(2)
Net actuarial losses recognised in the period	—	—	—
Cumulative amount at 29 June 2013	(2)	—	(2)

Note 6 Other Notes (continued)

6.2 Employee benefits (continued)

Actuarial assumptions

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

			Tussauds Group			
	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
Discount rate	6.3%	5.6%	5.5%	4.7%	4.5%	4.9%
Expected rate of return on scheme assets	5.9%	5.9%	5.5%	5.4%	5.0%	5.6%
Future salary increases	3.0%	3.7%	3.7%	3.2%	3.4%	3.8%
Rate of price inflation	2.7%	3.4%	3.4%	2.9%	3.1%	3.5%

			Gardaland			
	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
Discount rate	4.1%	4.9%	4.1%	5.7%	2.8%	2.9%
Rate of price inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

To develop the expected long-term rate of return on assets assumption of 5.6%, the Existing 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.

Assumptions regarding future mortality are based on published statistics and mortality tables. For the Tussauds Group scheme the actuarial table used is S1PA. The mortality assumption adopted predicts that a current 65 year old male would have a life expectancy to age 86 and a female would have a life expectancy to age 89.

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 £nil in the 2008, 2009, 2010, 2011 and 2012 financial years and H1 2013.

History of actuarial gains and losses

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Present value of the defined benefit obligation	(13)	(16)	(16)	(18)	(20)	(19)
Fair value of scheme assets	9	11	13	13	15	15
Deficit in the schemes	(4)	(5)	(3)	(5)	(5)	(4)
Actuarial adjustments arising on scheme liabilities	2	(2)	1	(1)	(1)	—
Actuarial adjustments arising on scheme assets	(3)	1	1	(1)	1	—

Consolidated statement of financial position reconciliation

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
Liability at beginning of period	(3)	(4)	(5)	(3)	(5)	(5)
Amounts recognised in other comprehensive income in the financial period	(1)	(1)	2	(2)	—	—
Transfers out	—	—	—	—	—	1
Liability at end of period	(4)	(5)	(3)	(5)	(5)	(4)

The Group expects £1 million in contributions to be paid to its defined benefit schemes in the following year.

Note 6 Other Notes (continued)

6.3 Related party transactions

Identity of related parties

The Existing Group has related party relationships with its shareholders, key management personnel, joint ventures and the companies that own the LEGOLAND Malaysia Park.

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Existing Group is committed to subscribing for share capital in IDR Resorts Sdn. Bhd. which together with its subsidiaries owns the park. On this basis, IDR Resorts Sdn. Bhd. and its subsidiaries are deemed to be related parties (together "parties related to LEGOLAND Malaysia"). At 29 June 2013 the Existing Group had not subscribed for share capital in IDR Resorts Sdn. Bhd.

All dealings with related parties are conducted on an arm's length basis.

Transactions with shareholders and other related parties

During the period the Existing 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 Existing Group also entered into transactions with CVC Capital Partners; LEGO, a related party of KIRKBI A/S; Dubai International Capital ("DIC"), a previous shareholder; and Tatweer, a related party of DIC. Transactions entered into, including purchase and sale of goods, payment of fees and royalties, and trading balances outstanding at 27 December 2008, 26 December 2009, 25 December 2010, 31 December 2011, 29 December 2012, 30 June 2012 and 29 June 2013 are as follows:

	Goods and services			
	Sales	Amounts owed by related party	Purchases	Amounts owed to related party
	£m	£m	£m	£m
27 December 2008				
KIRKBI A/S	—	—	4	—
Blackstone Capital Partners	—	—	1	—
DIC	—	—	1	1
LEGO	—	—	13	1
Tatweer	1	1	—	—
	1	1	19	2
26 December 2009				
KIRKBI A/S	—	—	4	—
Blackstone Capital Partners	—	—	2	—
DIC	—	—	1	—
LEGO	—	—	16	1
Tatweer	1	—	—	—
	1	—	23	1
25 December 2010				
KIRKBI A/S	—	—	5	—
Blackstone Capital Partners	—	—	1	—
CVC Capital Partners	—	—	—	—
LEGO	—	1	21	—
	—	1	27	—
31 December 2011				
KIRKBI A/S	—	—	5	1
Blackstone Capital Partners	—	—	1	—
CVC Capital Partners	—	—	1	—
LEGO	—	—	30	—
	—	—	37	1

Note 6 Other Notes (continued)

6.3 Related party transactions (continued)

	Goods and services			
	Sales	Amounts owed by related party	Purchases	Amounts owed to related party
	£m	£m	£m	£m
29 December 2012				
KIRKBI A/S	—	—	7	1
Blackstone Capital Partners	—	—	1	—
CVC Capital Partners	—	—	1	—
LEGO	1	1	37	2
Parties related to LEGOLAND Malaysia	4	4	1	—
	5	5	47	3
30 June 2012 (unaudited)				
KIRKBI A/S	—	—	3	2
Blackstone Capital Partners	—	—	1	—
CVC Capital Partners	—	—	—	—
LEGO	1	1	17	2
	1	1	21	4
29 June 2013				
KIRKBI A/S	—	—	3	2
Blackstone Capital Partners	—	—	—	—
CVC Capital Partners	—	—	—	—
LEGO	1	1	20	3
Parties related to LEGOLAND Malaysia	2	5	—	—
	3	6	23	5

As members of a banking syndicate, certain shareholders (or other parties related to those shareholders) are owners of elements of the Existing Group's bank loan portfolio as described in note 5.2. Balances outstanding are as follows:

	27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
	£m	£m	£m	£m	£m	£m
KIRKBI A/S	14	14	55	54	59	62
Funds advised by parties related to Blackstone Capital Partners	—	—	51	45	38	42
Funds advised by parties related to CVC Capital Partners	—	—	33	32	44	41

Interest is paid and accrued on the same terms as the rest of the banking syndicate as described in note 5.2.

During the 2011 financial year, and based on contractually agreed amounts, the Existing Group recognised a derivative liability in respect of a committed share issue to a certain shareholder which completed during the 2012 financial year with the issue of shares (note 5.7).

Note 6 Other Notes (continued)

6.3 Related party transactions (continued)

Transactions with key management personnel

Key management of the Existing Group (the members of the Executive Board) and their immediate relatives control 7.1% of the voting shares of ME Lux as at 29 June 2013. At 27 December 2008 and 26 December 2009 they also held PECs with a nominal value of £1,410,662 and £1,330,442 respectively.

The compensation of key management was as follows:

	52 weeks ended 27 December 2008	52 weeks ended 26 December 2009	52 weeks ended 25 December 2010	53 weeks ended 31 December 2011	52 weeks ended 29 December 2012	26 weeks ended 30 June 2012	26 weeks ended 29 June 2013
						(unaudited)	
	£m	£m	£m	£m	£m	£m	£m
Key management emoluments including social security costs	1.0	1.2	3.5	3.4	2.6	1.3	1.4
Contributions to money purchase pension schemes	0.1	0.2	0.2	0.2	0.3	0.2	0.2
Share-based payments and other related payments	0.1	0.1	20.8	—	—	—	—
	1.2	1.5	24.5	3.6	2.9	1.5	1.6

6.4 Contingent liabilities

The Existing Group has contingent liabilities arising from local planning obligations and other obligations. At the end of each accounting period the total liability under these obligations could amount to up to £1 million.

6.5 Subsequent events

On 18 September 2013 the Group acquired the Turkuazoo Aquarium in Istanbul, Turkey. An exercise to determine the fair value of the net assets and contingent liabilities acquired is ongoing.

On 21 October 2013 the Group announced its intention to float on the London Stock Exchange.

On 20 September 2013 Arthur Entertainments plc was incorporated with a share capital of one A1 ordinary share of £0.01 and one redeemable share of £50,000 and changed its name to Merlin Entertainments plc on 30 September 2013. Prior to Admission, Merlin Entertainments plc will acquire the entire ordinary share capital of Merlin Entertainments S.à r.l. in consideration for the issue of its shares to the existing shareholders of Merlin Entertainments S.à r.l.

6.6 New standards and interpretations

The following standards and interpretations, issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, have been adopted by the Existing Group with no significant impact on its consolidated financial statements:

- IAS 1 (Amendment) “Presentation of items of other comprehensive income”;
- IAS 1 (Amendment) “Presentation of financial statements – comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes”;
- IAS 16 (Amendment) “Property, plant and equipment – classification of servicing equipment”;
- IAS 32 (Amendment) “Financial instruments: presentation – income tax consequences of distributions”;
- IAS 34 (Amendment) “Interim financial reporting – segment assets and liabilities”;
- IFRS 13 “Fair value measurement”;
- IAS 19 (Amendment) “Defined benefit plans”;
- IFRS 7 (Amendment) “Financial instruments: disclosures – offsetting financial assets and financial liabilities”;
- IAS 32 (Amendment) “Financial instruments: presentation – offsetting financial assets and financial liabilities”.

Note 6 Other Notes (continued)

6.6 New standards and interpretations (continued)

EU endorsed IFRS and interpretations with effective dates after 29 June 2013 relevant to the Existing Group will be implemented in the financial year when the standards become effective.

The IASB has issued the following standards, amendments to standards and interpretations that will be effective for the Existing Group as from 30 June 2013 or after. The Existing Group does not expect any significant impact on its consolidated financial statements from these amendments.

- IFRS 10 "Consolidated financial statements";
- IFRS 11 "Joint arrangements";
- IFRS 12 "Disclosure of interests in other entities";
- IAS 27 "Separate financial statements";
- IAS 28 "Investments in associates and joint ventures".

6.7 Ultimate parent company information

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

6.8 Subsidiary and joint venture undertakings

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

			Ownership					
Subsidiary undertaking	**Country of incorporation**	**Class of share held**	**27 December 2008**	**26 December 2009**	**25 December 2010**	**31 December 2011**	**29 December 2012**	**29 June 2013**
AAE Unit Trust	Australia	—	—	—	—	—	100.0%	100.0%
AQDEV Pty Limited	Australia	Ordinary	—	—	—	100.0%	100.0%	100.0%
Aquia Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Australian Alpine Enterprises Holdings Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Australian Alpine Enterprises Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Australian Alpine Reservation Centre Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Christchurch Investment Company Limited	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Falls Creek Ski Lifts Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Gebi Falls Creek Pty Ltd	Australia	Ordinary	—	—	—	—	57.0%	57.0%
Hotham Heights Developments Ltd	Australia	Ordinary	—	—	—	—	65.0%	65.0%
Hotham Ski Services Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Illawarra Tree Topps Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Limlimbu Ski Flats Ltd	Australia	Ordinary	—	—	—	—	64.0%	64.0%
Living and Leisure Australia Limited	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Living and Leisure Australia Trust	Australia	—	—	—	—	—	100.0%	100.0%
Living and Leisure Australia Management Limited	Australia	Ordinary	—	—	—	—	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

			Ownership					
Subsidiary undertaking	**Country of incorporation**	**Class of share held**	**27 December 2008**	**26 December 2009**	**25 December 2010**	**31 December 2011**	**29 December 2012**	**29 June 2013**
Living and Leisure Finance Trust	Australia	—	—	—	—	—	100.0%	100.0%
LLA Aquariums Pty Limited	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Melbourne Underwater World Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Melbourne Underwater World Trust	Australia	—	—	—	—	—	100.0%	100.0%
ME LoanCo (Australia) Pty Limited	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Merlin Entertainments (Australia) Pty Ltd	Australia	Ordinary	—	—	100.0%	100.0%	100.0%	100.0%
MHSC DP Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
MHSC Hotels Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
MHSC Properties Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
MHSC Transportation Services Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Mount Hotham Management and Reservation Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Mount Hotham Skiing Company Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
MUW Holdings Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Northbank Development Trust	Australia	—	—	—	—	—	100.0%	100.0%
Northbank Place (Vic) Pty Ltd	Australia	Ordinary	—	—	—	—	50.0%	50.0%
Oceanis Australia Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Oceanis Australia Unit Trust	Australia	—	—	—	—	—	100.0%	100.0%
Oceanis Developments Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Oceanis Foundation Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Oceanis Holdings Limited	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Oceanis Korea Unit Trust	Australia	—	—	—	—	—	100.0%	100.0%
Oceanis NB Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Oceanis Northbank Trust	Australia	—	—	—	—	—	100.0%	100.0%
Oceanis Unit Trust	Australia	—	—	—	—	—	100.0%	100.0%
Parkthorn Properties Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
Sydney Attractions Group Pty Ltd	Australia	Ordinary	—	—	—	100.0%	100.0%	100.0%
Sydney Tower Observatory Pty Limited	Australia	Ordinary	—	—	—	100.0%	100.0%	100.0%
Sydney Wildlife World Pty Limited	Australia	Ordinary	—	—	—	100.0%	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
The Otway Fly Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
The Otway Fly Unit Trust	Australia	—	—	—	—	—	100.0%	100.0%
The Sydney Aquarium Company Pty Limited	Australia	Ordinary	—	—	—	100.0%	100.0%	100.0%
Underwater World Sunshine Coast Pty Ltd	Australia	Ordinary	—	—	—	—	100.0%	100.0%
US Fly Trust	Australia	—	—	—	—	—	100.0%	100.0%
White Crystal (Mount Hotham) Pty Ltd	Australia	Ordinary	—	—	—	—	82.6%	82.6%
Madame Tussauds Austria GmbH	Austria	Ordinary	—	—	100.0%	100.0%	100.0%	100.0%
MT Austria Holdings GmbH	Austria	Ordinary	—	—	100.0%	100.0%	100.0%	100.0%
Dirk Frimout Centrum N.V.[1]	Belgium	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Centre Belgium N.V.	Belgium	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments (Canada) Inc	Canada	Ordinary	—	—	—	—	100.0%	100.0%
Madame Tussauds Exhibition (Shanghai) Company Limited	China	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Hong Kong Limited	China	Ordinary	—	—	—	—	—	100.0%
Shanghai Chang Feng Oceanworld Co. Ltd	China	Ordinary	—	—	—	—	100.0%	100.0%
LEGOLAND ApS	Denmark	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LL Datterselskab af december 2012 ApS	Denmark	Ordinary	—	—	—	—	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE France SARL	France	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Dungeon Deutschland GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Heide – Park Soltau GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

			Ownership					
Subsidiary undertaking	**Country of incorporation**	**Class of share held**	**27 December 2008**	**26 December 2009**	**25 December 2010**	**31 December 2011**	**29 December 2012**	**29 June 2013**
LEGOLAND Holidays Deutschland GmbH *(formerly LLD Grundstücksverwaltungs GmbH)*	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LLD Grundstücks GmbH & Co. KG(2)	Germany	Ordinary	100.0%	100.0%	—	—	—	—
LLD Share Beteiligungs GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Deutschland GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gardaland S.r.l.	Italy	Ordinary	97.8%	97.8%	97.8%	97.8%	97.8%	99.9%
Incoming Gardaland S.r.l.	Italy	Ordinary	97.8%	97.8%	97.8%	97.8%	97.8%	99.9%
Merlin Attractions Italy S.r.l.	Italy	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Italy S.r.l.	Italy	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Italy 2 S.r.l.(3)	Italy	Ordinary	100.0%	100.0%	—	—	—	—
Merlin Water Parks S.r.l.	Italy	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ronchi del Garda S.p.A.(4)	Italy	Ordinary	44.7%	44.7%	44.7%	44.7%	44.7%	49.4%
Ronchi S.p.A.	Italy	Ordinary	88.5%	88.5%	88.5%	88.5%	88.5%	90.4%
LEGOLAND Japan Limited	Japan	Ordinary	—	—	—	—	—	100.0%
Merlin Entertainments (Japan) Limited	Japan	Ordinary	—	—	—	100.0%	100.0%	100.0%
Merlin Entertainments Group Luxembourg S.à r.l.	Luxembourg	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Luxembourg 2 S.à r.l.	Luxembourg	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Luxembourg	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Malaysia Hotel Sdn. Bhd	Malaysia	Ordinary	—	—	—	—	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
Merlin Entertainments Group (Malaysia) Sdn. Bhd	Malaysia	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Studios (Malaysia) Sdn. Bhd	Malaysia	Ordinary	—	—	—	100.0%	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Holdings Nederland B.V.	Netherlands	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands	Ordinary	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Auckland Aquarium Limited	New Zealand	Ordinary	—	—	—	100.0%	100.0%	100.0%
Merlin Entertainments (New Zealand) Limited	New Zealand	Ordinary	—	—	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Aquaria Twenty-One Co. Ltd	South Korea	Ordinary	—	—	—	—	100.0%	100.0%
Busan Aquaria Twenty One Co. Ltd	South Korea	Ordinary	—	—	—	—	100.0%	100.0%
Merlin Entertainments (Korea) LLC	South Korea	Ordinary	—	—	—	—	100.0%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand	Ordinary	—	100.0%	100.0%	100.0%	100.0%	100.0%
Siam Ocean World Bangkok Co Ltd	Thailand	Ordinary	—	—	—	—	100.0%	100.0%
Alton Towers Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Alton Towers Resort Operations Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Charcoal CLG 1 Limited *(company limited by guarantee)*	UK	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Charcoal CLG 2 Limited *(company limited by guarantee)*	UK	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Charcoal Holdco Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Charcoal Midco 1 Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Charcoal Newco 1 Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Charcoal Newco 1a Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
Chessington Hotel Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Chessington World of Adventures Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Chessington Zoo Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
CWA PropCo Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND US Holdings Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
London Aquarium (South Bank) Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
London Dungeon Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
London Eye Holdings Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
London Eye Management Services Limited *(formerly The London Eye Company Limited)*	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussaud's Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussaud's Touring Exhibition Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
M.E.G.H. Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Attractions Management Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Attractions Operations Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainment Limited	UK	Ordinary	—	—	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments (Asia Pacific) Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments (Blackpool) Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
Merlin Entertainments Developments Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Finance Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Holdings Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group International Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Operations Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin US Holdings Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Centre (Blackpool) Limited(5)	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Centres Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Marine Conservation Trustees Limited *(formerly Merlin Entertainments Group Finance Limited)*	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
The London Planetarium Company Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
The Millennium Wheel Company Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
The Seal Sanctuary Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
The Tussauds Group Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Thorpe Park Operations Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds (NBD) Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Attractions Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Finance Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
Tussauds Holdings Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Hotels Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Intermediate Holdings Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Theme Parks Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Warwick Castle Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wizard AcquisitionCo Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wizard BondCo Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wizard EquityCo Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wizard NewCo Limited	UK	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Lake George Fly LLC	USA	—	—	—	—	—	100.0%	100.0%
LEGOLAND California LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Discovery Center Boston LLC	USA	—	—	—	—	—	—	100.0%
LEGOLAND Discovery Centre (Dallas) LLC	USA	—	—	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGOLAND Discovery Centre US LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussauds Hollywood LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussaud Las Vegas LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussaud's New York LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussauds Orlando LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Madame Tussauds San Francisco LLC	USA	—	—	—	—	—	—	100.0%
Madame Tussauds Washington LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Florida LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA	Ordinary	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group US LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Merlin Entertainments Group Wheel LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note 6 Other Notes (continued)

6.8 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
Merlin Entertainments North America LLC	USA	—	—	—	—	—	—	100.0%
Merlin Entertainments US NewCo LLC	USA	—	—	—	100.0%	100.0%	100.0%	100.0%
San Francisco Dungeon LLC	USA	—	—	—	—	—	—	100.0%
SEA LIFE Charlotte LLC	USA	—	—	—	—	—	—	100.0%
SEA LIFE Minnesota LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SEA LIFE Orlando LLC	USA	—	—	—	—	—	100.0%	100.0%
SEA LIFE US LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
The Tussauds Group LLC	USA	—	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tussauds Harbour Gateway Inc	USA	Ordinary	100.0%	100.0%	100.0%	100.0%	—	—

Joint venture	Country of incorporation	Class of share held	Ownership 27 December 2008	26 December 2009	25 December 2010	31 December 2011	29 December 2012	29 June 2013
SEA LIFE Helsinki Oy	Finland	Ordinary	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Pirate Adventure Golf Limited	UK	Ordinary	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

Merlin Entertainments S.à r.l. has a US branch with the sole activity of holding certain loan instruments assigned to it by ME Lux.

(1) Increased to 100% in February 2008

(2) LLD Grundstücks GmbH & Co. KG was merged with LLD Grundstücksverwaltungs GmbH during the 2010 financial year.

(3) Merlin Entertainments Group Italy 2 S.r.l. was merged with Merlin Entertainments Group Italy S.r.l. during the 2010 financial year.

(4) 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.

(5) Increased to 100% in May 2008

Merlin Dutch Newco 1 B.V., Merlin Dutch Newco 2 B.V. and Merlin Dutch Newco 3 B.V were liquidated during the 2009 financial year.

PART 13 – PRO FORMA STATEMENT OF NET ASSETS

(A) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The Directors
Merlin Entertainments plc
3 Market Close
Poole
Dorset
BH15 1NQ

30 October 2013

Dear Sirs

Merlin Entertainments plc

We report on the pro forma financial information (the 'Pro Forma Statement of Net Assets') set out in Part 13 of the prospectus dated 30 October 2013, which has been prepared on the basis described in Part 13, for illustrative purposes only, to provide information about how the offering of the ordinary shares might have affected the financial information presented on the basis of the accounting policies to be adopted by the Group in preparing the financial statements for the 52 week period ending 28 December 2013. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Merlin Entertainments plc to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Merlin Entertainments plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Merlin Entertainments plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Merlin Entertainments plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

(B) PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effects of the Global Offer on the net assets of the Group, had the Global Offer taken place on 29 June 2013. The pro forma net assets statement is based on the audited historical financial information of Merlin Entertainments S.à r.l. for the 26 week period ended 29 June 2013 contained in Part 12 of this Prospectus and has been prepared in a manner consistent with the accounting policies to be adopted by the Group in preparing its financial statements for the 52 week period ending 28 December 2013.

The unaudited combined pro forma statement of net assets has been prepared for illustrative purposes only, and by its nature addresses a hypothetical situation and, therefore, does not reflect the Group's actual financial position or results. The unaudited consolidated pro forma statement of net assets is compiled on the basis set out in the notes below and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II to the Prospectus Rules. No account has been taken of any results or other activity since 29 June 2013.

Unaudited pro forma statement of net assets as at 29 June 2013

	Historical net assets at 29 June 2013	Adjustment Net proceeds from the Global Offer	Pro forma net assets at 29 June 2013
	£m note 1	£m note 2	£m
Non-current assets			
Property, plant and equipment	1,354		1,354
Intangible assets	988		988
Investments	—		—
Other receivables	3		3
Deferred tax assets	40		40
	2,385	—	2,385
Current assets			
Inventories	36		36
Trade and other receivables	70		70
Other financial assets	1		1
Cash and cash equivalents	147	165	312
	254	165	419
Total assets	2,639	165	2,804
Current liabilities			
Bank overdrafts	—		—
Interest-bearing loans and borrowings	1		1
Finance leases	—		—
Other financial liabilities	50		50
Trade and other payables	260		260
Tax payable	10		10
Provisions	12		12
Inter-company	—		—
	333	—	333
Non-current liabilities			
Interest-bearing loans and borrowings	1,369		1,369
Finance leases	86		86
Other payables	23		23
Provisions	39		39
Employee benefits	4		4
Deferred tax liabilities	145		145
	1,666	—	1,666
Total liabilities	1,999	—	1,999
Net assets	**640**	**165**	**805**

Notes:

1. The financial information as at 29 June 2013 has been extracted, without material adjustment, from the historical financial information as set out under "Historical Financial Information" in Part 12 of this document. No separate balance sheet of Merlin Entertainments plc has been presented as this company does not have material equity or reserves, and therefore has no impact on the pro forma combined balance sheet.

2. The adjustment reflects the receipt of the net proceeds of the Global Offer of £165 million receivable by the Company, (gross proceeds of £200 million less estimated transaction costs and tax associated with the Global Offer of £35 million). The Company intends to use the net proceeds to reduce net indebtedness owing under the Restated Facilities Agreement by £130 million and to offset costs of £35 million associated with restructuring interest rate swaps after 29 June 2013. The Blackstone Lenders, the CVC Lenders and the KIRKBI Lender are members of the syndicate constituting the lenders under the Restated Facilities Agreement. It is expected that the Blackstone Lenders will receive approximately £3.9 million, the CVC Lenders £3.7 million and the KIRKBI Lender £5.9 million (being their pro rata proportions). Goldman Sachs International, Citibank International PLC, Morgan Stanley Bank International, HSBC Bank plc and UniCredit Bank AG, London Branch are also members of the syndicate constituting the lenders under the Restated Facilities Agreement. It is expected that they will receive approximately £15.4 million, £0.6 million, £0.2 million, £9.9 million and £4.9 million, respectively (being their pro rata proportions). The gross proceeds of the Global Offer, the net proceeds of the Global Offer and the costs and expenses of the Global Offer are based on the mid-point of the Price Range.

3. The Directors believe that, had the Global Offer occurred at the beginning of the last financial period, the earnings of the Group would have been affected. Assuming that a portion of the net offer proceeds was applied to reduce the borrowings of the Group, the impact would have been to reduce finance costs associated with loans with a corresponding increase in earnings.

4. This pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

5. No adjustment has been made to reflect the trading results of the Group since 29 June 2013 or any other change in its financial position in that period.

PART 14 – DETAILS OF THE GLOBAL OFFER

1. THE GLOBAL OFFER

This section should be read in conjunction with the sections entitled Part 3 – Global Offer Statistics and Part 2 – Expected Timetable of Principal Events.

The Global Offer comprises an offer of up to 306,110,253 Ordinary Shares (assuming that the Offer Price is set at the bottom of the Price Range, that the Selling Shareholders sell a sufficient number of Existing Shares to achieve a free float of 30 per cent. and that the Over-allotment Option is not exercised). Of these 306,110,253 Ordinary Shares:

- up to 71, 428,571 are New Shares being offered for subscription by the Company; and
- up to 234,681,682 are Existing Shares being offered for sale by the Selling Shareholders,

in each case by means of an offer of Ordinary Shares in the United Kingdom and elsewhere outside the United States in accordance with Regulation S and by means of an offer of Ordinary Shares in the United States to Qualified Institutional Buyers pursuant to Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

The Company wishes to raise £200 million of primary gross proceeds and the number of Ordinary Shares to be sold by the Selling Shareholders is also dependent on the Offer Price. The number of New Shares to be issued pursuant to the Global Offer will range from 60,606,061 Ordinary Shares if the Offer Price is at the top of the Price Range to 71,428,571 Ordinary Shares if the Offer Price is at the bottom of the Price Range. The number of Existing Shares to be sold pursuant to the Global Offer will range from 132,538,824 Ordinary Shares (assuming the Offer Price is set at the bottom of the Price Range and that the Selling Shareholders sell a sufficient number of Existing Shares to achieve a free float of 20 per cent.) to 242,261,194 Ordinary Shares (assuming the Offer Price is set at the top of the Price Range and that the Selling Shareholders sell a sufficient number of Existing Shares to achieve a free float of 30 per cent.). However, the number of New Shares to be issued may fall outside the New Share Offer Size Range and/or the number of Existing Shares to be sold may fall outside the Existing Share Offer Size Range (in each case subject to the minimum free float requirements agreed by the Company with the UK Listing Authority). See paragraph 2 of this Part 14 – Details of the Global Offer for the steps the Company will take should the New Share Offer Size be set above or below the New Share Offer Size Range and/or the Existing Share Offer Size be set above or below the Existing Share Offer Size Range. The actual number of New Shares to be issued by the Company and Existing Shares to be sold by the Selling Shareholders in the Global Offer will only be determined at the time the Offer Price is determined and could be higher or lower than these numbers. In addition, further Existing Shares representing 10 per cent. of the Global Offer (up to 30,435,585 Existing Shares) will be made available by Blackstone and CVC Holdco pursuant to the Over-allotment Option described below.

The offer outside the United States includes the Intermediaries Offer in the United Kingdom, the Channel Islands and the Isle of Man. The final number of Ordinary Shares allocated pursuant to the Intermediaries Offer will be decided at the absolute discretion of the Company, after consultation with the Joint Global Co-ordinators after the closing date for applications. Ordinary Shares will be allocated to institutional investors in the United Kingdom and elsewhere on the basis determined by the Joint Global Co-ordinators (on behalf of the Underwriters), in consultation with the Company and the Major Shareholders, provided that the final determination as to allocation will be made by the Company and the Major Shareholders. A number of factors will be considered in determining the basis of allocation, including the level and nature of demand for the Ordinary Shares being offered and the objective of encouraging the development of an orderly and liquid after-market in the Ordinary Shares.

Immediately following Admission, it is expected that between 20 per cent. and 30 per cent. of the Ordinary Shares will be held in public hands (assuming that the Over-allotment Option is not exercised) and between 22 per cent. and 33 per cent. will be held in public hands (assuming that the Over-allotment Option is exercised in full).

Certain restrictions that apply to the distribution of this Prospectus and Ordinary Shares in jurisdictions outside the United Kingdom are described in paragraph 13 of this Part 14 – Details of the Global Offer.

The Intermediaries Offer

Members of the general public will not be able to apply directly for Ordinary Shares in the Global Offer from the Company or the Selling Shareholders. However, members of the general public in the United Kingdom, the Channel Islands and the Isle of Man may be eligible to apply for Ordinary Shares through the Intermediaries, by following their relevant application procedures, by no later than 8 November 2013. Underlying Applicants may not make more than one application under the Intermediaries Offer (whether on their own behalf or through other means, including, but without limitation, through a trust or pension plan).

The Intermediaries Offer is being made to retail investors in the United Kingdom, the Channel Islands and the Isle of Man only. Individuals who are aged 18 or over, companies and other bodies corporate, partnerships, trusts, associations and other unincorporated organisations are permitted to apply to subscribe for or purchase Ordinary Shares in the Intermediaries Offer.

No Ordinary Shares allocated under the Intermediaries Offer will be registered in the name of any person whose registered address is outside the United Kingdom, the Channel Islands and the Isle of Man except in certain limited circumstances and with the consent of the Joint Global Co-ordinators. Applications under the Intermediaries Offer must be by reference to the total monetary amount the applicant wishes to invest and not by reference to a number of Ordinary Shares or the Offer Price.

An application for Ordinary Shares in the Intermediaries Offer means that the applicant agrees to acquire the Ordinary Shares at the Offer Price. Each applicant must comply with the appropriate money laundering checks required by the relevant Intermediary. Where an application is not accepted or there are insufficient Ordinary Shares available to satisfy an application in full, the relevant Intermediary will be obliged to refund the applicant as required and all such refunds will be in accordance with the terms provided by the Intermediary to the applicant. The Company, the Underwriters and the Selling Shareholders accept no responsibility with respect to the obligation of the Intermediaries to refund monies in such circumstances.

Intermediaries are prohibited from charging any fees, charges or commissions to a retail investor for making an application for Ordinary Shares on behalf of such retail investor in the Intermediaries Offer. However, Intermediaries may charge retail investors a fee for holding the allocated Ordinary Shares for them (including any fees relating to the opening of an individual savings account or a self-invested personal pension for that purpose), provided that the Intermediary has disclosed the fees and terms and conditions of providing those services to each retail investor prior to the underlying application being made.

In making an application, each Intermediary will also be required to represent and warrant, among other things, that they are not located in the United States and are not acting on behalf of anyone located in the United States.

The Intermediaries may prepare certain materials for distribution or may otherwise provide information or advice to retail investors in the United Kingdom, the Channel Islands and the Isle of Man, subject to the terms of the Intermediaries Terms and Conditions (further details of which are set out at paragraph 15.9 of Part 15 – Additional Information). Any such materials, information or advice are solely the responsibility of the Intermediaries and will not be reviewed or approved by any of the Underwriters, the Selling Shareholders or the Company. Any liability relating to such documents will be for the Intermediaries only. **If an Intermediary makes an offer to a retail investor pursuant to the Intermediaries Offer, that Intermediary shall provide to such retail investor at the time the offer is made (i) a copy of the Prospectus or a hyperlink from which the Prospectus may be obtained and (ii) the terms and conditions of the relevant offer made by the Intermediary to the retail investor.**

Each Intermediary will be informed by the Joint Global Co-ordinators by fax or email of the aggregate number of Ordinary Shares allocated in aggregate to their underlying clients (or to the Intermediaries themselves) and the total amount payable in respect thereof. The aggregate allocation of Ordinary Shares as between the Institutional Offer and the Intermediaries Offer will be determined by the Company in consultation with the Joint Global Co-ordinators (on behalf of the Underwriters). The allocation policy for the Intermediaries Offer will be determined by the Company. The same allocation policy will apply to all Underlying Applicants. Each Intermediary will be required to apply the allocation policy to each of its underlying applications from retail investors. The allocation policy will be made available to Intermediaries prior to the commencement of conditional dealings in the Ordinary Shares. Under the Intermediaries Offer, the Ordinary Shares will be offered outside the United States only in offshore transactions as defined in, and in reliance on, Regulation S.

Pursuant to the Intermediaries Terms and Conditions, the Intermediaries have undertaken to make payment on their own behalf (not on behalf of any other person) of the consideration for the Ordinary Shares allocated, at the Offer Price, to the Joint Global Co-ordinators, in accordance with details to be communicated on or after the time of allocation, by means of CREST against the delivery of the Ordinary Shares at the time and/or date set out Part 2 – Expected Timetable of Principal Events, or at such other time and/or date after the day of publication of the Offer Price as may be agreed by the Company, the Selling Shareholders and the Joint Global Co-ordinators and notified to the Intermediaries.

The publication of this document and/or any supplementary prospectus and any other actions of the Company, the Selling Shareholders, the Underwriters, the Intermediaries or other persons in connection with the Global Offer should not be taken as any representation or assurance by any such person as to the basis on which the number of Ordinary Shares to be offered under the Intermediaries Offer or allocations within the Intermediaries Offer will be determined, and all liabilities for any such action or statement are hereby disclaimed by the Company, the Selling Shareholders and the Underwriters.

Each investor who applies for Ordinary Shares in the Intermediaries Offer through an Intermediary shall, by submitting an application to such Intermediary, be deemed to acknowledge and agree that such investor is not relying on any information or representation other than as is contained in the Prospectus, the Pricing Statement or any supplementary prospectus, that if the laws of any jurisdiction outside the UK are applicable to such investor's agreement to purchase Ordinary Shares, such investor has complied with all such laws and none of the Company, the Selling Shareholders or the Underwriters will infringe any laws of any jurisdiction outside the UK as a result of such investor's rights and obligations under such investor's agreement to purchase Ordinary Shares and under the Articles of Association, and that such investor's personal information may be held and used by the Intermediary, the Selling Shareholders or the Company for purposes relating to the Intermediaries Offer, which may include providing its details to third parties for the purpose of performing credit reference checks, money laundering checks and making tax returns, and keeping a record of applicants under the Intermediaries Offer for a reasonable period of time.

Shareholder Special Discount

By acquiring Ordinary Shares in the Intermediaries Offer, individuals resident in the United Kingdom, the Channel Islands or the Isle of Man may be entitled to certain discounts on the price of Merlin Annual Passes. If, on Admission, any such individual owns such number of Ordinary Shares as represents the minimum number of Ordinary Shares allocated to underlying applicants in the Intermediaries Offer (expected to represent £1,000 in value), they will be entitled to a 30 per cent. discount on the purchase price of either two adult Merlin Annual Passes or one family Merlin Annual Pass. This entitlement would be exercisable by such shareholder for a period of 12 months from the date of Admission.

Each individual will only have one entitlement regardless of the number of Ordinary Shares they own in excess of the minimum allocated to investors under the Intermediaries Offer. The maximum discount available on the price of any Merlin Annual Pass or Merlin Annual Passes through ownership of any Ordinary Shares is limited to the amount specified above and this discount may not be used in conjunction with any other discount or promotion offered by Merlin. This entitlement may not be transferred by any person to anyone else, nor may it be redeemed or exchanged for cash or any other benefit or entitlement. However, a shareholder will be permitted to exercise the entitlement and pass on the relevant Merlin Annual Pass or Passes (as applicable) to another person or persons.

Shortly after Admission, each Intermediary will be sent a number of unique shareholder benefit codes (one per individual allocated Ordinary Shares in the Intermediaries Offer) along with copies of a shareholder discount guide giving information to the individual on how to apply for the shareholder benefit outlined above. The Intermediaries are required to forward, either by email or by mail, one shareholder benefit code and a copy of the shareholder discount guide to each individual allocated Ordinary Shares in the Intermediaries Offer. The individual can then contact the Company to claim the Merlin Annual Pass discount.

If an Intermediary is not willing to forward the shareholder benefit code and shareholder discount guide to the relevant individual the Company is under no obligation to provide the shareholder benefit outlined above to the relevant individual applying for Ordinary Shares through such Intermediary. The Company will not be able to assist those individuals who contact them to claim the shareholder benefit but do not have a shareholder benefit code.

Ownership of Ordinary Shares will not guarantee that any individual is entitled to purchase any number of Merlin Annual Passes other than the Merlin Annual Passes mentioned in this section. Except for the entitlement to the price discount described above, the Group's terms and conditions concerning the purchase and use of Merlin Annual Passes are unchanged by anything in this Prospectus. That entitlement is to be construed as part of those terms and conditions. Nothing in this Prospectus affects any of the Group's terms and conditions concerning entry to, or conduct in, any of its Attractions. Further detail on the precise terms and conditions applicable to the exercise and operation of the shareholder discount described in this section will be contained in a separate booklet which will be sent out after Admission.

Merlin will consider whether a shareholder discount along these or similar lines will continue to operate in future years, but there can be no assurance that any such benefit will be offered to Shareholders in the future.

ISA, SSAS and SIPP

General

The Ordinary Shares will be "qualifying investments" for the stocks and shares component of an ISA and the Board will use its reasonable endeavours to manage the affairs of the Company so as to enable this status to be maintained. Save where an account manager is acquiring Ordinary Shares using available funds in an existing ISA, an investment in Ordinary Shares by means of an ISA is subject to the usual annual subscription limits applicable to new investments into an ISA (for the tax year 2013/14 an individual may invest £11,520 worth of stocks and shares in a stocks and shares ISA).

Sums received by a Shareholder on a disposal of Ordinary Shares will not count towards the Shareholder's annual limit but a disposal of Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year. Individuals wishing to invest in Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility.

The Global Offer

Ordinary Shares allotted or sold under the Global Offer will be eligible for inclusion in an ISA, subject to the applicable subscription limits to new investments into an ISA, as set out above, being complied with.

Secondary market purchases

Ordinary Shares acquired by an account manager by purchase in the secondary market (after Admission), subject to applicable subscription limits, as set out above, will be eligible for inclusion in an ISA.

UK small self administered schemes and self invested personal pensions

The Ordinary Shares will be eligible for inclusion in a UK SSAS or a UK SIPP.

2. THE PRICE AND SIZE OF THE GLOBAL OFFER

All Ordinary Shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price.

The Offer Price and the final number of Ordinary Shares to be issued or sold pursuant to the Global Offer will be jointly agreed by the Company, certain of the Selling Shareholders and the Joint Global Co-ordinators and are expected to be announced on 12 November 2013.

The Pricing Statement, which will contain the Offer Price, the New Share Offer Size and the Existing Share Offer Size, will be published in printed form and available free of charge at the registered office of the Company at 3 Market Close, Poole, Dorset BH15 1NQ. In addition, the Pricing Statement will be published in electronic form and available on the Company's website at www.merlinentertainments.biz. The Company, the Joint Global Co-ordinators and the Selling Shareholders reserve the right to increase or decrease the aggregate number of Ordinary Shares issued and/or sold under the Global Offer.

It is currently expected that the Offer Price will be in the price range of 280 pence to 330 pence per Ordinary Share but the Offer Price may be set within, above or below that Price Range. It is currently expected that the New Share Offer Size and the Existing Share Offer Size will be set within the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above or below the Existing Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Ordinary Shares pursuant to section 87Q of FSMA.

In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected date of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Ordinary Shares would be made clear in the announcement. Full details of statutory rights to withdraw an offer to purchase Ordinary Shares pursuant to section 87Q of FSMA are set out in paragraph 11 of this Part 14 – Details of the Global Offer.

Among the factors which may be considered in determining the Offer Price and the final number of Ordinary Shares to be issued or sold pursuant to the Global Offer are the prevailing market conditions, the level and nature of demand for the Ordinary Shares offered, the prices bid to acquire the Ordinary Shares under the Institutional Offer, the number of Shares required to be issued by the Company and the objective of encouraging the development of an orderly and liquid after-market in the Ordinary Shares. Accordingly, the Offer Price will not necessarily be the highest price at which all of the Ordinary Shares subject to the Global Offer could be issued or sold.

The Ordinary Shares allocated under the Global Offer will be underwritten, subject to certain conditions, by the Underwriters as described in paragraph 9 of this Part 14 – Details of the Global Offer and paragraph 12 of Part 15 – Additional Information.

The rights attaching to the Ordinary Shares issued or sold pursuant to the Global Offer, including any Ordinary Shares sold pursuant to the Over-allotment Option, will be uniform in all respects, including the right to vote and the right to receive all dividends and other distributions declared, made or paid in respect of the Company's share capital after Admission. The Ordinary Shares will, immediately on and from Admission, be freely transferable under the Articles of Association.

The Joint Global Co-ordinators will solicit bids from prospective institutional investors to acquire Ordinary Shares in the Institutional Offer. Prospective investors will be required to specify the number of Ordinary Shares which they would be prepared to acquire either at prices specified by them or at the Offer Price eventually determined by the Company, certain of the Selling Shareholders and the Joint Global Co-ordinators.

In the event that demand for the Ordinary Shares being offered exceeds the number of Ordinary Shares made available in the Global Offer, allocations in respect of the Institutional Offer may be scaled down in any manner at the Joint Global Co-ordinators' discretion, in consultation with the Company and certain of the Selling Shareholders, and applicants under the Institutional Offer may be allocated Ordinary Shares having an aggregate value which is less than the sum applied for. The Joint Global Co-ordinators, in consultation with the Company and the Major Shareholders, may allocate such Ordinary Shares, provided that the final determination as to allocation will be made by the Company and the Major Shareholders (and there is no obligation to allocate such Ordinary Shares proportionately).

Completion of the Global Offer will be subject, *inter alia*, to the determination of the Offer Price and each of the Company's, the principal Selling Shareholders' and the Joint Global Co-ordinators' decisions to proceed with the Global Offer. It will also be subject to the satisfaction of conditions contained in the Underwriting Agreement including Admission occurring and to the Underwriting Agreement not having been terminated. The Global Offer cannot be terminated once unconditional dealings in the Ordinary Shares have commenced. Further details of the Underwriting Agreement are set out in paragraph 12 of Part 15 – Additional Information.

3. APPLICATION PROCEDURE AND ALLOCATION

The Intermediaries Offer

Intermediaries may apply for Ordinary Shares in the Intermediaries Offer in accordance with the relevant provisions of the Intermediaries Terms and Conditions. The allocation policy for the Intermediaries Offer will be determined by the Company. The same allocation policy will apply to all Underlying Applicants. Each Intermediary will be required to apply the allocation policy to each of its underlying applications from retail investors. The allocation policy will be made available to Intermediaries prior to the commencement of conditional dealings in the Ordinary Shares.

Intermediaries will be informed by the Joint Global Co-ordinators by approximately 8.00 a.m. (London time) on 12 November 2013 by fax or e-mail of the aggregate number of Ordinary Shares allocated to such Intermediaries and the total amount payable in respect thereof.

Each Intermediary has irrevocably undertaken to the Company and the Underwriters to make payment of the consideration for the Ordinary Shares allocated, at the Offer Price (on a delivery versus payment basis), to the Joint Global Co-ordinators in accordance with details to be communicated on or after the time of allocation on 12 November 2013, or at such other time and/or date after the day of publication of the Offer Price as may be agreed by the Company and the Joint Global Co-ordinators and notified to the Intermediaries.

The Institutional Offer

Under the Institutional Offer, the Ordinary Shares will be offered to (i) certain institutional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Certain restrictions that apply to the distribution of this document and the offer and sale of the Ordinary Shares in jurisdictions outside the United Kingdom are described in paragraph 13 of this Part 14 – Details of the Global Offer.

The latest time and date for indications of interest in acquiring Ordinary Shares under the Institutional Offer are set out in Part 2 – Expected Timetable of Principal Events but that time may be extended at the discretion of the Joint Global Co-ordinators (with the agreement of the Company and the Selling Shareholders).

Participants in the Institutional Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following pricing and allocation. Prospective investors in the Institutional Offer will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price, and to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

4. REASONS FOR THE GLOBAL OFFER AND USE OF PROCEEDS

The Company is seeking a listing and is making the Global Offer in order to reduce its indebtedness and for general corporate purposes. The Directors believe that the Global Offer and Admission will position the Group for its next stage of development, including by further raising the profile of the Group, assisting in retaining and incentivising employees and providing it with a structure for future growth. The Group expects to receive approximately

£200 million from the subscription of New Shares in the Global Offer before estimated underwriting commissions and other taxes, fees and expenses incurred in connection with the Global Offer of approximately £35 million. As a result, the Company expects to receive net proceeds of £165 million from the Global Offer.

In particular, the Group intends to use:

- £130 million to reduce net indebtedness owing under the Restated Facilities Agreement;
- £35 million to offset costs associated with restructuring interest rate swaps after 29 June 2013; and
- the balance (if any) for general corporate purposes.

The Blackstone Lenders, the CVC Lenders and the KIRKBI Lender are members of the syndicate constituting the lenders under the Restated Facilities Agreement. As a result of the reduction of net indebtedness described above, it is expected that the Blackstone Lenders, the CVC Lenders and the KIRKBI Lender will receive the amounts set out below (being their respective pro rata proportions of the net debt reduction):

Lender	**Amount owed under the Restated Facilities Agreement (£)(1)(2)(3)**	**Amount to be repaid as a result of the reduction by £130 million in the Group's net indebtedness owed under the Restated Facilities Agreement (£)(2)(3)**	**Amount owed following reduction by £130 million in the Group's net indebtedness owed under the Restated Facilities Agreement (£)(2)(3)**
Blackstone Lenders	41,244,851	3,930,993	37,313,858
CVC Lenders	38,539,697	3,673,168	34,866,529
KIRKBI Lender.............	62,043,047	5,913,242	56,129,805

(1) As at 29 October 2013, being the latest practicable date prior to the publication of the Prospectus.

(2) Using the closing exchange rates published by Bloomberg on 28 October 2013.

(3) Excluding any amounts owing under the Group's revolving credit facility.

Goldman Sachs International, Citibank International PLC, Morgan Stanley Bank International, HSBC Bank plc and UniCredit Bank AG, London Branch are also members of the syndicate constituting the lenders under the Restated Facilities Agreement. As a result of the reduction of net indebtedness described above, it is expected that these lenders will receive the amounts set out below (being their respective pro rata proportions of the net debt reduction):

Lender	**Amount owed under the Restated Facilities Agreement (£)(1)(2)(3)**	**Amount to be repaid as a result of the reduction by £130 million in the Group's net indebtedness owed under the Restated Facilities Agreement (£)(2)(3)**	**Amount owed following reduction by £130 million in the Group's net indebtedness owed under the Restated Facilities Agreement (£)(2)(3)**
Goldman Sachs International.............	161,829,431	15,423,752	146,405,679
Citibank International PLC	6,326,372	602,958	5,723,414
Morgan Stanley Bank International.............	2,162,300	206,086	1,956,214
HSBC Bank plc	104,076,424	9,919,388	94,157,035
Unicredit Bank AG, London Branch	51,365,584	4,895,587	46,469,997

(1) As at 29 October 2013, being the latest practicable date prior to the publication of the Prospectus.

(2) Using the closing exchange rates published by Bloomberg on 28 October 2013.

(3) Excluding any amounts owing under the Group's revolving credit facility.

In addition, the Global Offer and Admission will provide the Selling Shareholders with a partial realisation of their investment in the Group. The Group will not receive any proceeds from the sale of Existing Shares or Over-allotment Shares by the Selling Shareholders.

Assuming that the Over-allotment Option is not exercised, the Offer Price is set at the mid-point of the Price Range and that the Selling Shareholders sell a sufficient number of Existing Shares to achieve a free float of 25 per cent., it is estimated that Blackstone will receive approximately £233 million for the sale of its Existing Shares before estimated underwriting commissions and amounts in respect of Stamp duty or SDRT payable by Blackstone in connection with the Global Offer of £6 million, CVC Holdco will receive approximately £192 million for the sale of its Existing Shares before estimated underwriting commissions and amounts in respect of stamp duty or SDRT payable in connection with the Global Offer of £5 million, KIRKBI will receive approximately £68 million for the sale of its Existing Shares before estimated underwriting commissions and amounts payable in respect of stamp duty or SDRT payable in connection with the Global Offer of £2 million and those members of the Board and the Senior Managers on whose behalf Share Plan Nominee is selling Ordinary Shares in the Global Offer will receive in aggregate approximately £29 million for the sale of their Existing Shares before the deduction of underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Global Offer, which, based on the foregoing assumptions, are estimated to amount to up to £1 million.

For more information regarding the effect of the Global Offer on the financial position of the Group, see Part 13 – Pro Forma Statement of Net Assets.

5. OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offer, the Stabilising Manager or any of its agents, may (but will be under no obligation to), to the extent permitted by law, over-allot or effect transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. Such transactions may be effected on the London Stock Exchange and any other securities market, over-the-counter or otherwise and may only be undertaken between commencement of conditional trading of the Ordinary Shares on the London Stock Exchange and 30 days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and no assurance is given that stabilising transactions will be undertaken. Such stabilising transactions, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price.

Save as required by any legal or regulatory obligation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any Over-allotment and/or stabilisation transactions under the Global Offer.

In connection with the Global Offer, the Stabilising Manager may (but will be under no obligation to), for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10 per cent. of the total number of Ordinary Shares comprised in the Global Offer. For the purposes of allowing it to cover over-allotments (if any) and/or to cover short positions relating to stabilisation transactions, the Stabilising Manager has entered into the Over-allotment Option with Blackstone and CVC Holdco pursuant to which the Stabilising Manager may purchase or procure purchasers for the Over-allotment Shares at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before 30 days after the commencement of conditional trading of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respect and will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Global Offer and will form a single class for all purposes with the other Ordinary Shares.

6. STOCK LENDING AGREEMENT

In connection with the arrangements detailed in paragraph 5 of this Part 14 – Details of the Global Offer, the Stabilising Manager has entered into a Stock Lending Agreement with Blackstone and CVC Holdco, pursuant to which the Stabilising Manager will be able to borrow, from Blackstone and CVC Holdco free of charge, Ordinary Shares on Admission up to an amount equal to 15 per cent. of the size of the Global Offer for the purposes, amongst other things, of allowing the Stabilising Manager to settle, at Admission, over-allocations, if any, made in connection with the Global Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement it will be required to return equivalent securities to Blackstone and CVC Holdco by no later than three Business Days following the end of the Stabilising Period.

7. LISTING, DEALING AND SETTLEMENT ARRANGEMENTS

The Global Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, including Admission occurring and becoming effective by 8.00 a.m. (London time) on 15 November 2013 or such later date as may be determined in accordance with such agreement, and to the Underwriting Agreement not have having been terminated. Further details of the Underwriting Agreement are set out in paragraph 9 of this Part 14 – Details of the Global Offer and paragraph 12 of Part 15 – Additional Information.

Application has been made to the Financial Conduct Authority for all the Ordinary Shares to be listed on the Official List and application has been made to the London Stock Exchange for all the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 12 November 2013. The expected date for settlement of such dealings will be 15 November 2013. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued basis". If the Global Offer does not become unconditional in all respects, any such dealings will be of no effect and any such dealings will be at the risk of the parties concerned.

It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on an unconditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 15 November 2013. It is intended that the issue of Ordinary Shares allocated to investors who wish to hold Ordinary Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Global Offer will be distributed from 29 November 2013 or as soon as practicable thereafter by first class post. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account will be at the risk of the person concerned.

In connection with the Global Offer, each of the Underwriters and any affiliate acting as an investor for its own account may take up the Ordinary Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Global Offer. Accordingly, references in this Prospectus to the Ordinary Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters and any affiliate acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

8. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. Upon Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares in the Global Offer will receive Ordinary Shares in uncertificated form.

9. UNDERWRITING AGREEMENT

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they will, subject to (a) the Company, the Selling Shareholders and the Underwriters executing and delivering the Pricing Memorandum; (b) Admission occurring by not later than 8.00 a.m. (London time) on 15 November 2013 or such later time and/or date as the Joint Global Co-ordinators may agree; (c) there having occurred no material adverse event in relation to the Group; and (d) certain other customary conditions, severally procure acquirers for the New Shares to be issued by the Company and purchasers for the Existing Shares to be sold by the Selling Shareholders, in each case under the Global Offer or, failing which, acquire for themselves such Ordinary Shares, in each case, at the Offer Price. The Global Offer will be fully underwritten by the Underwriters upon execution of the Pricing Memorandum (subject to the satisfaction of the conditions described above). Further details of the Underwriting Agreement are set out in paragraph 12 of Part 15 – Additional Information.

The Company, the Selling Shareholders and the Joint Global Co-ordinators expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Global Offer. If such right is exercised, the Global Offer will lapse and any monies received in respect of the Global Offer will be returned to investors without interest.

10. LOCK-UP ARRANGEMENTS

Further details of the lock-up arrangements, which are to be contained in the Underwriting Agreement, are set out in paragraph 12 of Part 15 – Additional Information.

11. WITHDRAWALS

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied to subscribe for or purchase Ordinary Shares in the Global Offer will have at least two clear Business Days following the publication of the supplementary prospectus within which to withdraw their offer to acquire Ordinary Shares in the Global Offer.

In addition, in the event that (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority); and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above or below the Existing Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then applicants who have applied to subscribe for or purchase Ordinary Shares in the Global Offer would have a statutory right to withdraw their offer to subscribe for or purchase Ordinary Shares in the Global Offer in its entirety pursuant to section 87Q of FSMA before the end of a period of two Business Days commencing on the first Business Day after the date on which an announcement of this is published via a Regulatory Information Service announcement (or such later date as may be specified in that announcement). In these circumstances, the Pricing Statement would not be issued until this deadline for exercising such statutory withdrawal rights has ended.

If the application is not withdrawn within the stipulated period, any offer to apply for Ordinary Shares in the Global Offer will remain valid and binding. Institutional investors and Intermediaries wishing to exercise a statutory right to withdraw their offer to subscribe for or purchase Ordinary Shares in the Global Offer must do so by lodging a written notice of withdrawal by hand (during normal business hours only) at the offices of the Receiving Agent, Computershare, at Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE or by facsimile (during normal business hours only) on 0870 703 6112 so as to be received no later than two Business Days after the date on which the supplementary prospectus is published or the date on which an announcement is made (as described above). Notice of withdrawal given by any other means or which is deposited with or received after the expiry of such period will not constitute a valid withdrawal. Applicants who have applied for Ordinary Shares via the Intermediaries, who wish to withdraw an application following publication of a supplementary prospectus or an announcement is made (as described above) should contact the Intermediary through whom they applied for details of how to withdraw an application.

12. FTSE ELIGIBILITY

Subject to satisfying the appropriate criteria, including the sale of sufficient Existing Shares to satisfy the FTSE free float requirement, the Company may be eligible following completion of the Global Offer for inclusion in the FTSE UK Index Series at the quarterly review in December 2013.

13. SELLING AND TRANSFER RESTRICTIONS

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction (other than the United Kingdom) that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published, in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the Global Offer. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an invitation to subscribe for or purchase any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or invitation in such jurisdiction.

13.1 European Economic Area

In relation to each EEA State which has implemented the Prospectus Directive (each a "relevant member state"), no Ordinary Shares have been offered or will be offered pursuant to the Global Offer to the public in that relevant member state prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares may be made to the public in that relevant member state at any time under the following exemptions under the Prospectus Directive, if they are implemented in that relevant member state:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 100, or, if the relevant member state has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per relevant member state, subject to obtaining the prior consent of the Joint Global Co-ordinators; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares will result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Global Offer will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "an offer of any Ordinary Shares to the public" in relation to any Ordinary Shares in any relevant member state means the communication to persons in any form and by any means presenting sufficient information on the terms of the Global Offer and any Ordinary Shares to be offered so as to enable an investor to decide to acquire any Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Global Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares, to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Co-ordinators of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire Ordinary Shares in the Global Offer.

13.2 U.S. Selling Restrictions

The Ordinary Shares have not been, and will not be, registered under the Securities Act or under any applicable securities laws and regulations of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Underwriters may offer Ordinary Shares (1) either directly or through their qualified US registered broker affiliates or agents to persons reasonably believed to be QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and/or (2) outside the United States in compliance with Regulation S under the Securities Act.

In addition, until the expiry of 40 days after the commencement of the Global Offer, an offer or sale of Ordinary Shares within the United States by a dealer (whether or not it is participating in the Global Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from the registration requirements of the Securities Act.

Due to the foregoing restrictions, purchasers of Ordinary Shares in the United States are advised to consult legal counsel prior to making any offer for resale, pledge or other transfer of the Ordinary Shares.

13.3 Rule 144A Ordinary Shares

Each purchaser in the United States of the Ordinary Shares offered hereby will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that (defined terms used herein have the same meaning as defined in Rule 144A or Regulation S under the Securities Act):

(a) it is (i) a QIB, (ii) acquiring such Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (iii) acquiring the Ordinary Shares for investment purposes and not with a view to further distribution of such Ordinary Shares, and (iv) aware, and each beneficial owner of such Ordinary Shares has been advised, that the sale of Ordinary Shares to it is being made in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(b) it understands and agrees that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state, territory or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (A)(i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (iii) pursuant to an exemption from the registration requirements of the Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the Securities Act and, in each case, (B) in accordance with all applicable securities laws;

(c) it acknowledges that the Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Ordinary Shares;

(d) it understands that any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions may not be recognised by the Company and is subject to the right of the Company to require the delivery of an opinion of counsel, certifications or other evidence acceptable to it in form and substance;

(e) the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(I) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, (II) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER AND EACH PURCHASER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. EACH HOLDER, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

(f) notwithstanding anything to the contrary in the foregoing, it understands that Ordinary Shares may not be deposited into any unrestricted depository receipt facility in respect of Ordinary Shares established or maintained by a depository bank unless and until such time as such Ordinary Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(g) it acknowledges that the Company, the Selling Shareholders, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Ordinary Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(h) it agrees that it will give to each person to whom it transfers Ordinary Shares notice of any restrictions on transfer of such Ordinary Shares.

13.4 Regulation S Ordinary Shares

Each purchaser of Ordinary Shares offered outside the United States pursuant to Regulation S will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus, and such other information as it deems necessary to make an investment decision and that:

(a) it is authorised to consummate the purchase of the Ordinary Shares in compliance with all applicable laws and regulations;

(b) it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;

(c) it is acquiring the Ordinary Shares in an offshore transaction outside the United States in a transaction which is in compliance with Regulation S and it is not an affiliate of the Company or a person acting on behalf of such an affiliate;

(d) it will not offer, sell, pledge or transfer any Ordinary Shares, except in accordance with the Securities Act and any applicable laws of any state of the United States and any other jurisdiction; and

(e) the Company, the Selling Shareholders, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Ordinary Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

13.5 Australia

This document (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each purchaser or subscriber of Shares represents and warrants to the Company, the Selling Shareholders, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares each purchaser or subscriber of Shares undertakes to the Company, the Selling Shareholders, the Underwriters that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

13.6 Dubai International Financial Centre

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Conduct Authority ("**DFSA**"). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Ordinary Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Ordinary Shares offered should conduct their own due diligence on the Ordinary Shares. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

13.7 Guernsey

To the extent to which any promotion of the Ordinary Shares which are comprised in the Global Offer is deemed to take place in Guernsey, the Ordinary Shares are only being promoted in or from within the Bailiwick of Guernsey either (i) by persons licensed to do so under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) or (ii) to persons licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended), the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended), the Banking Supervision (Bailiwick of Guernsey) Law, 1994 (as amended) or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 (as amended). Promotion is not being made in any other way.

13.8 Hong Kong

The Global Offer as described in this Prospectus is not being made to any shareholder or investor in Hong Kong. This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or acquire Ordinary Shares by any shareholder or investor in Hong Kong. This Prospectus may not be circulated or distributed in Hong Kong and no advertisement or other offering material relating to any Ordinary Share may be distributed in Hong Kong. This Prospectus will not be registered as a prospectus at the Hong Kong Companies Registry. The Ordinary Shares will not be registered under the securities laws of Hong Kong. Accordingly, the Ordinary Shares may not be offered, sold, pledged, resold, transferred or delivered directly or indirectly, into or within Hong Kong.

13.9 Isle of Man

The Company is not subject to any form of authorisation or approval in the Isle of Man. Investors in the Company are not protected by any statutory compensation arrangements in the event of the Company's failure and the Isle of Man Financial Supervision Commission does not vouch for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

13.10 Japan

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity, organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

13.11 Jersey

This Prospectus constitutes a "financial service advertisement" under the Financial Services (Advertising) (Jersey) Order 2008. Consent under the Control of Borrowing (Jersey) Order 1958 has not been obtained for the circulation of this Prospectus. Accordingly, the offer that is the subject of this Prospectus, may only be made in Jersey where the offer is valid in the United Kingdom or Guernsey and is circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom or Guernsey as the case may be. The Directors may, but are not obliged to, apply for such consent in the future.

13.12 Singapore

This Prospectus has not been registered with the Monetary Authority of Singapore. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, Singapore, and no action has been or will be taken to lodge and/or register this Prospectus in Singapore for the purposes of permitting a public offering of the Ordinary Shares and the public distribution of this Prospectus in Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any applicable provision of the SFA.

When the Ordinary Shares are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

(c) the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust will not be transferred within 6 months after that corporation or that trust has acquired the Ordinary Shares pursuant to an offer made under Section 275 except:

    (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

    (2) where no consideration is or will be given for the transfer; or

    (3) where the transfer is by operation of law.

13.13 Switzerland

This Prospectus does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to Article 27 of the Listing Rules of the SIX Swiss Exchange. The Ordinary Shares will not be listed on the SIX Swiss Exchange and, therefore, the Prospectus does not comply with the disclosure standards of the Listing Rules of the SIX Swiss Exchange. Accordingly, the Ordinary Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors, which do not subscribe for the Ordinary Shares with a view to distribution to the public. The investors will be individually approached by any of the Joint Bookrunners from time to time. This Prospectus is personal to each offeree and does not constitute an offer to any other person. The Prospectus may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly/be distributed or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and will in particular not be copied and/or distributed to the public in or from Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Global Offer, the Group or the Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority ("**FINMA**"), and the offer of Ordinary Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Ordinary Shares.

14. TERMS AND CONDITIONS OF THE GLOBAL OFFER

These terms and conditions apply to investors agreeing to subscribe for New Shares and/or purchase Existing Shares under the Global Offer. Each investor agrees with each of the Company, the Selling Shareholders and the Underwriters to be bound by these terms and conditions as being the terms and conditions upon which Ordinary Shares will be issued and/or sold under the Global Offer. For the avoidance of doubt, these terms and conditions do not apply to the purchase or subscription of Ordinary Shares by an Underlying Applicant who applies for Ordinary Shares through the Intermediaries Offer.

14.1 Agreement to acquire Ordinary Shares

Conditional on (i) Admission occurring on or prior to 15 November 2013 (or such later date as the Joint Global Co-ordinators (on behalf of the Underwriters) and the Company may agree), and (ii) the investor being allocated Ordinary Shares, each investor agrees to become a member of the Company and agrees to acquire Ordinary Shares at the Offer Price. The number of Ordinary Shares allocated to such investor under the Global Offer will be in accordance with the arrangements described in paragraph 2 of this Part 14 – Details of the Global Offer. To the fullest extent permitted by law, each investor acknowledges and agrees that it will not be entitled to exercise any rights to rescind or terminate or, subject to any statutory rights, to withdraw an application for Ordinary Shares in the Global Offer, or otherwise to withdraw from, such commitment.

14.2 Payment for Ordinary Shares

Each investor undertakes to pay the Offer Price for the Ordinary Shares issued to or acquired by such investor in such manner as shall be directed by the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters). In the event of any failure by any investor to pay as so directed by the Joint Global Co-ordinators, the relevant investor will be deemed thereby to have appointed the Joint Global Co-ordinators or any nominee of the Joint Global Co-ordinators to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment will not have been made as directed by the Joint Global Co-ordinators and indemnifies on demand the Joint Global Co-ordinators and/or any relevant nominee of the Joint Global Co-ordinators in respect of any liability for stamp duty and/or SDRT arising in respect of any such sale or sales.

Liability for stamp duty and SDRT is described in paragraph 10.4 of Part 15 – Additional Information.

14.3 Representations and warranties

Each investor and, in the case of sub-paragraphs (k) and (q) below, any person confirming an agreement to subscribe for and/or to purchase Ordinary Shares on behalf of an investor or authorising the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) to notify the investor's name to the Registrars, represents, warrants and acknowledges to each of the Company, the Selling Shareholders and the Underwriters that:

(a) if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for and/or purchase Ordinary Shares under the Global Offer;

(b) the content of this document is exclusively the responsibility of the Company and the Directors and that neither the Underwriters nor any person acting on their behalf is responsible for or will have any liability for any information, representation or statement contained in this document or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by an investor to participate in the Global Offer based on any information, representation or statement contained in this document or otherwise;

(c) in agreeing to subscribe for and/or purchase Ordinary Shares under the Global Offer, the investor is relying on this document and any supplementary prospectus that may be issued by the Company, and not on any other information or representation concerning the Group, the Selling Shareholders, the Ordinary Shares or the Global Offer. Such investor agrees that none of the Company, the Selling Shareholders, the Underwriters nor any of their respective officers, partners or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation. This paragraph 14.3 of Part 14 – Details of the Global Offer will not exclude any liability for fraudulent misrepresentation;

(d) the Underwriters are not making any recommendations to investors or advising any of them regarding the suitability or merits of any transaction they may enter into in connection with the Global Offer, and each investor acknowledges that participation in the Global Offer is on the basis that it is not and will not be a client of any of the Underwriters and that the Underwriters are acting for the Company and the Selling Shareholders and no one else, and they will not be responsible to anyone else for the protections afforded to their respective clients, and that the Joint Global Co-ordinators will not be responsible to anyone other than the Company for providing advice in relation to the Global Offer, the contents of this document or any transaction, arrangements or other matters referred to herein, and the Underwriters will not be responsible to anyone other than the relevant party to the Underwriting Agreement in respect of any representations, warranties, undertakings or indemnities contained in the Underwriting Agreement or for the exercise or performance of the Underwriters' rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained therein;

(e) if the laws of any place outside the United Kingdom are applicable to the investor's agreement to subscribe for and/or purchase Ordinary Shares, such investor has complied with all such laws and none of the Company, the Selling Shareholders or the Underwriters will infringe any laws outside the United Kingdom as a result of such investor's agreement to subscribe for and/or purchase Ordinary Shares or any actions arising from such investor's rights and obligations under the investor's agreement to subscribe for and/or purchase Ordinary Shares and under the Articles (and, in making this representation and warranty, the investor confirms that it is aware of the selling and transfer restrictions set out in paragraph 13 of this Part 14 – Details of the Global Offer);

(f) it understands that no action has been or will be taken in any jurisdiction other than the United Kingdom and (to the extent required) the Channel Islands and the Isle of Man by the Company or any other person that would permit a public offering of the Ordinary Shares, or possession or distribution of this document, in any country or jurisdiction where action for that purpose is required;

(g) if the investor is in any EEA State which has implemented the Prospectus Directive it is: (a) a legal entity which is a qualified investor as defined in the Prospectus Directive; or (b) otherwise permitted by law to be offered and sold Ordinary Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive or other applicable laws;

(h) the investor is not a national, resident or citizen of Australia or Japan or a corporation, partnership or other entity organised under the laws of Australia or Japan, that the investor will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares in Australia or Japan or to any national, resident or citizen of Australia or Japan and the investor acknowledges that the Ordinary Sharers have not been and will not be registered under the applicable securities laws of Australia or Japan and that the same are not being offered for subscription or sale, and may not, directly or indirectly, be offered, sold, transferred or delivered, in Australia or Japan;

(i) the investor is participating in the Global Offer in compliance with the selling and transfer restrictions set out in paragraph 13 of Part 14 – Details of the Global Offer, including the representations and acknowledgements contained therein. The Ordinary Shares have not been and will not be registered under the US Securities Act, or qualified for sale under the laws of any state of the United States. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in or into the United States. The Ordinary Shares are being offered and sold in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and outside the United States in accordance with Regulation S;

(j) the investor is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by it or any other person on the acquisition by it of any Ordinary Shares or the agreement by it to acquire any Ordinary Shares;

(k) in the case of a person who confirms to any Underwriter, on behalf of an investor, an agreement to subscribe for and/or purchase Ordinary Shares and/or who authorises the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) to notify the investor's name to the Registrars, that person represents and warrants that he, she or it has authority to do so on behalf of the investor;

(l) the investor has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 (the "**Regulations**") and, if it is making payment on behalf of a third party, it has obtained and recorded satisfactory evidence to verify the identity of the third party as required by the Regulations;

(m) the investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);

(n) if the investor is in the United Kingdom, it is: (a) a person having professional experience in matters relating to investments who falls within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"); or (b) a high net worth body corporate, unincorporated association or partnership or trustee of a high value trust as described in Article 49(2) of the Financial Promotion Order, or is otherwise a person to whom an invitation or inducement to engage in investment activity may be communicated without contravening section 21 of FSMA;

(o) if they are acquiring Ordinary Shares as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

(p) each investor in a relevant member state of the European Economic Area who acquires any Ordinary Shares under the Global Offer contemplated hereby will be deemed to have represented, warranted and agreed with each of the Underwriters and the Company that:

- it is a qualified investor within the meaning of the law in that relevant member state implementing Article 2(1)(e) of the Prospectus Directive; and
- in the case of any Ordinary Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) it is one of the Intermediaries; or (ii) the Ordinary Shares acquired by it in the Global Offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than qualified investors, as

that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Underwriters has been given to the offer or resale; or (iii) where Ordinary Shares have been acquired by it on behalf of persons in any relevant member state other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer" in relation to any of the Ordinary Shares in any relevant member states means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state;

(q) in the case of a person who confirms to any Underwriter, on behalf of an investor which is an entity other than a natural person, an agreement to subscribe for and/or to purchase Ordinary Shares and/or who authorises the notification of such investor's name to the Registrars, that person warrants that he, she or it has authority to do so on behalf of the investor; and

(r) the Company, the Selling Shareholders and the Underwriters will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

14.4 Supply and disclosure of information

If the Company or the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) or any of their agents request any information about an investor's agreement to subscribe for and/or purchase Ordinary Shares, such investor must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

14.5 Miscellaneous

(a) The rights and remedies of the Company, the Selling Shareholder and the Underwriters under these terms and conditions are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.

(b) On application, each investor may be asked to disclose, in writing or orally, to the Joint Global Coordinators (on behalf of themselves and the other Underwriters):

- if he or she is an individual, his or her nationality; or
- if he, she or it is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

(c) All documents sent by, to, from or on behalf of the investor will be sent at the investor's risk. They may be sent by post to such investor at an address notified to the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters).

(d) Each investor agrees to be bound by the Articles (as amended from time to time) once the Ordinary Shares which such investor has agreed to subscribe for and/or purchase have been issued or transferred to such investor.

(e) The contract to subscribe for and/or purchase Ordinary Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, English law. For the exclusive benefit of the Company, the Selling Shareholders and the Underwriters, each investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an investor in any other jurisdiction.

(f) In the case of a joint agreement to subscribe for and/or purchase Ordinary Shares, references to an investor in these terms and conditions are to each of such investors and any investors' liability is joint and several.

The Company, the Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) expressly reserve the right to modify the Global Offer (including, without limitation, its timetable and settlement) at any time before the Offer Price and allocations are determined.

PART 15 – ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company, its Directors (whose names appear in paragraph 1.1 of Part 9 – Directors, Senior Management and Corporate Governance) and Fru Hazlitt accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company, the Directors and Fru Hazlitt (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION

2.1 The Company was incorporated and registered in England and Wales on 20 September 2013 as a public limited company with registered number 08700412 under the 2006 Act with the name Arthur Entertainments plc and was issued with a trading certificate on 26 September 2013. The Company changed its name to Merlin Entertainments plc on 30 September 2013. The principal legislation under which the Company operates and the Ordinary Shares have been created is the 2006 Act.

2.2 The registered office and the principal place of business in the United Kingdom of the Company is at 3 Market Close, Poole, Dorset BH15 1NQ (telephone number 01202 666900 or, if dialling from outside the United Kingdom, +44 1202 666 900).

3. SHARE CAPITAL

3.1 On incorporation, the share capital of the Company was £50,000.01 comprising:

(a) 1 A1 ordinary share of £0.01 which was allotted, fully paid, as a subscriber share to ME Lux and subsequently transferred to Blackstone Merlin Holdings Limited; and

(b) 1 redeemable share of £50,000 (the **"Redeemable Share"**) which was allotted to ME Lux.

3.2 On 30 October 2013, the Company and the ME Lux Shareholders, amongst others, entered into a share purchase agreement (the "**Reorganisation Agreement**"), pursuant to which the ME Lux Shareholders conditionally sold their entire holding of shares in ME Lux in consideration for the issue to them of a number of A1 preferred ordinary shares of £0.01 each in the capital of the Company, A2 preferred ordinary shares of £0.01 each in the capital of the Company, A3 preferred ordinary shares of £0.01 each in the capital of the Company, A4 preferred ordinary shares of £0.01 each in the capital of the Company and A5 preferred ordinary shares of £0.01 each in the capital of the Company (together, the "**A Ordinary Shares**") and B1 ordinary shares of £0.01 each in the capital of the Company, B2 ordinary shares of £0.01 each in the capital of the Company, B3 ordinary shares of £0.01 each in the capital of the Company, B4 ordinary shares of £0.01 each in the capital of the Company and B5 ordinary shares of £0.01 each in the capital of the Company (together, the "**B Ordinary Shares**") (the A Ordinary Shares and the B Ordinary Shares together, the **"Consideration Shares"**). Following completion of the Reorganisation Agreement the number of Consideration Shares held by each ME Lux Shareholder will be equal to the number of A ordinary shares and B ordinary shares currently held by such ME Lux Shareholder in ME Lux. The Reorganisation Agreement will become wholly unconditional at 12:00 noon on the second Business Day following the date on which the Pricing Statement is published. There are no other conditions to the Reorganisation Agreement. Further details of the Reorganisation Agreement are set out in paragraph 15.8 of this Part 15 – Additional Information.

Upon completion of the Reorganisation Agreement, the Company will become the ultimate holding company of the Group.

Conditional upon and simultaneous with completion of the Reorganisation Agreement, the Company will redeem the Redeemable Share out of distributable reserves created in advance.

The Company has not traded since incorporation and lacks distributable reserves over and above those created for the purpose of redeeming the Redeemable Share. This could restrict the Company's ability to pay future dividends. Therefore, the Company intends to undertake a court-approved capital reduction following Admission in accordance with the 2006 Act and the Companies (Reduction of Share Capital) Order 2008 in order to provide it with the distributable reserves required to support the dividend policy described at paragraph 13 of Part 8 – Business of the Group. The proposed capital reduction will reduce the share premium arising on the bonus issue of fully paid up Ordinary Shares described at paragraph 3.2(d) of this Part 15 – Additional Information and the share premium arising on the New Shares being offered for subscription by the Company as part of the Global Offer. The capital reduction has been approved (conditional on Admission) by a special resolution of the existing shareholders of the Company and will require court approval after Admission.

Effective immediately prior to Admission, the Company will reorganise its share capital into a single class of ordinary shares of 1 pence each (the "**Ordinary Shares**") and adopt the Articles. Such reorganisation will include the following steps:

(a) the conversion of all A Ordinary Shares into Ordinary Shares on a 1:1 basis;

(b) the conversion of the B Ordinary Shares into a certain number of Ordinary Shares in proportions to be determined in accordance with the articles of association of the Company in force at the time of such conversion based on the aggregate valuation of B Ordinary Shares implied by the Offer Price with the remainder of the B Ordinary Shares not so converted into Ordinary Shares being converted into deferred shares of £0.01 each in the capital of the Company (the "**Deferred Shares**");

(c) immediately thereafter, all of such Deferred Shares will be transferred to the Company for no consideration from the persons who, prior to the conversion thereof, held the relevant B Ordinary Shares pursuant to an agreement between the Company and the holders of the B Ordinary Shares dated 30 October 2013 and such Deferred Shares will be cancelled immediately; and

(d) immediately thereafter, a bonus issue of such number of fully paid up Ordinary Shares as is required such that the aggregate number of Ordinary Shares in issue on Admission (but prior to the issue of the New Shares) multiplied by the Offer Price reflects the aggregate value of the Company as determined by the Board prior to Admission. Such issue will be paid up out of the reserve created by the issue of the Consideration Shares by the Company pursuant to the Reorganisation Agreement as described above.

All corporate authorisations and/or Shareholder resolutions required in order to implement the Reorganisation Agreement have been passed as at the date of this document.

3.3 By resolutions passed on 29 October 2013, in the case of the resolutions described in sub-paragraph 3.3(a) to 3.3(f), as ordinary resolutions and, in the case of the resolutions described in sub-paragraphs 3.3(g) to 3.3(m), as special resolutions:

(a) the Directors are generally and unconditionally authorised:

(i) for the purposes of section 551 of the 2006 Act, to exercise all the powers of the Company to allot up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the 2006 Act) of £10,000,000 Ordinary Shares in connection with the capitalisation authorised by the resolution described in sub-paragraph 3.3(a)(ii) below; and

(ii) conditional on the Directors resolving to approve Admission, immediately before Admission, the Directors are authorised (in their sole discretion) to capitalise any part of the amount for the time being standing to the credit of the Company's merger reserve account at the time of such capitalisation, and to appropriate up to such sum to the holders of Ordinary Shares on the register of members of the Company immediately before Admission, and to apply such sum on their behalf in paying up in full at a premium (such premium amount to be determined by the Directors in their sole discretion) such number of Ordinary Shares as the Directors shall determine in their sole discretion and to allot and distribute such shares to such holders pro rata and that such shares shall rank for all purposes pari passu with the existing issued Ordinary Shares but so that no such member shall be entitled to a fraction of a share (and to the extent any fractions of shares would become distributable, the Directors shall have full power to make such provision as they think fit in respect of such fractions taking into account the wider interests of the Company) and to authorise the Directors to take all such other steps as they may deem necessary or desirable to implement such capitalisation,

such authorities to expire on Admission or 11.59 p.m. on 31 March 2014, whichever is earlier;

(b) the Directors are generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to exercise all the powers of the Company to allot up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the 2006 Act) of £1,367,700 A Ordinary Shares and £200,000 B Ordinary Shares, such authority to expire on Admission or 11.59 p.m. on 31 March 2014, whichever is earlier;

(c) the Directors are generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to exercise all the powers of the Company to allot shares and to grant rights to subscribe for, or to convert any security into, shares in the Company, such authority being limited to:

(i) the allotment of up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the 2006 Act) of £714,286 of Ordinary Shares in connection with the Global Offer;

(ii) the allotment of up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the 2006 Act) of £2,623 Ordinary Shares to certain Non-Executive Directors as contemplated in paragraph 6.2 of this Part 15 – Additional Information,

such authorities to expire on 11.59 p.m. on 31 March 2014;

(d) conditional on and following Admission, the Directors are generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to exercise all the powers of the Company to allot shares and to grant rights to subscribe for, or to convert any security into, shares in the Company, such authority being limited to:

(i) the allotment of up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the 2006 Act) equal to one third of the aggregate nominal value of the share capital of the Company assuming the Offer Price is set at the bottom of the Price Range (such amount to be reduced by any allotments of shares or grants of rights to subscribe for, or to convert any security into, shares in the Company made pursuant to the resolution described in sub-paragraph 3.3(d)(ii) below); and

(ii) the allotment of up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the 2006 Act) equal to two thirds of the aggregate nominal value of the share capital of the Company assuming the Offer Price is set at the bottom of the Price Range (such amount to be reduced by any allotments or grants of rights to subscribe for, or to convert any security into, shares in the Company made pursuant to the resolution described in sub-paragraph 3.3(d)(i) above) in connection with an offer by way of a rights issue in favour of the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities),

such authorities to expire at the conclusion of the first annual general meeting of the Company or, if earlier, on 31 October 2014. Immediately following Admission, the authority described in this sub-paragraph 3.3(d) shall be in substitution for, and replace, any existing authority pursuant to section 551 of the 2006 Act to the extent not utilised at the time such resolution becomes effective;

(e) conditional on and following Admission, in accordance with sections 366 and 367 of the 2006 Act, the Company is authorised to:

(i) make political donations to political parties or to independent election candidates not exceeding £100,000 in total;

(ii) make political donations to political organisations (other than political parties) not exceeding £100,000 in total; and

(iii) incur any political expenditure not exceeding £100,000 in total,

during the period beginning with Admission and ending on 31 October 2014 or, if earlier, the conclusion of the first annual general meeting of the Company;

(f) conditional on Admission, approval of the waiver granted by the Panel of the obligations which may otherwise arise, pursuant to Rule 9 of the Takeover Code, for KIRKBI to make a general offer to the Shareholders for all of the Ordinary Shares as a result of the purchase by the Company of Ordinary Shares pursuant to the authority described in sub-paragraph 3.3(j) below, such approval to expire at the conclusion of the first annual general meeting of the Company or, if earlier, on 31 October 2014;

(g) conditional on the allotment and issue by the Company of the Consideration Shares, immediately before the adoption of new articles of association of the Company in accordance with the resolution described in sub-paragraph 3.3(l) below, the share capital of the Company be reorganised such that:

(i) each of the then issued A Ordinary Shares shall be converted into and redesignated as one Ordinary Share with the rights and subject to the restrictions set out in the articles of association of the Company in force at the time of such conversion and redesignation; and

(ii) a number of the then issued B Ordinary Shares shall be converted into and redesignated as one Ordinary Share as determined in accordance with article 5.1(b) of the articles of association of the Company in force at the time of such conversion and redesignation and the remainder of such shares shall each be converted into and redesignated as one Deferred Share, in each case, having the rights and being subject to the restrictions set out in the articles of association of the Company in force at the time of such conversion and redsignation,

such authorities to expire on Admission or 11.59 p.m. on 31 March 2014, whichever is earlier;

(h) the Directors are empowered pursuant to sections 570(1) and 573 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authority described in sub-paragraph 3.3(c) above as if section 561 of the 2006 Act did not apply to any such allotment;

(i) conditional on and following Admission, the Directors are empowered pursuant to sections 570(1) and 573 of the 2006 Act to:

(i) allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authority described in sub-paragraph 3.3(d) above; and

(ii) sell ordinary shares (as defined in section 560(1) of the 2006 Act) held by the Company as treasury shares for cash,

as if section 561 of the 2006 Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:

(A) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under the authority described in sub-paragraph 3.3(d)(ii), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale, but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(B) in the case of the authorisation described in sub-paragraph 3.3(d)(i) (or in the case of any transfer of treasury shares), and otherwise than pursuant to sub-paragraph 3.3(i)(A) above, up to an aggregate nominal amount equal to five per cent. of the aggregate nominal amount of the share capital of the Company assuming the Offer Price is set at the bottom of the Price Range,

such authorisations to expire at the conclusion of the first annual general meeting of the Company or, if earlier, on 31 October 2014. Immediately following Admission, the authority described in this sub-paragraph 3.3(i) shall be in substitution for and shall replace any existing authority pursuant to sections 570(1) and 573 of the 2006 Act to the extent not utilised at the time and date this resolution becomes effective;

(j) conditional on and following Admission, the Company is generally and unconditionally authorised for the purposes of section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its Ordinary Shares on such terms as its Directors may from time to time determine, and where such shares are held in treasury, the Company may use them for the purposes of its employee share schemes, such power to be limited:

(i) to a maximum number of 102,142,857 Ordinary Shares;

(ii) by the condition that the minimum price which may be paid for each Ordinary Share is in the nominal value of such share which amount shall be exclusive of expenses (if any);

(iii) the maximum price (exclusive of expenses) that may be paid for each Ordinary Share is an amount equal to the higher of: (i) 105 per cent. of the average of the middle market quotations for the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, as stipulated by article 5(1) of the EU Buyback and Stabilisation Regulation 2003 (No. 2273/2003);

(iv) unless previously renewed, revoked or varied, such authority shall expire at the conclusion of the first annual general meeting of the Company or on 31 October 2014, whichever is the earlier; and

(v) the Company may, before this authority described in this sub-paragraph 3.3(j) expires, make a contract to purchase Ordinary Shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of Ordinary Shares pursuant to it as if this authority had not expired;

(k) conditional upon Admission and the approval of the High Court of Justice of England and Wales (the **"Court"**), the entire amount standing to the credit of the share premium account and capital redemption reserve of the Company as at 5.00 p.m. on the day immediately preceding the day on which the Court makes an order confirming the reduction of capital described in this sub-paragraph 3.3(k) is cancelled;

(l) immediately before the recapitalisation of the Company's merger reserve account in accordance with the authority described in sub-paragraph 3.3(a) above, the Articles of Association will be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the then existing articles of association; and

(m) a general meeting of the Company other than an annual general meeting may be called on not less than 14 days' notice.

Board undertaking in relation to share capital authorities

At the time that the shareholder resolutions in respect of the share capital authorities described in sub-paragraphs 3.3(d), 3.3(i) and 3.3(j) above were proposed and passed, it was not possible to determine how many New Shares would need to be issued by the Company in order to raise proceeds of £200 million. As a result, the headroom contained within those authorities will mean that, on Admission, the share capital authorities available to the Board until the Company's first annual general meeting or 31 October 2014, whichever is earlier, are in excess of the level of annual authorities generally considered to be appropriate for a listed company. Accordingly, in order to demonstrate that the Group does not intend to breach, inter alia, the guidance of institutional investor bodies (such as the Association of British Insurers, the National Association of Pension Funds and PIRC) or the Pre-Emption Group's "Statement of Principles" regarding routine disapplication of pre-emption rights, the Board has resolved that:

(i) if the authority conferred by the resolutions described in sub-paragraphs 3.3(d)(i) and 3.3(d)(ii) above is in respect of an aggregate nominal amount which exceeds one third and two thirds, respectively, of the share capital of the Company immediately following Admission, it will not exercise that authority in respect of such excess;

(ii) it will limit the exercise of the power conferred by the authority described in sub-paragraph 3.3(i) above, as limited by sub-paragraph (B) of that sub-paragraph, to an aggregate nominal amount which is not more than five per cent. of the share capital of the Company immediately following Admission; and

(iii) if the authority conferred by the resolution described in sub-paragraph 3.3(j) above is in respect of an aggregate number of shares which exceeds ten per cent. of the aggregate number of Ordinary Shares in issue immediately following Admission, it will not exercise that authority in respect of such excess.

3.4 The following table shows the existing ordinary share capital of the Company and the ordinary share capital as it is expected to be immediately following Admission (assuming completion of the steps detailed in this paragraph 3 of Part 15 – Additional Information, that the Offer Price is set at the mid-point of the Price Range).

Existing

	Amount (£)	Number
A1 preferred ordinary share	0.01	1

Immediately following Admission

	Amount (£)	Number
Ordinary Shares	10,155,738	1,015,573,770

3.5 Assuming the Offer Price is set at the mid-point of the Price Range, on 12 November 2013, 65,573,770 New Shares will, subject to Admission, be issued pursuant to the Global Offer. This will dilute existing shareholders (assuming completion of the steps set out in paragraph 3 of this Part 15 – Additional Information) by 6 per cent.

3.6 The provisions of section 561 of the 2006 Act confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 560 of the 2006 Act) which are, or are to be, paid up in cash and apply to the ordinary share capital of the Company except to the extent disapplied by the resolution referred to in paragraph 3.3(i) above. Statutory rights of pre-emption have been disapplied in the manner described in paragraph 3.3(i) above.

3.7 Save as disclosed in this Part 15 – Additional Information:

(a) there has been no change in the amount of the share capital of the Company since its incorporation on 20 September 2013;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with allotment of any share or loan capital of the Company or any of its subsidiaries in the three years preceding the date of this Prospectus; and

(c) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.

3.8 The Ordinary Shares are in registered form and, subject to the provisions of the Regulations, the Directors may permit the holding of Ordinary Shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

3.9 The New Shares being issued pursuant to the Global Offer will be issued at a price of between 280 pence and 330 pence per New Share, representing a premium of between 279 pence and 329 pence over their nominal value of 1 pence each, which price is payable in full on application.

3.10 **Relevant provisions of the Takeover Code**

On Admission, the Takeover Code administered by the Panel on Takeovers and Mergers (the "**Panel**"), will apply to the Company. Rule 9 of the Takeover Code provides that if any person or group of persons acting in concert with each other (a "**concert party**"), acquire an interest in shares which, when taken together with shares in which that person or concert party are already interested: (i) would increase their aggregate interests to an amount carrying 30 per cent. or more of the voting rights in the Company; or (ii) where the persons or concert party are interested in shares which in aggregate carry more than 30 per cent. of the voting rights in the Company but do not hold shares carrying more than 50 per cent. of such voting rights, would increase their percentage of shares carrying voting rights in which they are interested, the person and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company as well as any other class of transferable securities carrying voting rights in the Company at a price not less than the highest price paid for interests in shares in the Company by the acquirer or its concert parties during the previous 12 months.

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company's purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are acting in concert solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders' authority for any such purchase.

Under Note 2 on Rule 37 of the Takeover Code, the exception in Note 1 on Rule 37 described above will not apply, and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when he, she or it had reason to believe that such a purchase of its own shares by the company would take place. However, Note 2 will not normally be relevant unless the relevant person has knowledge that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

The Panel must be consulted in advance in any case where Rule 9 of the Takeover Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30 per cent. or more but does not hold shares carrying more than 50 per cent. of the voting rights of a company, or may become interested in 30 per cent. or more on full implementation of the proposed purchase of own shares. In addition, the Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30 per cent. or more, or may be increased to 30 per cent. or more on full implementation of the proposed purchase of own shares.

Subject to certain limits, the Company has authority to purchase Ordinary Shares under the terms of the shareholder resolution summarised in paragraph 3.3 of this Part 15 – Additional Information. The maximum number of Ordinary Shares that the Company may purchase under this authority is 102,142,857 (subject to the Board undertaking summarised in paragraph 3.3 of this Part 15 – Additional Information). The authority is due to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2014, but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.

If, prior to such expiry:

- the Company were to exercise that authority in full;
- the aggregate percentage shareholding of KIRKBI in the Company immediately following Admission is approximately 29.9 per cent. (on the assumption that the Offer Price is set at the mid-point of the Price Range); and
- none of the Ordinary Shares which KIRKBI holds are purchased by the Company under that buyback authority and no Ordinary Shares had been newly issued by the Company between the date of Admission and the date that the authority is fully exercised,

then KIRKBI's shareholding in the Company would increase to approximately 33.2 per cent. This increase would be less to the extent that any of KIRKBI's Ordinary Shares are purchased by the Company.

In respect of the period from Admission up to the Company's first annual general meeting as a listed company or 31 October 2014, whichever is earlier the Panel has waived any obligation which would otherwise require KIRKBI and any person deemed to be acting in concert with KIRKBI to make a mandatory offer under Rule 9 of the Takeover Code on the grounds that his or their interest in the Ordinary Shares has increased as a result only of that buyback authority. The Company currently expects to seek renewal of that authority from Shareholders at the first annual general meeting of the Company following Admission or 31 October 2014, whichever is earlier, and to seek independent Shareholder consent to an equivalent waiver in respect of any renewed authority to purchase Ordinary Shares that is sought. The granting of the waiver will then also be subject to renewed approval from the Panel, without which Rule 9 of the Takeover Code will apply with respect to increases in interests in Ordinary Shares in the Company caused by the purchase by the Company of its own Ordinary Shares.

Under the 2006 Act, an offeror in respect of a takeover offer for the Company has the right to compulsorily purchase the shares of minority shareholders where the offeror has acquired (or has unconditionally contracted to acquire) at least 90 per cent. in value of the shares to which the offer relates. The notice to compulsorily acquire shares from minority shareholders must be sent within three months of the last day on which the offer can be accepted. The compulsory acquisition of the shares of minority shareholders can be completed at the end of six weeks from the date the notice has been given.

In addition, where there has been a takeover offer for the Company, minority shareholders can require the offeror to purchase their shares provided that at any time before the end of the period within which the offer can be accepted, the offeror has acquired (or has contracted to acquire) at least 90 per cent. in value of all voting shares in the Company, which carry not less than 90 per cent. of the voting rights of all shares in the Company. A minority shareholder can exercise this right at any time until three months after the period within which the offer can be accepted. An offeror which has triggered these rights must give the remaining shareholders notice of their rights within one month from the end of the period in which the offer can be accepted.

3.11 By a resolution of the Board passed on 29 October 2013 and effective immediately following and conditional upon Admission, each of Charles Gurassa, Fru Hazlitt, Ken Hydon and Miguel Ko will be issued and allotted such a number of new Ordinary Shares, at the Offer Price, as is equal to £100,000, £100,000, £100,000 and £500,000, respectively.

4. SUMMARY OF THE ARTICLES OF ASSOCIATION

The Articles of the Company, which are available for inspection at the address specified in paragraph 23 of this Part 15 – Additional Information, contain provisions, inter alia, to the following effect:

(a) Voting rights in respect of Ordinary Shares

(i) Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person or by proxy shall have one vote and upon a poll each such holder who is present in person or by proxy shall have one vote in respect of every share held by him.

(ii) No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph 4(b) below.

(b) Restrictions on Ordinary Shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 793 of the 2006 Act and is in default in supplying to the Company information thereby required within 14 days from the date of service of such notice the Company may serve on such member or on any such person a notice (a "**restriction notice**") in respect of the shares in relation to which the default occurred ("**Default Shares**") and any other shares held at the date of the restriction notice directing that the member shall not be entitled to be present or to vote, either in person or by proxy, at any general meeting or class meeting of the Company. Where the Default Shares represent at least 0.25 per cent. in nominal value of the issued shares of the Company of the same class (excluding any shares of that class held as treasury shares) the restriction notice may in addition direct, inter alia, that any dividend or any part thereof or other money which would otherwise be payable on the Default Shares shall be retained by the Company without liability to pay interest; where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such restricted shares will not be effective; and no transfer of any of the shares held by the member shall be recognised or registered unless the transfer is a permitted transfer or the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which is the subject of the transfer is a restricted share.

(c) Variation of Class Rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to certain company law acts as defined in the 2006 Act (the "**Statutes**"), be abrogated or varied either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of Chapter 3 of part 13 of the 2006 Act (save as stated in section 334(2) to (3)) and the provisions of the Articles relating to general meetings shall apply, mutatis mutandis, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares of that class or by the terms upon which such shares are for the time being held, be deemed not to be abrogated or varied by the creation or issue of further shares ranking pari passu therewith.

(d) Alteration of capital

(i) The Company may by a resolution authorising it to do so in accordance with the 2006 Act consolidate all or any of its share capital into shares of larger nominal amount, sub-divide all or any of its shares into shares of smaller nominal amount.

(ii) Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account and any redenomination reserve in any way.

(iii) Subject to the provisions of the Statutes, any shares may be allotted on terms that they are redeemed or liable to be redeemed at the option of the Company or the shareholders on the terms and in the manner provided for by the Articles.

(iv) Subject to the provisions of the Statutes, the Company may purchase its own shares (including any redeemable shares).

(e) **Transfer of Shares**

(i) The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and, in relation to the transfer of any share (whether a certificated or an uncertificated share), the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List, such discretion may not be exercised in a way which the FCA or LSE regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share.

(ii) Notwithstanding any other provision of the Articles to the contrary, unless otherwise determined by the Directors, any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in the Regulations) such as CREST.

(f) **General Meetings**

(i) An annual general meeting shall be convened by not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice. As the Company is a traded company (as defined in section 360C of the 2006 Act), the provisions of section 307A must be complied with if the meeting is to be called by less than 21 clear days' notice, unless the meeting is of holders of a class of shares. The notice shall specify the place, the day and time of meeting and the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such and shall include the text of the resolution.

(ii) The accidental omission to give notice of a meeting, or of a resolution intended to be moved at a meeting, or to issue an invitation to appoint a proxy with a notice where required by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or of such a resolution or of an invitation to appoint a proxy by any such person, shall not invalidate the proceedings at that meeting.

(g) **Directors**

(i) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not fewer than two. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.

(ii) No Director shall be disqualified by his office from entering into or being otherwise interested in any contract, arrangement or transaction with the Company or in which the Company has a (direct or indirect) interest. Subject to the provisions of the Statutes and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement or transaction or who is so interested be liable to account to the Company for any remuneration or other benefit realised by any such contract, arrangement, transaction or interest by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.

(iii) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(C) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(D) any contract, arrangement or transaction concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he or any person connected with him do not to his knowledge hold an interest (within the meaning of sections 820 to 825 of the 2006 Act) in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;

(E) any contract, arrangement or transaction for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord him any privilege or advantage not generally accorded to the employees to whom the scheme relates;

(F) any contract, arrangement or transaction concerning any insurance which the Company is to purchase and/or maintain for the benefit of Directors or for the benefit of persons who include Directors;

(G) the giving of an indemnity pursuant to the Articles; and

(H) the provision of funds to any Director to meet, or the doing of anything to enable a Director to avoid incurring expenditure of the nature described in section 205(1) or 206 of the 2006 Act.

(iv) If any question shall arise at any meeting as to an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

(v) The Board may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his or her duty under the 2006 Act to avoid conflicts of interest.

(vi) Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement or transaction in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(vii) Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Directors, but the aggregate of all such fees so paid to the Directors shall not exceed (excluding amounts payable under any other provision of the Articles) £1 million per annum or such larger amount as may from time to time be decided by ordinary resolution of the Company. Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine. Each Director may be paid his reasonable travelling, hotel and other expenses properly incurred in attending and returning from meetings of the Directors, or any committee of the Directors or general meeting of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. The Articles do not permit a Director to vote on, or be counted in the quorum in relation to, any resolution of the board concerning his own appointment.

(viii) There shall be no age limit for Directors.

(ix) Each Director shall have the power at any time to appoint as an alternate Director either (A) another Director or (B) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

(x) Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring Director shall be eligible for re-election.

(xi) The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits to, inter alia, any Directors or ex-directors of the Company or of any subsidiary undertaking or parent undertaking of the Company or to the spouses, civil partners, former spouses, former civil partners, children and other relations and dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of any such persons.

(h) **Dividends and Distributions on Liquidation to Shareholders**

(i) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the Statutes and any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

(ii) Subject to the provisions of the Statutes, the Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.

(iii) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

(iv) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(v) On a liquidation, the liquidator may, subject to the Statutes, with the sanction of a special resolution of the Company divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

(i) **Non-United Kingdom Shareholders**

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices unless they have given an address in the United Kingdom to which such notices may be sent.

(j) **Borrowing Powers**

(i) The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the Statutes, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(ii) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Group and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed:

(A) in respect of the period until the approval of the first audited consolidated balance sheet of the Group by the Shareholders in a general meeting, a sum equal to £3,000 million; and

(B) following the approval of the first audited consolidated balance sheet of the Group by the Shareholders in a general meeting, a sum equal to three times the aggregate of (A) the amount paid up on the issued share capital of the Company and (B) the total of the capital and reserves of the Group (including, without limitation, any share premium account, capital redemption reserve and credit balance on the profit and loss or retained earnings account) in each case, whether or not such amounts are available for distribution, all as shown in the latest audited and consolidated balance sheet of the Group but after such adjustments and deductions (including any amounts attributable to intangibles) as are specified in the relevant Article.

(k) **Forfeiture of shares**

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

(l) **Directors' indemnity, insurance and defence**

As far as the applicable statutory provisions allow, the Company may:

(i) indemnify any Director of the Company against any liability;

(ii) indemnify a Director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme;

(iii) purchase and maintain insurance against any liability for any Director referred to in (i) or (ii) above; and

provide any Director referred to in (i) or (ii) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in connection with any actual or threatened or alleged claims, demands, investigations or proceedings, whether civil, criminal or regulatory or in connection with an application for relief (or to enable any such Director to avoid incurring such expenditure).

5. SHARE SCHEMES AND REMUNERATION STRATEGY

ME Lux currently operates the Merlin Entertainments Share Plan (the "**Plan**"). Under the Plan, participants have acquired the beneficial ownership of ordinary shares in the capital of ManCo ("**ManCo Shares**"). The legal title to such shares is held by Merlin Entertainments Share Plan Nominee Limited. ME Lux has also granted awards (the "**Awards**") to participants under the Phantom Sub-Plan to the Plan.

The Plan will be terminated conditional upon Admission, following which no further rights may be granted under it.

In order to continue to provide equity incentives to employees of the Group, conditional on Admission, Merlin shall operate the following employee share plans:

(a) The Merlin Entertainments plc Performance Share Plan (the "**PSP**");

(b) The Merlin Entertainments plc Company Share Option Plan (the "**CSOP**");

(c) The Merlin Entertainments plc Deferred Bonus Plan (the "**DBP**");

(d) The Merlin Entertainments plc All Employee Share Plan (the "**All Employee Plan**") comprising:

(i) UK Sharesave Scheme (the "**UK Sharesave Scheme**");

(ii) US Employee Stock Purchase Plan (the "**US ESPP**"); and

(iii) Overseas Sharesave Scheme (the "**Overseas Sharesave Scheme**"),

(together, the **"Plans"**).

The key terms of the Plans are set out below.

In addition to the Plans, the Company has established a new employee benefit trust in Jersey (the **"New EBT"**), which may be used to provide Ordinary Shares to employees in connection with the Plans. Further details of the New EBT are set out in paragraph 5.7 below.

5.1 Common Features

Each of the Plans contain the following common features unless specifically stated otherwise in the paragraphs below.

(a) Dilution Limits

On any date, no option or award may be granted under any of the Plans if, as a result, either of the following limits would be exceeded:

(i) the aggregate number of Ordinary Shares issued or transferred from treasury or committed to be issued or transferred from treasury pursuant to grants made after Admission during the previous 10 years under all employee share schemes established by the Company (other than to satisfy a dividend accrual payment) would exceed 10 per cent. of the issued ordinary share capital of the Company on that date; or

(ii) the aggregate number of Ordinary Shares issued or transferred from treasury or committed to be issued or transferred from treasury pursuant to grants made after Admission during the previous 10 years under all discretionary employee share schemes established by the Company (other than to satisfy a dividend accrual payment) would exceed five per cent. of the issued ordinary share capital of the Company on that date.

Ordinary Shares which have been the subject of options or awards granted under any of the Plans which have lapsed shall not be taken into account for the purposes of these limits.

Treasury shares will be included within the dilution limits above for as long as this is required by institutional investor guidelines.

(b) Timing

Options and awards under the Plans will normally be granted within 42 days after the approval of the relevant Plan or within 42 days after the announcement of the Company's results for any period. Options and awards may also be granted at any other time when the circumstances are considered by the remuneration committee of the Board (the "**Remuneration Committee**") to be sufficiently exceptional to justify such a grant. Options and awards may only be granted within the period of 10 years beginning with the date on which each of the Plans was adopted. An award under the Plans which takes the form of an option shall not be capable of exercise after the tenth anniversary of its date of grant.

Subject to the limits set out in the sub-paragraph above, options and awards may be satisfied by the issue of new Ordinary Shares or by the transfer of existing Ordinary Shares, either from treasury or otherwise. The Remuneration Committee may in its discretion satisfy awards under the Plans (except the UK Sharesave Scheme, the HMRC approved part of the CSOP and the US ESPP) with a cash alternative payment, or by net settlement in Ordinary Shares.

(c) Administration and amendment

The Plans will be administered by the Remuneration Committee. The Remuneration Committee may amend the Plans by resolution provided that:

(i) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the Plans relating to eligibility, the limitations on the number of Ordinary Shares, cash or other benefits subject to the Plans, a participant's maximum entitlement or the basis for determining a participant's entitlement under the Plans and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the Plans and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and

(ii) no amendment may be made which would alter, to the material disadvantage of a participant, any rights already acquired by him under any of the Plans without the prior approval of the majority of the affected participants.

At any time at which any of the Plans is, and is intended to remain, HMRC approved, no amendment to any key feature of that Plan shall have effect until approved by HMRC.

(d) Variation of capital and adjustment of awards

In the event of a variation in the share capital of the Company or demerger, such adjustments to the number of Ordinary Shares subject to options and awards and the price at which they may be acquired may be made by the Remuneration Committee as it may determine to be appropriate. Where necessary, in relation to the UK Sharesave Scheme and the HMRC approved part of the CSOP, adjustments are subject to the prior approval of HMRC.

(e) Overseas plans

The Remuneration Committee may at any time and without further formality establish further plans in overseas territories, any such plan to be similar to the relevant Plan but modified to take account of local tax, exchange control or securities laws, regulation or practice. Ordinary Shares made available under any such plan will count against any limits on overall or individual participation in the relevant Plan save that only newly issued Ordinary Shares or Ordinary Shares transferred from treasury would count against the overall dilution limits.

Conditional on Admission, Merlin intends to operate executive plans in certain overseas territories on similar terms to the CSOP and the PSP. The All Employee Plan includes the US ESPP, in which employees of Merlin's US subsidiaries will be eligible to participate, and the Overseas Sharesave Scheme, which will be operated in certain overseas territories on similar terms to the UK Sharesave Scheme.

(f) Phantom sub-plans

Each of the Plans, (except the UK Sharesave Scheme, the HMRC approved part of the CSOP and the US ESPP) includes a "Phantom" sub-plan under which cash awards may be granted as an alternative to share awards but on otherwise identical terms.

(g) Other provisions

Until options or awards are exercised or vest, participants have no voting or other rights in respect of the Ordinary Shares subject to those options or awards.

Ordinary Shares issued or transferred pursuant to the Plans will rank pari passu in all respects with Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise or vesting of the relevant option or award.

Benefits obtained under the Plans are not pensionable. Options and awards under the Plans are granted for no consideration and are not assignable or transferable. The Plans are governed by and are to be construed in accordance with the laws of England and Wales.

5.2 PSP

(a) General

It is intended that an initial award of conditional shares is granted to Executive Directors and Senior Managers under the PSP shortly following Admission. The initial PSP award will be subject to the performance conditions described in paragraph 5.2(d) and will vest in 2017 after the release of financial results for the financial year ending 31 December 2016. It is currently intended that there would be no grant under the PSP to these individuals during 2014 and that the next PSP award to these individuals would be granted during 2015.

The initial PSP award to the Chief Executive Officer will be over Ordinary Shares worth 310 per cent. of salary and the initial PSP award to the Chief Financial Officer will be over Ordinary Shares worth 280 per cent. of salary. These award levels have been set by the Remuneration Committee in recognition of the intended absence of a PSP grant in 2014 and are consistent with the Remuneration Committee's current policy that the annualised value of PSP awards to the Chief Executive Officer and Chief Financial Officer should be over Ordinary Shares worth 250 per cent. of salary and 225 per cent. of salary respectively.

Awards to Senior Managers will be over Ordinary Shares with lower multiples of their salary than those applicable to the Executive Directors.

(b) Eligibility

Any employee (including a director) of the Company or any member of the Group shall be eligible to participate in the PSP. The Remuneration Committee may in its absolute discretion grant awards to such eligible employees as it shall select. Participation in the PSP will initially be restricted to executive directors and selected key senior executives.

(c) Awards under the PSP

An award may take one of three forms:

(i) an "**Allocation**", meaning a conditional award of a specified number of Ordinary Shares; or

(ii) an "**Option**" to acquire a specified number of Ordinary Shares at an exercise price determined by the Remuneration Committee which may be a nil or nominal amount; or

(iii) a "**Restricted Share Award**", meaning an allotment or transfer of a specified number of Ordinary Shares to a participant at a purchase or subscription price determined by the Remuneration Committee which may be a nil or nominal amount. Restricted Shares are beneficially owned by the participant from the date of allotment or transfer but are subject to restrictions determined by the Remuneration Committee, for example in relation to forfeiture or sale.

Participants may be granted any combination of awards, whether in a single grant or pursuant to a series of grants.

(d) Performance Conditions

Awards made to Executive Directors will be granted subject to such performance conditions as the Remuneration Committee in its absolute discretion sees fit which must be satisfied before an award may be exercised or vest. Performance will be measured over a period determined by the Remuneration Committee not being less than three years.

The initial PSP awards following Admission will be subject to performance conditions measuring the Company's adjusted earnings per share ("**adjusted EPS**") and return on capital employed ("**ROCE**").

50 per cent. of the initial PSP awards will be subject to a performance condition relating to the growth of the Company's adjusted EPS over a performance period of three financial years. If adjusted EPS for the 2016 financial year exceeds adjusted EPS for the 2013 financial year by 22.5 per cent. (equivalent to 7 per cent. per annum cumulative growth), 10 per cent. of the PSP awards will vest. The maximum 50 per cent. will vest if adjusted EPS for the 2016 financial year exceeds adjusted EPS for the 2013 financial year by 48.2 per cent. (equivalent to 14 per cent. per annum cumulative growth). A sliding scale will operate in between these points. Adjusted EPS will be calculated using the full-year impact of the post Admission financing and tax structure.

The remaining 50 per cent. of the initial PSP awards will be subject to a performance condition relating to the average ROCE for the three financial years ending 27 December 2014, 26 December 2015 and 31 December 2016. If average ROCE is 9 per cent., 12.5 per cent. of the PSP awards will vest. The maximum 50 per cent. will vest if average ROCE is 13 per cent. A sliding scale will operate in between these points.

Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

The Remuneration Committee will regularly monitor the continuing suitability of the performance condition(s) and may impose different conditions on awards granted in subsequent years. Such conditions would not be materially less difficult to satisfy than the condition(s) applying to the initial PSP awards considered in the context of the Company's strategic priorities, shareholder expectations and market conditions prevailing at that time.

(e) Dividend Accrual Payments

The Remuneration Committee may decide, on or before the grant of an award, that, on exercise or vesting of that award, the participant shall be entitled to receive, in addition to the Ordinary Shares to which he then becomes entitled, a payment equal in value to the market value of the aggregate of (i) that number of Ordinary Shares which could have been acquired by reinvesting the dividends which would have been paid to the participant in respect of those Ordinary Shares (the "**Dividend Shares**") between the date of grant and the date on which the award first becomes exercisable or vests if they had been beneficially owned by him over that period and (ii) all dividends paid on the Dividend Shares during the same period. The payment may be made in cash or in an equivalent number of Ordinary Shares.

(f) Individual Limit

The maximum total market value of Ordinary Shares over which awards may be granted to any employee during any financial year of the Company is 350 per cent. of the employee's salary.

For these purposes, the market value of Ordinary Shares will be the market value at or around the date of grant. For the initial PSP award to be granted shortly following Admission, it is intended that the Offer Price will be used as the basis of determining market value.

(g) Exercise/vesting of awards

In normal circumstances, an award may not vest or become exercisable unless the performance condition(s) have been satisfied at the end of the performance period and provided the participant remains employed by the Group. Having become exercisable, an Option may be exercised for a period determined by the Remuneration Committee but ending no later than the day preceding the tenth anniversary of its grant.

If a participant ceases to be employed within the Group before the expiry of the performance period by reason of injury or disability, ill-health, retirement, redundancy, the sale of his employing company or business out of the Group or any other reason determined by the Remuneration Committee:

(i) his awards will vest or become exercisable on the normal vesting date subject to the extent to which the performance condition(s) are satisfied at the end of the normal performance period, unless the Remuneration Committee determines otherwise, in which case his awards will vest or become exercisable on the date of cessation to the extent to which the performance condition(s) are satisfied at that time; and

(ii) the number of Ordinary Shares which vest or over which Options are exercisable will (unless, acting fairly and reasonably, the Remuneration Committee determines otherwise) be pro-rated to reflect the period of employment between grant and cessation relative to the original date on which the award would have vested or become exercisable had the participant not so ceased to be employed within the Group.

If a participant ceases to be employed within the Group before the expiry of the performance period by reason of death, the Remuneration Committee shall determine the extent to which the performance conditions have been satisfied over the reduced period and the number of Ordinary Shares over which awards vest or are exercisable will then be (unless, acting fairly and reasonably, the Remuneration Committee determines otherwise) pro-rated according to the length of the reduced performance period as compared to the original performance period.

(h) Takeover, scheme of arrangement and winding-up

In the event of a takeover or scheme of arrangement or the voluntary winding-up of the Company occurring before the expiry of the performance period, an award will vest or become exercisable and remain exercisable for a period of one month or until the expiry of any compulsory acquisition period, if earlier. The number of Ordinary Shares which vest or over which Options are exercisable will, in these circumstances, be determined by the Remuneration Committee, by reference to the extent to which the performance condition(s) have been fulfilled over the reduced performance period and will then (unless otherwise determined by the Remuneration Committee) be pro-rated according to the length of the reduced performance period as compared to the period commencing on the date of grant and ending on the original date on which the award would have vested or become exercisable had such an event not occurred.

If such an event takes place on or after the expiry of the performance period, a subsisting Option may be exercised for a period of one month to the extent that the performance condition(s) have been fulfilled.

If such an event occurs, an award may also be released in exchange for an equivalent new award to be granted by the acquiring company, if the participant so wishes and the acquiring company agrees.

Where any such event occurs as part of an internal reorganisation of the Company, subsisting awards will be exchanged for new awards granted by the acquiring company unless such an offer is not forthcoming from the acquiring company in which case vesting or exercise as set out above will be permitted.

5.3 CSOP

(a) Introduction

The CSOP consists of an approved part which will be approved by HMRC and an unapproved part. It is intended to grant options under the CSOP to certain eligible employees (excluding executive directors) in connection with Admission.

(b) Eligibility

Options under the CSOP may be granted at the absolute discretion of the Remuneration Committee, to any executive director (who, in the case of an option granted under the HMRC approved part of the CSOP, is obliged to devote not less than 25 hours a week to the performance of the duties of his office or employment with the Company or any participating member of the Group) or to employees of the Company or any participating member of the Group. It is intended that participation in the CSOP will initially be restricted to eligible employees who are not participants in the PSP.

(c) Grant and exercise of options

HMRC approved options may be granted over Ordinary Shares up to a value of £30,000 per participant at the date of grant. In the case of both HMRC approved and unapproved options, the maximum total market value of Shares over which options may be granted to any employee during any financial year is 100 per cent. of his salary (unless the Remuneration Committee determines that special circumstances exist in which case this limit may be exceeded subject to an upper limit of 200 per cent. of salary), subject in the case of HMRC approved options to the overall £30,000 limit set out above.

The exercise price of an option is equal to the market value of an Ordinary Share on the date of grant or, in the case only of an option to acquire Ordinary Shares by subscription, the nominal value of an Ordinary Share if higher. In relation to initial options granted in connection with Admission, the exercise price will be equal to the Offer Price (subject to, in the case of approved options, agreement by HMRC).

Options are generally exercisable between three and 10 years following the date of grant provided that any performance conditions are satisfied.

(d) Performance Conditions

Generally, options will not be subject to performance conditions. However, options to executive directors and other employees, at the absolute discretion of the Remuneration Committee, shall be subject to performance conditions determined by the Remuneration Committee.

(e) Leaving employment

Options normally lapse where a participant ceases to be employed within the Group. However, where a participant ceases to be employed within the Group by reason of death, injury or disability, ill-health, retirement, redundancy, the sale or transfer of the employing company or business to which his employment relates out of the Group or any other reason as the Remuneration Committee may determine, options will become exercisable for a period of six months after cessation (or 12 months in the case of death) and if not exercised shall lapse at the end of that period. The number of Ordinary Shares over which options are exercisable will, in these circumstances, be determined by reference to the extent to which any performance conditions have been fulfilled over the reduced period and will then be pro-rated according to the length of the reduced period when compared to the original performance period, unless the Remuneration Committee in its absolute discretion determines otherwise.

(f) Takeover, scheme of arrangement and winding-up

In the event of a takeover or scheme of arrangement or the voluntary winding-up of the Company occurring before the expiry of the performance period, an option will become exercisable and remain exercisable for a period of one month or until the expiry of any compulsory acquisition period, if earlier. The number of Ordinary Shares over which options are exercisable will, in these circumstances, be determined by reference to the extent to which any performance conditions have been fulfilled over the reduced performance period and will then (unless otherwise determined by the Remuneration Committee) be pro-rated according to the length of the reduced performance period as compared to the period commencing on the date of grant and ending on the original date on which the option would have become exercisable had such an event not occurred.

If such an event takes place on or after the expiry of the performance period, a subsisting option may be exercised for a period of one month to the extent that any performance conditions have been fulfilled.

If such an event occurs, an option may also be released in exchange for an equivalent new option to be granted by the acquiring company, if the participant so wishes and the acquiring company agrees.

Where any such event occurs as part of an internal reorganisation of the Company, subsisting options will be exchanged for new options granted by the acquiring company unless such an offer is not forthcoming from the acquiring company in which case exercise as set out above will be permitted.

5.4 DBP

(a) Eligibility

Any employee (including an executive director) of the Company or any member of the Group shall be eligible to participate in the DBP. The Remuneration Committee may in its absolute discretion grant awards to such eligible employees as it may select.

(b) Grant of Awards

The Remuneration Committee will grant to each participant a Deferred Bonus Award over the number of Ordinary Shares which has an aggregate market value on grant equal to the amount or percentage of the participant's annual bonus which he has chosen to receive or which he is required to receive in the form of a Deferred Bonus Award. A Deferred Bonus Award may be granted in the form of a conditional award or an option.

(c) Clawback

Where the Remuneration Committee determines that exceptional circumstances justify, it may determine that all or any part of a Deferred Bonus Award that has not yet vested will be forfeit and lapse. Exceptional circumstances include a material misstatement of the Company's financial results or a participant having engaged in misconduct justifying summary dismissal.

(d) Dividend Accrual Payments

The Remuneration Committee may decide that, on the vesting of a Deferred Bonus Award, the participant shall be entitled to receive, in addition to the Ordinary Shares to which he then becomes entitled, a payment equal in value to the market value of the aggregate of (i) that number of Ordinary Shares which could have been acquired by reinvesting the dividends which would have been paid to the participant in respect of those Ordinary Shares (the "**Dividend Shares**") between the date of grant and the date on which the Deferred Bonus Award vests or becomes exercisable if they had been beneficially owned by him over that period and (ii) all dividends paid on the Dividend Shares during the same period. The payment may be made in cash or in an equivalent number of Ordinary Shares.

(e) Exercise/vesting of awards

A Deferred Bonus Award will normally vest on the date of vesting, to the extent any condition(s) have been satisfied. No performance conditions apply to the vesting of Deferred Bonus Awards. Deferred Bonus Awards granted to Executive Directors and Senior Managers for the financial year ending 31 December 2014 will vest after a three year period.

If a participant ceases to be employed by any member of the Group before a Deferred Bonus Award vests it will lapse in full unless the participant ceases to be employed by reason of death, injury, ill-health or disability, redundancy, retirement, the sale or transfer of the employing company or business to which his employment relates out of the Group or any other reason permitted by the Remuneration Committee in its absolute discretion, in which case his Deferred Bonus Award will vest on the date of cessation/death.

(f) Takeover, scheme of arrangement and winding-up

In the event of a takeover or scheme of arrangement or the voluntary winding-up of the Company occurring before a Deferred Bonus Award has vested, it will vest in full.

Unless the Remuneration Committee determines otherwise, where any such event occurs as part of an internal reorganisation of the Company, subsisting Deferred Bonus Awards will be exchanged for new awards on terms to be agreed and will then lapse.

(g) Termination

The DBP may be terminated at any time by a resolution of the Remuneration Committee or by the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the DBP commenced. Termination will not affect outstanding rights of participants.

5.5 UK SHARESAVE SCHEME AND OVERSEAS SHARESAVE SCHEME

(a) Introduction

The UK Sharesave Scheme will be approved by HMRC. The Overseas Sharesave Scheme will not be approved for these purposes but will otherwise operate on similar terms to the UK Sharesave Scheme as described below.

(b) Eligible Employees

All employees of the Company or any participating member of the Group (and in the case of the UK Sharesave Scheme, who are United Kingdom tax residents) and who have the requisite minimum period of continuous employment (determined by the Remuneration Committee but not exceeding five years) are eligible to participate. The Remuneration Committee has the absolute discretion to include other employees.

(c) Exercise Price

The exercise price of an option is fixed by the Remuneration Committee but is not less than the higher of (i) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share; and (ii) 80 per cent. of the middle market quotation for dealings in the Ordinary Shares, as derived from the Official List on the date of grant.

(d) Grant of Options

It is intended that the first invitation to apply for options will be made as soon as practicable after Admission.

Subsequently, invitations to apply for options will normally be issued by the Company within 42 days of the announcement of the Company's results for any period. Options shall be granted within 30 days of the date by reference to which the exercise price is determined unless scaling down is necessary, in which case options shall be granted within 42 days of such date.

All eligible employees will be invited to apply for options. It is a condition of such application for participants under the UK Sharesave Scheme that employees enter into a savings contract with an approved institution. Participants under the Overseas Sharesave Scheme may be permitted to make their own savings arrangements, at the Remuneration Committee's discretion. The number of Ordinary Shares subject to an option will be determined by the level of savings.

(e) Savings

Participants may, at the absolute discretion of the Remuneration Committee, be invited to apply for three or five year options. All options under the UK Sharesave Scheme must be linked to a contractual savings scheme entered into by each participant with the savings institution nominated by the Remuneration Committee and approved by HMRC. Participants under the Overseas Sharesave Scheme may be required to enter into a savings arrangement, at the Remuneration Committee's discretion. Participants must save between £5 and £250 per month, such sums to be deducted from the relevant participant's pay to the extent permissible.

Options may be exercised only with an amount not exceeding the available proceeds of the relevant savings contract. The duration of an option is determined at the date of grant.

Participants may withdraw from their savings contract, or savings arrangement or stop saving, at any time, though their options may then lapse. Participants are not obliged to exercise their options at the relevant maturity date. All savings contracts of any individual which are linked to approved savings related options are aggregated for the purpose of the limit on savings of £250 per month.

(f) Exercise of Options

In normal circumstances, options may be exercised during the period of six months commencing on the maturity of the savings contract under the UK Sharesave Scheme and the end of the savings period under the Overseas Sharesave Scheme. Options become exercisable immediately on the death of a participant or on his ceasing employment with a member of the Group due to injury, disability retirement or redundancy, and, in respect of an option held for at least three years, on his leaving employment for any other reason. Options will also become exercisable on a sale or transfer out of the Group of the subsidiary, business or part of a business to which his employment relates, and on a change in control or scheme of arrangement or voluntary winding-up of the Company.

On a change in control or scheme of arrangement, options may, with the consent of the company acquiring control of the Company, be released in consideration of the grant of equivalent rights over the shares of the acquiring company or a company associated with it. Rights are equivalent if, broadly speaking, the aggregate market values of the shares under both the old and new options and the aggregate exercise price of each option are, on the day of exchange, equal.

In all cases where an earlier exercise is permitted, this will be to the extent possible with the proceeds of the related savings.

(g) Termination

The UK Sharesave Scheme and the Overseas Sharesave Scheme may be terminated at any time by a resolution of the Remuneration Committee or by the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the schemes commenced. Termination will not affect outstanding rights of participants.

5.6 THE US ESPP

(a) Introduction

The purpose of the US ESPP is to align US employees with their UK counterparts who will have the opportunity to participate in the UK Sharesave Scheme and with participants eligible to participate in the Overseas Sharesave Scheme. The US ESPP is drafted on similar terms and operates in a similar way to the UK Sharesave Scheme and the Overseas Sharesave Scheme.

The US ESPP provides eligible US employees with the opportunity to acquire Ordinary Shares on the exercise of options through an employee share scheme which qualifies for the tax treatment prescribed by section 423 of the United States Internal Revenue Code of 1986, as amended from time to time.

(b) Eligibility

All US employees of the Company or any participating member of the Group who have the requisite minimum period of continuous employment (determined by the Remuneration Committee but not exceeding two years) are eligible to participate.

(c) Exercise Price

The exercise price of an option is fixed by the Remuneration Committee but is not less than the higher of (i) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share; and (ii) 85 per cent. of the fair market value of a share on the date of grant or 85 per cent. of the fair market value of a share on the date of exercise, if lower.

(d) Grant of Options

Each eligible employee shall be granted an option to acquire whole Ordinary Shares in the Company on a date or dates determined by the Remuneration Committee. All options must be linked to a savings contract entered into by each participant for a period of 24 months or such other period as the Remuneration Committee shall determine (but which shall not be longer than 60 months).

The number of Ordinary Shares subject to an option will be determined by the level of a participant's contribution to their savings contract via payroll deductions. The payroll deductions authorised by a participant shall not exceed a specified monetary maximum established by the Remuneration Committee.

A participant may withdraw at any time until five business days before the scheduled exercise date, though his options may then lapse at which time any balance remaining in the participant's savings account shall be refunded to him.

(e) Exercise of Options

In normal circumstances, options may be exercised on the exercise date as determined by the Remuneration Committee. Pursuant to the exercise of an option, a participant shall automatically acquire the number of whole Ordinary Shares (or at the discretion of the Committee fractions thereof) determined by dividing the total amount of the participant's payroll deductions during the term not previously applied towards the purchase of Ordinary Shares by the option price determined by the Remuneration Committee. In no event shall the number of Ordinary Shares purchased by the participant during the term exceed the number of shares subject to the participant's option.

Where a participant ceases to be employed by reason of death, injury, permanent disability (as determined by the Remuneration Committee), reaching normal retirement age in accordance with the terms of his contract of employment or the sale or transfer of the employing company or business to which his employment relates out of the Group an option may be exercised on (i) the first purchase date following the date of cessation or death or (ii) the date two calendar months after the date of such cessation or death (unless such date does not fall on a business day, in which case the relevant date will be the next business day) and any payroll deductions remaining in the participant's account after such date will be returned.

(f) Termination

The US ESPP may be terminated at any time by the Remuneration Committee or on the date the Remuneration Committee determines that the total number of shares available under the US ESPP is not sufficient to meet all unfilled purchase requirements.

5.7 THE NEW EBT

The Company has established the New EBT which may be operated in connection with the Plans by providing Ordinary Shares to employees. The New EBT is a discretionary trust, administered from Jersey, the beneficiaries of which are the employees and former employees of the Group, their spouses, widows, widowers and children or step-children under the age of 18. The New EBT may hold Ordinary Shares required to satisfy awards and options granted under the Plans. The trustee of the New EBT may acquire or be issued with Ordinary Shares for this purpose and the Company or other member of the Group may provide sufficient funds by way of loan or gift to it. The Company has the power to appoint new and additional trustees or to remove any trustee. With the agreement of the trustee, the Company may amend the trust deed.

5.8 THE MEG LUX EMPLOYEE BENEFIT TRUST (THE "EBT")

On 10 May 2006, MEG Lux established an employee benefit trust which is administered from Jersey by RBC cees Limited, the trustee of the EBT. The purpose of the EBT is to encourage and facilitate the holding of shares in MEG Lux, or any of its group companies (which term includes any company which is its holding company) or ManCo by or for the benefit of its beneficiaries.

As at the date of this document, the EBT held the beneficial interest in 2,015,000 ManCo shares and 750,000 B ordinary shares in ME Lux. These shares will be exchanged for Ordinary Shares and used in connection with settling awards under the Group's existing Merlin Entertainments Share Plan (summarised above).

5.9 REMUNERATION STRATEGY

(a) Overview

The Company's remuneration strategy is to provide pay packages that will:

- motivate and retain the Company's current industry leading employees;
- attract high quality individuals to join the Company;
- encourage and support a high performance culture;
- reward delivery of the Group's business plan and key strategic goals;
- align employees with the interests of shareholders and other external stakeholders.

Consistent with the remuneration strategy, the Remuneration Committee has agreed a post Admission remuneration policy for Executive Directors and Senior Managers whereby:

- salaries will be set at competitive, but not excessive, levels compared to peers and other companies of an equivalent size and complexity;
- performance-related pay, based on stretching targets, will form a significant part of remuneration packages and offer the potential for competitive levels of total pay if targets are delivered;
- there will be a greater emphasis on rewards for delivery of longer-term performance targets than short-term performance targets.

The remuneration framework intended to deliver this policy post Admission for Executive Directors and Senior Managers will be a combination of base salary, benefits, an annual incentive award (as described in paragraph 5.9(b)) and awards under the PSP as described in paragraph 5.2.

Executive Directors and Senior Managers will be eligible to participate in The Merlin Entertainments plc All Employee Share Plan on the same terms as other Group employees. Executive Directors and Senior Managers will also be subject to share ownership guidelines that will require them to retain a holding of Ordinary Shares at levels determined by the Remuneration Committee. Initially, for the Executive Directors, the required holding will be Ordinary Shares worth two times base salary and for Senior Managers, the required holding will be Ordinary Shares worth one times base salary.

As a result of new UK company law, the Company will be required to submit its remuneration policy as it relates to the Directors to a binding vote of Shareholders at the Company's 2014 annual general meeting. Accordingly, the Company will outline its future policy relating to the Directors' remuneration in its report and accounts for its financial year ending 31 December 2013.

(b) Annual incentive awards

Annual incentive awards for senior management, including Executive Directors, for the financial years ending 31 December 2013 and 31 December 2014 will be determined by a combination of Group profit performance and other financial and non-financial performance measures appropriate to an individual's role and business area. A cap or the maximum annual incentive opportunity will be introduced for the financial year ending 31 December 2014 of 150 per cent. of salary for the Chief Executive Officer and 135 per cent. of salary for the Chief Financial Officer. One-third of any annual incentive earned by the Executive Directors and Senior Managers for the financial year ending 31 December 2014 will be deferred into awards over Ordinary Shares under the DBP which is summarised in paragraph 5.4 with such awards vesting after a three year period. Annual incentive awards for the financial year ending 31 December 2013 will be paid wholly in cash.

6. DIRECTORS' AND SENIOR MANAGERS' INTERESTS

6.1 It is expected that the beneficial interests of the Directors, the Senior Managers and Fru Hazlitt in the share capital of the Company on Admission and the corresponding estimates of their beneficial interests immediately following Admission will be as set out in the tables below. Share Plan Nominee will hold legal title to the Ordinary Shares on behalf of the Executive Management Beneficial Shareholders.

(A) Mid-point of the Price Range

Director/ Senior Manager/ Proposed Director	Number of Ordinary Shares immediately prior to Admission(1)(2)	Percentage of existing issued share capital immediately prior to Admission(1)(2)	Number of Ordinary Shares to be sold pursuant to the Global Offer(1)(2)	Percentage of Ordinary Shares to be sold pursuant to the Global Offer(1)(3)	Number of Ordinary Shares following Admission(1)(2)(3)	Percentage of issued share capital following Admission(1)(2)(3)
Mark Allsop	148,150	0.0%	92,316	62.3%	55,834	0.0%
Colin Armstrong	1,767,161	0.2%	441,790	25.0%	1,325,371	0.1%
David Bridgford	1,900,830	0.2%	475,207	25.0%	1,425,623	0.1%
Andrew Carr	5,270,400	0.6%	1,581,120	30.0%	3,689,280	0.4%
Tea Colaianni	1,650,442	0.2%	412,610	25.0%	1,237,832	0.1%
Andy Davies	1,793,672	0.2%	448,418	25.0%	1,345,254	0.1%
Glenn Earlam	3,154,448	0.3%	788,612	25.0%	2,365,836	0.2%
Mark Fisher	3,694,247	0.4%	923,562	25.0%	2,770,685	0.3%
Charles Gurassa	0	0.0%	0	NM	32,787	0.0%
Fru Hazlitt(4)	0	0.0%	0	NM	32,787	0.0%
Ken Hydon	0	0.0%	0	NM	32,787	0.0%
John Jakobsen	3,089,014	0.3%	772,253	25.0%	2,316,761	0.2%
Miguel Ko	0	0.0%	0	NM	163,934	0.0%
Rob Lucas(5)	0	0.0%	0	NM	0	0.0%
Nick MacKenzie	3,154,794	0.3%	788,698	25.0%	2,366,096	0.2%
Dr. Gerry Murphy(6)	0	0.0%	0	NM	0	0.0%
Søren Thorup Sørensen(7)	0	0.0%	0	NM	0	0.0%
Sir John Sunderland	737,626	0.1%	221,288	30.0%	516,338	0.1%
Nick Varney	9,019,354	0.9%	2,705,806	30.0%	6,313,548	0.6%

(B) Bottom of the Price Range

Director/ Senior Manager/ Proposed Director	Number of Ordinary Shares immediately prior to Admission(1)(2)	Percentage of existing issued share capital immediately prior to Admission(1)(2)	Number of Ordinary Shares to be sold pursuant to the Global Offer(1)(2)	Percentage of Ordinary Shares to be sold pursuant to the Global Offer(1)(3)	Number of Ordinary Shares following Admission(1)(2)(3)	Percentage of issued share capital following Admission(1)(2)(3)
Mark Allsop	133,324	0.0%	83,078	62.3%	50,246	0.0%
Colin Armstrong	1,605,086	0.2%	401,271	25.0%	1,203,815	0.1%
David Bridgford	1,739,613	0.2%	434,903	25.0%	1,304,710	0.1%
Andrew Carr	4,910,102	0.5%	1,473,031	30.0%	3,437,071	0.3%
Tea Colaianni	1,487,617	0.2%	371,904	25.0%	1,115,713	0.1%
Andy Davies	1,631,767	0.2%	407,942	25.0%	1,223,825	0.1%
Glenn Earlam	2,875,156	0.3%	718,789	25.0%	2,156,367	0.2%
Mark Fisher	3,418,422	0.4%	854,605	25.0%	2,563,817	0.3%
Charles Gurassa	0	0.0%	0	NM	35,714	0.0%
Fru Hazlitt(4)	0	0.0%	0	NM	35,714	0.0%
Ken Hydon	0	0.0%	0	NM	35,714	0.0%
John Jakobsen	2,809,301	0.3%	702,325	25.0%	2,106,976	0.2%
Miguel Ko	0	0.0%	0	NM	178,571	0.0%
Rob Lucas(5)	0	0.0%	0	NM	0	0.0%
Nick MacKenzie	2,875,504	0.3%	718,876	25.0%	2,156,628	0.2%
Dr. Gerry Murphy(6)	0	0.0%	0	NM	0	0.0%
Søren Thorup Sørensen(7)	0	0.0%	0	NM	0	0.0%
Sir John Sunderland	679,299	0.1%	203,790	30.0%	475,509	0.0%
Nick Varney	8,367,816	0.9%	2,510,345	30.0%	5,857,471	0.6%

(C) Top of the Price Range

Director/ Senior Manager/ Proposed Director	Number of Ordinary Shares immediately prior to Admission(1)(2)	Percentage of existing issued share capital immediately prior to Admission(1)(2)	Number of Ordinary Shares to be sold pursuant to the Global Offer(1)(2)	Percentage of Ordinary Shares to be sold pursuant to the Global Offer(1)(3)	Number of Ordinary Shares immediately following Admission(1)(2)(3)	Percentage of issued share capital immediately following Admission(1)(2)(3)
Mark Allsop	160,730	0.0%	100,155	62.3%	60,575	0.0%
Colin Armstrong	1,904,680	0.2%	476,170	25.0%	1,428,510	0.1%
David Bridgford	2,037,620	0.2%	509,405	25.0%	1,528,215	0.2%
Andrew Carr	5,576,107	0.6%	1,672,832	30.0%	3,903,275	0.4%
Tea Colaianni	1,788,596	0.2%	447,149	25.0%	1,341,447	0.1%
Andy Davies	1,931,046	0.2%	482,761	25.0%	1,448,285	0.1%
Glenn Earlam	3,391,424	0.4%	847,856	25.0%	2,543,568	0.3%
Mark Fisher	3,928,281	0.4%	982,070	25.0%	2,946,211	0.3%
Charles Gurassa	0	0.0%	0	NM	30,303	0.0%
Fru Hazlitt(4)	0	0.0%	0	NM	30,303	0.0%
Ken Hydon	0	0.0%	0	NM	30,303	0.0%
John Jakobsen	3,326,346	0.4%	831,586	25.0%	2,494,760	0.2%
Miguel Ko	0	0.0%	0	NM	151,515	0.0%
Rob Lucas(5)	0	0.0%	0	NM	0	0.0%
Nick MacKenzie	3,391,768	0.4%	847,942	25.0%	2,543,826	0.3%
Dr. Gerry Murphy(6)	0	0.0%	0	NM	0	0.0%
Søren Thorup Sørensen(7)	0	0.0%	0	NM	0	0.0%
Sir John Sunderland	787,114	0.1%	236,134	30.0%	550,980	0.1%
Nick Varney	9,572,175	1.0%	2,871,652	30.0%	6,700,523	0.7%

(1) Assuming completion of the steps detailed in paragraph 3 of this Part 15 – Additional Information and that the Company raises £200 million of primary gross proceeds and that Admission occurs on 15 November 2013.

(2) Assuming the vesting of Awards under the Plan as more fully described in paragraph 5 of this Part 15 – Additional Information.

(3) Assuming that the Selling Shareholders sell a sufficient number of Existing Shares to achieve a free float of 25 per cent.

(4) Fru Hazlitt will join the Board in early 2014.

(5) Rob Lucas is the CVC Director and has been appointed to the Board in accordance with the terms of the CVC Relationship Agreement.

(6) Dr. Gerry Murphy is the Blackstone Director and has been appointed to the Board in accordance with the terms of the Blackstone Relationship Agreement.

(7) Søren Thorup Sørensen is the KIRKBI Director and has been appointed to the Board in accordance with the terms of the KIRKBI Relationship Agreement.

Save as disclosed in this paragraph 6, none of the Directors nor any of the Senior Managers has any interest in the share capital of the Company.

6.2 Immediately following Admission, each of the following Non-Executive Directors will be issued and allotted Ordinary Shares as set out in the table below pursuant to the Board resolution summarised at paragraph 3.11 of this Part 15 – Additional Information. Each of these new Ordinary Shares will be issued and allotted at the Offer Price.

Non-Executive Director	Amount committed to subscribe for new Ordinary Shares (£)	Number of new Ordinary Shares to be allotted assuming the Offer Price is set at the mid-point of the Price Range
Charles Gurassa	100,000	32,787
Fru Hazlitt	100,000	32,787
Ken Hydon	100,000	32,787
Miguel Ko	500,000	163,934

6.3 Insofar as it is known to the Company, as at 29 October 2013 (being the latest practicable date prior to the publication of this Prospectus, the persons set out in the tables below (other than the Directors and Senior Managers) are expected to have notifiable interests in three per cent. or more of the issued share capital of the Company on Admission and immediately following Admission.

(A) Mid-point of the Price Range

	Interests immediately prior to Admission(1)(2)		Ordinary Shares to be sold pursuant to the Global Offer(3)		Interests immediately following Admission(2)(3)	
Shareholder	No.	% of total issued	No.	% of holding	No.	% of total issued
KIRKBI	325,830,511	34.3	22,156,475	6.8	303,674,036	29.9
Blackstone	303,852,219	32.0	76,443,524	25.2	227,408,695	22.4
CVC Holdco	250,262,839	26.3	62,961,440	25.2	187,301,399	18.4
Share Plan Nominee(4)	70,054,431	7.4	26,441,948	37.9	43,296,197	4.3

(B) Bottom of the Price Range

	Interests immediately prior to Admission(1)(2)		Ordinary Shares to be sold pursuant to the Global Offer(3)		Interests immediately following Admission(2)(3)	
Shareholder	No.	% of total issued	No.	% of holding	No.	% of total issued
KIRKBI	327,923,184	34.5	22,298,777	6.8	305,624,407	29.9
Blackstone	305,803,734	32.2	75,204,800	24.6	230,598,934	22.6
CVC Holdco	251,870,172	26.5	61,941,185	24.6	189,928,987	18.6
Share Plan Nominee(4)	64,402,910	6.8	24,165,491	37.7	39,919,100	3.9

(C) Top of the Price Range

	Interests immediately prior to Admission(1)(2)		Ordinary Shares to be sold pursuant to the Global Offer(3)		Interests immediately following Admission(2)(3)	
Shareholder	No.	% of total issued	No.	% of holding	No.	% of total issued
KIRKBI	324,054,909	34.1	22,035,734	6.8	302,019,175	29.9
Blackstone	302,196,387	31.8	77,493,536	25.6	224,702,851	22.2
CVC Holdco	248,899,041	26.2	63,826,266	25.6	185,072,775	18.3
Share Plan Nominee(4)	74,849,663	7.9	28,375,356	38.1	46,159,744	4.6

(1) Assuming completion of the steps detailed in paragraph 3 of this Part 15 – Additional Information.

(2) Assuming that the Company raises £200 million of primary gross proceeds and that Admission occurs on 15 November 2013.

(3) Assuming no exercise of the Over-allotment Option and that the Selling Shareholders sell a sufficient number of Existing Shares to achieve a free float of 25 per cent.

(4) Share Plan Nominee holds legal title to the Ordinary Shares on behalf of the Small Beneficial Shareholders and the EBT. The estimated number of Existing Shares to be sold by Share Plan Nominee in the Global Offer is further based on the assumption that Share Plan Nominee sells such a number of Existing Shares as is necessary to give effect to the arrangements summarised in paragraph 22 of this Part 15 – Additional Information in respect of Small Beneficial Shareholders.

Save as set out in this paragraph 6.3 and in paragraphs 6.1 and 6.2, the Company is not aware of any person who has or will immediately following Admission have a notifiable interest in three per cent. or more of the issued share capital of the Company.

6.4 Save for KIRKBI, Blackstone and CVC Holdco, the Company is not aware of any person who either as at the date of this Prospectus or immediately following Admission exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company. For further details of the arrangements entered into by the Company and Blackstone, the Company and CVC Holdco and the Company and KIRKBI, see the summaries of the Relationship Agreements in paragraphs 15.5, 15.6 and 15.7 of this Part 15 – Additional Information.

6.5 None of the major shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

6.6 In the financial year ended 29 December 2012, the aggregate of the total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Directors and Senior Managers by members of the Group was £2,709,860. Such remuneration was paid to the Directors as follows:

Director	Annual salary/ fee, bonus and benefits in kind
	(£)
Sir John Sunderland	150,000
Nick Varney	586,252
Andrew Carr	380,706

6.7 No amounts have been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors.

6.8 The Directors, Senior Managers and Fru Hazlitt:

(a) are or have been directors or partners of the following companies and partnerships at any time in the previous five years:

Director/Senior Manager/Proposed Director	Position	Company / Partnership	Position Currently Held
Colin Armstrong	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
	Director	Merlin Entertainments Share Plan Nominee Limited	Yes
	Director	Priors Barton House RTM Company Limited	Yes
	Partner	Eclipse Film Partners No. 4 LLP	Yes
	Partner	The Moonstone Film Partnership	Yes
David Bridgford	Director	Gosmere Farm Barns Management Company Limited	Yes
	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
Andrew Carr	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
	Director	Merlin Entertainments Share Plan Nominee Limited	Yes
	Director	P1 Old Finance Limited	Yes
Tea Colaianni	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
	Director	Alexandra Palace Trading Limited	Yes
Richard Davies	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
Glenn Earlam	Director	GE & PA Developments Limited	Yes
	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes

Director/Senior Manager/Proposed Director	Position	Company / Partnership	Position Currently Held
Mark Fisher	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
	Non-Executive Director	Warwick University Training Limited	Yes
	Non-Executive Director	Warwick University Services Limited	Yes
	Non-Executive Director	Warwick University Enterprises Limited	Yes
Charles Gurassa	Non-Executive Chair	Genfinance II plc	Yes
	Director	National Trust (Enterprises) Limited	Yes
	Trustee	National Trust	Yes
	Non-Executive Director	EasyJet plc	Yes
	Chairman	Tragus Group Limited	Yes
	Chairman	Netnames Group Limited	Yes
	Director	Whitbread plc	No
	Director	The Movement For Non-Mobile Children (Whizz Kidz)	No
	Director	Whizz-Mobility C.I.C.	No
	Non-Executive Chairman	Lovefilm International Limited	No
	Chairman	Mobileserv UKCO Limited	No
	Chairman	Parthenon Media Group Limited	No
	Non-Executive Chairman	Genesis Housing Association Limited	Yes
	Director	7 Days Limited	No
	Director	Camelot Entertainments plc	No
	Chairman	WP Roaming Holdings SA	No
Fru Hazlitt	Director	ITV plc	Yes
	Non-Executive Director	Betfair Group plc	Yes
	Non-Executive Director	Woolworths Group plc	No
Ken Hydon	Director	Pearson plc	Yes
	Company Director	Reckitt Benckiser Group plc	Yes
	Director	Tesco plc	No
	Non-Executive Director	Royal Berkshire NHS Foundation Trust	No
John Jakobsen	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
Miguel Ko	Non-executive Chairman	Starwood Hotels & Resorts Worldwide, Asia Pacific Division	Yes
	Director	Samsonite International S.A.	Yes
	Director	Delta Topco Limited (Jersey)	Yes
	Director	Surbana Consultants Holdings Pte Ltd	Yes
	Director	Changi Airport Group (Singapore) Pte Ltd (CAG)	Yes
	Director	Dragon Moment Development Ltd (BVI)	Yes
	Director	Sisyphus International Ltd (BVI)	Yes
	Director	Dragon Diligent Investment Ltd (BVI)	Yes
	Director	Hung Tai Investment Co.Ltd (BVI)	Yes
	Director	Greenville Park Group Ltd (BVI)	Yes
	Director	Royal Orchid Hotel Company Ltd (SET Thailand)	No
Rob Lucas	Director	CVC Capital Partners Limited	Yes
	Director	Ayot House Residents Limited	Yes
	Director	Acromas Holdings Limited	Yes
	Director	IG Group Holdings plc	No
	Director	CVC Capital Partners SICAV-FIS S.A.	Yes
	Director	ActiveTopCo Limited	Yes

Director/Senior Manager/Proposed Director	Position	Company / Partnership	Position Currently Held
	Director	Greenwave UKCO 3 Limited	Yes
	Director	Victor Luxembourg S.à r.l.	Yes
	Director	Greenwave Acquisitions Limited	Yes
	Director	Starbev Netherlands BV	No
Nicholas MacKenzie	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
Dr. Gerry Murphy	Director	Blackstone Perpetual Investmentco B.V.	Yes
	Member of the Advisory Board	JW Germany Holding GmbH	Yes
	Member of the Supervisory Board	JACK WOLFSKIN Ausrüstung für Draussen GmbH & Co. KGaA	Yes
	Director	United Biscuits Topco Limited	Yes
	Director	British American Tobacco plc	Yes
	Director	Ellerton House (Bryanston Square) Management Company Limited	Yes
	LLP Designated Member	The Blackstone Group International Partners LLP	Yes
	Director	Michaels Stores, Inc	No
	Director	The British Private Equity and Venture Capital Association	No
	Advisory Board Member and Chairman	KP Germany Zweite GmbH	No
	Director and Chairman	Kleopatra Acquisition Corp	No
	Director	The Blackstone Group International Limited	No
Søren Thorup Sørensen	Director	Falck Holding A/S	Yes
	Director	Topdanmark A/S	Yes
	Director	TDC A/S	Yes
	Director	Boston Holding A/S	Yes
	Partner	A.P. Moller – Maersk A/S	No
Sir John Sunderland	Director	AFC Energy plc	Yes
	Director	Barclays Bank plc	Yes
	Director	Barclays plc	Yes
	Deputy President/ President	Chartered Management Institute	No
	Director	Camelot Entertainment plc	No
	Director	Cadbury Schweppes plc	No
	Director	Financial Reporting Council	No
	Director	John Sunderland Associates Ltd	Yes
	Director	Peninsula Heights Freehold Limited	Yes
	Director	Peninsula Heights Management Company Limited	Yes
Nick Varney	Non-Executive Director	Bath Rugby plc	Yes
	'A' Manager	Merlin Entertainments Management Company S.à r.l.	Yes
	Director	People 1St	No
	Director	Sails Management Company Limited	Yes
	Director	Merlin Entertainments Share Plan Nominee Limited	Yes
	Director	P1 Old Finance Limited	Yes

(b) have no convictions relating to fraudulent offences within the last five years;

(c) have not within the previous five years been directors or senior managers of any company at the time of any bankruptcy, receivership or liquidation;

(d) have not within the previous five years received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

6.9 Save as disclosed below, none of the Directors, Senior Managers or Fru Hazlitt has any potential conflicts of interests between their duties to the Company and their private interests or other duties:

(a) The Company and Blackstone have entered into the Blackstone Relationship Agreement to regulate the relationship between them following Admission. As well as being a Non-Executive Director of the Company, Dr. Gerry Murphy is a Senior Managing Director of The Blackstone Group. Blackstone is an affiliate of The Blackstone Group. Dr. Murphy is the current Blackstone Director (as defined in paragraph 15.5 of this Part 15 – Additional Information) under the Blackstone Relationship Agreement. The Blackstone Director as a result of his relationship with The Blackstone Group, may have interests which conflict with those of the Group. The Blackstone Relationship Agreement contains obligations of confidentiality. For more information on the Blackstone Relationship Agreement, see paragraph 15.5 of this Part 15 – Additional Information. The Board has approved those conflicts of interest which have arisen, or which may arise in the future, as a result of Dr. Murphy's current other directorships and his relationship with The Blackstone Group, in accordance with the 2006 Act.

(b) The Company and KIRKBI have entered into the KIRKBI Relationship Agreement to regulate the relationship between them following Admission. As well as being a Non-Executive Director of the Company, Søren Thorup Sørensen is the Chief Executive Officer of KIRKBI. Mr Sørensen is the current KIRKBI Director (as defined in paragraph 15.6 of this Part 15 – Additional Information) under the KIRKBI Relationship Agreement. The KIRKBI Director, as a result of his relationship with KIRKBI, may have interests which conflict with those of the Group. The KIRKBI Relationship Agreement contains obligations of confidentiality. The Board has approved those conflicts of interest which have arisen, or which may arise in the future, as a result of Mr Sørensen's current other directorships and his relationship with KIRKBI, in accordance with the 2006 Act. For more information on the KIRKBI Relationship Agreement, see paragraph 15.6 of this Part 15 – Additional Information.

(c) The Company and CVC Holdco have entered into the CVC Relationship Agreement to regulate the relationship between them following Admission. As well as being a Non-Executive Director of the Company, Rob Lucas is Managing Partner – Head of UK Investments of CVC and is the current CVC Director (as defined in paragraph 15.7 of this Part 15 – Additional Information) under the CVC Relationship Agreement. The CVC Director, as a result of his relationship with CVC Holdco, may have interests which conflict with those of the Group. The CVC Relationship Agreement contains obligations of confidentiality which have effect during his appointment and after termination. The Board has approved those conflicts of interest which have arisen, or which may arise in the future, as a result of Mr Lucas' current other directorships and his relationship with CVC Holdco, in accordance with the 2006 Act. For more information on the CVC Relationship Agreement see paragraph 15.7 of this Part 15 – Additional Information.

The Relationship Agreements contain an obligation on each Director appointed by KIRKBI, the Blackstone Shareholders and CVC Holdco to abstain from voting at any Board meeting on any matter giving rise to a conflict of interests. Further details of the Blackstone Relationship Agreement, the KIRKBI Relationship Agreement and the CVC Relationship Agreement are set out at paragraphs 15.5, 15.6 and 15.7, respectively, of this Part 15 – Additional Information.

7. DIRECTORS SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

7.1 Executive Directors

Nick Varney is employed as Group Chief Executive Officer under a service agreement with Merlin Entertainments plc, deemed to commence with effect from Admission. Mr Varney is entitled to receive an annual salary of £570,000. This salary is to be reviewed, but not necessarily increased, on or about the month of October each year.

Andrew Carr is employed as Group Chief Financial Officer under a service agreement with Merlin Entertainments plc, deemed to commence with effect from Admission. Mr Carr is entitled to receive an annual salary of £345,000. This salary is to be reviewed, but not necessarily increased, on or about the month of October each year.

The Executive Directors are expected to devote the whole of their time and abilities to the performance of their duties during their agreed working hours and in return the Executive Directors will receive the following benefits under the terms of their service agreements:

(i) Reasonable expenses (including home telephone expenses for business and domestic calls together with line rental) will be reimbursed by the Company;

(ii) Contributions paid by the Company of 25 per cent. of salary to a personal pension scheme nominated by the relevant Executive Director;

(iii) Entitlements to the use of a company car of a cost and type to be determined from time to time by the Company and to the use of a fully expensed mobile telephone;

(iv) Entitlements to participate in any employee share plan operated by the Company or any Group Company (subject to eligibility requirements);

(v) Entitlements to be invited to join the annual Merlin Bonus Plan at the Company's absolute discretion;

(vi) Entitlements to participate in a private medical cover scheme (which includes cover for spouses and dependents) and a life assurance scheme of four times annual salary;

(vii) Entitlements to have the benefit of directors' and officers' liability insurance with an indemnity limit of £100 million, maintained by the Company on their behalf during the term of appointment and for a period of six years following the termination or expiry of appointment; and

(viii) 30 days' annual leave per annum plus public holidays.

Mr Varney's and Mr Carr's employment is subject to termination by either party giving the other not less than 12 months' written notice. Both Executive Directors may be put on garden leave during this time. There is no contractual payment in lieu of notice clause. The employment of each Executive Director will be terminable with immediate effect in certain circumstances, including where such Executive Director is disqualified from acting as a director, is guilty of a breach of the rules or regulations issued by the Group or regulations of any regulatory body relevant to the Group, is guilty of gross misconduct affecting the business of the Group, commits any serious breach of any of the provisions of the service agreement, is declared bankrupt, is convicted of a criminal offence (excluding certain road traffic offences), is guilty of any fraud or dishonesty which may bring him or the Group into disrepute, becomes of unsound mind or abuses alcohol or drugs in such a manner as to affect the Executive Director's ability to perform his duties under the service agreement.

The service agreements of the Executive Directors also contain post-termination restrictions. These include twelve month restrictions on competition with the Group and solicitation of employees, suppliers or customers of the Group, and refraining from holding themselves out as connected with the Group at any time following termination.

7.2 Non-Executive Directors

(a) *Sir John Sunderland*

Sir John Sunderland has been appointed Non-Executive Chairman of the Group pursuant to a standard Non-Executive Director's letter dated 29 October 2013 as referred to in paragraph 7.2(b) below, pursuant to which his annual fee will be £250,000 per annum.

The Chairman will be reimbursed all expenses properly and reasonably incurred in the performance of the services which includes expenses incurred in seeking professional advice in relation to the services.

(b) *Independent Non-Executive Directors*

The Company appointed Charles Gurassa, Miguel Ko and Ken Hydon as independent Non-Executive Directors with effect from 20 October 2013 (each an "**Appointment**"). The terms of each Appointment will be contained in letters of appointment which will become effective on Admission. Each Appointment is terminable on three months' notice. Continuation of the Appointment is contingent on satisfactory performance and re-election at the Company's forthcoming annual general meetings and will terminate automatically on the termination of the Appointment by shareholders or, where shareholder approval is required for the Appointment to continue, the withholding of approval by shareholders. Reappointment will be reviewed annually. Each of Charles Gurassa, Ken Hydon and Miguel Ko will receive a fee of £50,000 per annum and will be reimbursed for all proper and reasonable expenses incurred in performing his duties. Charles Gurassa will receive an additional fee of £10,000 per annum for so long as he holds the position of Senior Independent Non-Executive Director, and a further fee of £10,000 per annum for so long as he holds the position of Chair of the Remuneration Committee.

Ken Hydon will receive an additional fee of £10,000 per annum for so long as he holds the position of Chairman of the Audit Committee.

Under their Appointments, each of Charles Gurassa, Miguel Ko and Ken Hydon are required to devote sufficient time to meet the expectation and requirements connected with their Appointments. Each letter of appointment contains obligations of confidentiality which have effect during the Appointment and after termination.

(c) *Blackstone Director, CVC Director and KIRKBI Director*

The Company has appointed Dr. Gerry Murphy, the Blackstone Director, Rob Lucas, the CVC Director, and Søren Sørenson, the KIRKBI Director, as Non-Executive Directors with effect from 20 October 2013. The Blackstone Director's Appointment will terminate in accordance with the terms of the Blackstone Relationship Agreement (as described in paragraph 15.5 of this Part 15 – Additional Information), the CVC Director's Appointment will terminate in accordance with the terms of the CVC Relationship Agreement (as described in paragraph 15.7 of this Part 15 – Additional Information) and the KIRKBI Director's Appointment will terminate in accordance with the terms of the KIRKBI Relationship Agreement (as described in paragraph 15.6 of this Part 15 – Additional Information). None of the Blackstone Director, the CVC Director or the KIRKBI Director will receive any fees for the provision of their duties. Each Relationship Agreement contains obligations of confidentiality which have effect during the Appointment and after termination.

(d) *Fru Hazlitt*

Fru Hazlitt's appointment in 2014 will be on the same terms as the other independent Non-Executive Directors, as summarised in paragraph 7.2(b) of this Part 15 – Additional Information.

8. PENSIONS

8.1 Summary of UK pension benefits

In the UK the Group operates an occupational pension scheme called The Tussauds Group (UK) Pension Plan (the "**Tussauds Plan**") and a defined contribution group personal pension plan known as the Merlin Entertainments Group Personal Pension Plan (the "**GPP**").

The Tussauds Plan

The Tussauds Plan has a defined benefit section which is closed to new members but open to future accrual of benefits (the "**DB Section**") and a defined contribution section which is closed to the future accrual of benefits.

Occupational pension schemes in the UK are required to carry out full actuarial valuations once every three years. Between the full actuarial valuations occupational pension schemes also carry out annual interim funding updates which provide a less accurate estimate of the liabilities in the pension scheme.

The most recent full actuarial valuation of the Tussauds Plan was carried out as at 1 January 2010. That valuation revealed that the Tussauds Plan had a funding deficit of £2,694,000 determined on an on-going basis as at the valuation date. An interim funding update as at 1 January 2012 revealed an increase in the funding deficit on an on-going basis to £4,093,000. This deterioration in the Tussauds Plan's funding position compared to that expected in the 2010 valuation is due to the investment return on the assets being lower than expected over the inter-valuation period and changes to interest rate and inflation assumptions.

The Group recognises the Tussauds Plan deficit in its consolidated accounts. As at 29 June 2013, the Group recognised a deficit of £3 million on an IAS19 basis.

Following the 2010 valuation, Merlin Entertainments Group Holdings Limited is obliged to pay contributions of £455,500 per annum for a period of seven years from 1 July 2011 to 30 June 2018, in addition to contributions of approximately 22.9 per cent. of annualised pensionable salaries to support the cost of future-service retirement benefits under the Tussauds Plan. The amount of contributions required from Merlin Entertainments Group Holdings Limited (or other companies within the Group which also participate in the Tussauds Plan) may increase should the deficit in the Tussauds Plan increase when the triennial valuation as at 1 January 2013 is completed.

The GPP

The GPP is a defined contribution group personal pension plan administered by Scottish Widows. The benefits under the GPP are provided entirely from the contributions made to the GPP and the investment returns on those contributions.

8.2 Summary of overseas pension benefits

The Group also operates defined benefit pension arrangements in Italy, the Netherlands and South Korea and defined contribution arrangements in Australia, Canada China, Finland, Germany, Hong Kong, New Zealand, Thailand and the US.

9. WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds receivable by the Company pursuant to the Global Offer, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.

10. UNITED KINGDOM TAXATION

10.1 General

The following comments set out advice received by the Company and are intended only as a general guide to the position under current United Kingdom tax law and what is understood to be the current practice of HMRC and may not apply to certain classes of investors, such as dealers in securities, persons who acquire (or are deemed to acquire) their securities by reason of an office or employment, insurance companies and collective investment schemes. Any person who is in doubt as to his tax position is strongly recommended to consult his own professional tax adviser. These comments only apply to UK resident and, if individuals, domiciled shareholders who beneficially hold their shares as an investment (unless expressly stated otherwise).

10.2 Taxation of Dividends

(a) The Company

The Company will not be required to withhold tax at source on any dividends it pays to its shareholders in respect of the Ordinary Shares.

(b) UK resident shareholders

Individuals resident in the UK for taxation purposes are generally liable to income tax on the aggregate amount of any dividend received and a tax credit equal to one-ninth of the dividend received (the **"gross dividend"**). For example, on a dividend received of £90, the tax credit would be £10, and an individual would be liable to income tax on £100. The gross dividend will be part of the individual's total income for UK income tax purposes and will be regarded as the top slice of that income. However, in calculating the individual's liability to income tax in respect of the gross dividend, the tax credit (which equates to 10 per cent of the gross dividend) is set off against the tax chargeable on the gross dividend.

UK resident individuals who are subject to income tax at the basic rate (currently 20 per cent. for taxable income up to £32,010), will be subject to tax on the gross dividend at the rate of 10 per cent. The tax credit will, in consequence, satisfy in full their liability to income tax on the gross dividend.

UK resident individuals who are subject to income tax at the higher rate (currently 40 per cent.) are subject to tax on the gross dividend at the rate of 32.5 per cent., to the extent that the gross dividend falls above the threshold (currently £32,010) for the higher rate of income tax but below the threshold (currently £150,000) for the additional rate of income tax (currently 45 per cent.), but are entitled to offset the 10 per cent. tax credit against such liability. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent. of the gross dividend less the 10 per cent. credit).

UK resident individuals who are subject to income tax at the additional rate (currently 45 per cent.) are subject to tax on the gross dividend at the rate of 37.5 per cent. to the extent that the gross dividend falls above the threshold (currently £150,000) for the additional rate of income tax, but are entitled to offset the 10 per cent. tax credit against such liability. For example, on a dividend received of £90 such a taxpayer would be required to account for income tax of £27.50 (being 37.5 per cent. of the gross dividend less the 10 per cent. tax credit).

No repayment of the tax credit in respect of dividends paid by the Company (including in respect of any dividend paid where the Ordinary Shares are held in a personal equity plan or in an individual savings account) can be claimed by a United Kingdom resident shareholder (including pension funds and charities).

Subject to certain exceptions including for traders in securities and insurance companies, dividends paid by the Company and received by a corporate shareholder resident in the United Kingdom for tax purposes will generally fall into an exempt class and will not be subject to corporation tax or income tax on dividends received from the Company.

(c) Non UK resident shareholders

Non-UK resident shareholders are not generally entitled to payment of any part of the income tax credit, subject to the existence and terms of any applicable double tax convention between the UK and the jurisdiction in which such shareholder is resident. Non-UK resident shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such shareholders should consult their own tax advisers concerning their tax liabilities.

10.3 Taxation of Capital Chargeable Gains

(a) UK Resident Shareholders

A disposal of the Ordinary Shares by a shareholder who is (at any time in the relevant United Kingdom tax year) resident in the United Kingdom for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the shareholder's circumstances and subject to any available exemption or relief including for corporation tax payers, indexation allowance and, for capital gains taxpayers, the annual exempt amount (currently £10,900).

(b) Non-resident Shareholders

A shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-UK resident corporate shareholder, a permanent establishment) to which the Ordinary Shares are attributable will be subject to the same rules which apply to United Kingdom resident shareholders.

A shareholder who is an individual and who is temporarily resident for tax purposes outside the United Kingdom at the date of disposal of the Ordinary Shares may also be liable, on his return, to United Kingdom taxation of chargeable gains (subject to any available exemption or relief).

(c) Admission to the Official List

Admission of the Ordinary Shares to the Official List will not constitute a disposal of the Ordinary Shares held by existing Shareholders for the purposes of the taxation of chargeable gains.

10.4 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The statements below set out advice received by the Company and summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by broker dealers and market makers in the ordinary course of their business and to transfers, agreements to transfer or issues to certain categories of person (such as depositaries and clearance services) which may be liable to stamp duty or SDRT at a higher rate.

No stamp duty or SDRT will be payable on the issue or on the registration of the Ordinary Shares to be issued pursuant to the Global Offer.

A subsequent transfer for value of Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer Ordinary Shares and SDRT will arise on the entry into an agreement to sell the Ordinary Shares.

Stamp duty and SDRT are normally payable by the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer).

Any SDRT liabilities which arise in respect of the transfer of the Ordinary Shares to persons acquiring the Ordinary Shares pursuant to the Global Offer are technically the liability of such persons. However, as provided for and subject to the terms of the Underwriting Agreement (further details of which are set out in paragraph 12 of this Part 15 – Additional Information), such SDRT liabilities and any stamp duty payable are to be discharged by the sellers thereof or, in certain circumstances in relation to over-allotments, by Blackstone and CVC Holdco.

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5 per cent. of the consideration paid (with stamp duty rounded up to the nearest £5). A liability to SDRT will be cancelled and any

SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and stamp duty is paid on that instrument within six years of the date on which the liability to SDRT arises. An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Paperless transfers of the Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system. Deposits of shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

Subject to the discussion below, where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty). This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will in practice generally be reimbursed by participants in the clearance service or depositary receipt scheme under the contractual arrangements governing such service or scheme. Transfers within the clearance service, and transfers of depositary receipts, are then generally made free of SDRT or stamp duty. Clearance services may opt, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (0.5 per cent. of the amount or value of consideration given) to apply to issues or transfers of Ordinary Shares into, and to transactions within, such services, instead of the higher rate of 1.5 per cent. generally applying to an issue or transfer of Ordinary Shares into the clearance service, and instead of the exemption from SDRT on transfers of Ordinary Shares while in the service.

The European Court of Justice judgment in HSBC Holdings plc. and Vidacos Nominees Ltd v HMRC (C569-07) concluded that the 1.5 per cent. SDRT charge on issuing UK shares into clearance services is contrary to EU law, at least in certain circumstances. Additionally, the recent First-Tier Tribunal judgment in HSBC Holdings plc and The Bank of New York Mellon Corporation v HMRC (TC01858) concluded that the 1.5 per cent. SDRT charge on the issue of depositary receipts is contrary to EU law notwithstanding that the depository receipts were issued by an American bank and not an EU entity. Following these decisions, HMRC have announced that they will not seek to apply the SDRT charge when shares are first issued to an EU or non-EU clearance service or depositary receipt system or where shares are transferred to EU or non-EU clearance services or depositary receipt systems as an integral part of an issue of share capital. The law in this area may be particularly susceptible to change. Accordingly, specific professional advice should be sought in these circumstances.

10.5 Inheritance Tax

UK inheritance tax may be chargeable on the death of, or on a gift of Ordinary Shares by, a Shareholder (whether UK resident or not even if the relevant shareholder is neither domiciled nor deemed to be domiciled in the United Kingdom). For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to the trustees of settlements who hold Ordinary Shares. Potential investors should consult an appropriate professional adviser if they make a gift or transfer at less than full market value or they intend to hold Ordinary Shares through trust arrangements.

10.6 ISA

The Ordinary Shares are eligible for inclusion in the stocks and shares component of an ISA, subject, where applicable, to the annual subscription limits for new investments into an ISA (for the tax year 2013/2014 this is £11,520). Sums received by a Shareholder on a disposal of Ordinary Shares will not count towards the Shareholder's annual limit, but a disposal of Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year.

The Ordinary Shares should also qualify as a permissible asset for inclusion in a SIPP.

11. UNITED STATES FEDERAL INCOME TAXATION

TO ENSURE COMPLIANCE WITH US TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF US FEDERAL TAX ISSUES IN THIS PROSPECTUS WAS NOT WRITTEN OR INTENDED TO BE USED, AND CANNOT BE USED, BY ANY PROSPECTIVE INVESTOR FOR PURPOSES OF AVOIDING US FEDERAL TAX PENALTIES

THAT MAY BE IMPOSED ON THE PROSPECTIVE INVESTOR, (II) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THIS OFFERING, AND (III) EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE INVESTOR'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following summary is a general discussion of certain US federal income tax considerations to US Holders (as defined below) of acquiring, holding and disposing of Ordinary Shares. The following summary applies only to US Holders that purchase Ordinary Shares in the Institutional Offer, that will hold Ordinary Shares as capital assets and not as part of a fixed base or part of a permanent establishment outside of the United States, and that are not residents of, or ordinarily resident in, the United Kingdom for United Kingdom tax purposes. The following summary is not a complete analysis of all US federal income tax consequences that may be relevant to a prospective investor's decision to acquire, hold or dispose of Ordinary Shares. In particular, this summary does not address US federal income tax consequences that apply to prospective investors subject to special tax rules, including, among others, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, dealers in securities or currencies, traders in securities that elect to mark to market, tax-exempt entities, individual retirement and other tax-deferred accounts, investors that will hold Ordinary Shares as part of an "integrated", "hedging" or "conversion" transaction or as a position in a "straddle" for US federal income tax purposes, grantor trusts, investors that have a "functional currency" other than the US dollar, investors that own (directly or by attribution) 10 per cent. or more (by voting power) of the Company's stock, US expatriates or investors subject to the alternative minimum tax.

This summary does not discuss the tax consequences of the purchase, ownership or disposition of Ordinary Shares under the tax laws of any state, locality or non-US jurisdiction. Prospective investors considering an investment in Ordinary Shares should consult their own tax advisors in determining the US federal, state, local, non-US and any other tax consequences to them of an investment in Ordinary Shares and the purchase, ownership and disposition thereof.

The following summary is based on the US Internal Revenue Code of 1986 (the "Code"), the US Treasury Regulations thereunder, published rulings of the US Internal Revenue Service (the "IRS"), the income tax treaty between the United States and the United Kingdom (the "US-UK Treaty") and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Prospectus. Changes to any of the foregoing, or changes in how any of these authorities are interpreted, may affect the tax consequences set out below, possibly retroactively. No ruling will be sought from the IRS with respect to any statement or conclusion in this discussion, and no assurances can be given that the IRS will not challenge such statement or conclusion or, if challenged, a court would uphold such statement or conclusion.

For purposes of the following summary, a "US Holder" is a beneficial owner of Ordinary Shares that is for US federal income tax purposes: (i) a citizen or resident alien of the United States, (ii) a corporation or other entity treated as a corporation for US federal income tax purposes, created or organised in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate, the income of which is subject to US federal income taxation regardless of its source, or (iv) a trust if (x) (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (y) the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

If a partnership (including any entity treated as a partnership for US federal income tax purposes) is a beneficial owner of Ordinary Shares, the US federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. A partnership considering an investment in Ordinary Shares should consult its own tax advisors about the consequences to its partners of the acquisition, ownership and disposition of Ordinary Shares by the partnership.

Based on the Company's current financial profile, including the source of its income, the composition of its assets, and taking into account the expected application of the proceeds of the Global Offer, the Company believes, and the following discussion assumes, that the Company is not, and will not become in the near future, a "passive foreign investment company" or "PFIC" for US federal income tax purposes. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. In particular, although Company does not currently contemplate any changes which are likely to cause it to be a PFIC, the Company is under no obligation to avoid PFIC status. If the Company were to be treated as a PFIC for any year when particular US Holders own the Ordinary Shares, materially adverse consequences could result to such US Holders for that year and all future years during which such US Holders retain their Ordinary Shares.

11.1 Distributions by the Company

The US dollar value of property distributed by the Company with respect to Ordinary Shares generally will be included in a US Holder's ordinary income as a foreign source dividend on the date the property is received (or is constructively received) to the extent of the Company's current and accumulated earnings and profits (as determined under US federal income tax principles). Distributions in excess of current and accumulated earnings and profits generally would be treated as a non-taxable return of capital to the extent of the US Holder's adjusted basis in Ordinary Shares and, thereafter, as capital gain from the sale or exchange of property, however, the Company does not calculate its earnings and profits under US federal income tax principles and, therefore, the Company will treat all distributions as dividends for US federal income tax purpose. Accordingly, US Holders should expect to treat all distributions as dividends for these purposes.

Dividends paid by the Company will not be eligible for the dividends-received deduction in the hands of corporate US Holders. Dividends received by certain non-corporate US Holders may constitute "qualified dividend income" that are subject to tax at long term capital gain rates if (i) the relevant Holder has held Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and is not under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property and (ii) the Company is a "qualified foreign corporation". The Company expects to be a qualified foreign corporation for these purposes. However, because treatment as a qualified foreign corporation depends upon, among other things, the trading volume of Ordinary Shares for any given taxable year, there can be no assurances as to such treatment.

A dividend paid in non-US currency will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividend is received by the US Holder, regardless of whether the non-US currency is in fact converted into US dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includible in the income of the US Holder to the date that the non-US currency is converted into US dollars or otherwise disposed of generally will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to "qualified dividend income" (discussed above). The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. US Holders should consult their own tax advisors regarding the US federal income tax consequences of receiving non-US currency in a distribution on Ordinary Shares.

Dividends distributed by the Company generally will be included in computing "net investment income" for purposes of the additional 3.8 per cent. Medicare contributions tax that may apply to certain non-corporate US Holders.

11.2 Proceeds from the Sale or Other Disposition of the Ordinary Shares

A US Holder generally will recognise capital gain or loss on the sale or other disposition of an Ordinary Share equal to the difference, if any, between the US dollar value of the amount realised determined at the spot rate on the date of sale (or in the case of cash basis and electing accrual basis taxpayers, if the Ordinary Shares are considered to be traded on an established securities market, at the spot rate on the settlement date) and the US Holder's adjusted tax basis in the Ordinary Share. On the settlement date, a non-electing accrual basis US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss from United States sources) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date.

Generally, any capital gain or loss will be US source gain or loss and will be long-term capital gain or loss if the Ordinary Shares have been held for more than one year at the time of the sale or other taxable disposition. However, regardless of a US Holder's actual holding period, any loss may be long-term capital loss to the extent the US Holder received a dividend that qualified for the reduced rates described above and the dividend exceeded 10 per cent. of the US Holder's basis in its Shares. The deductibility of capital losses is subject to material limitations.

Gain or loss realized on the disposition of Ordinary Shares generally will be included in computing "net investment income" for purposes of the additional 3.8 per cent. Medicare contributions tax that may apply to certain non-corporate US Holders.

11.3 Withholding, Information Reporting and Other Tax Consequences

A US Holder may be subject to information reporting on the amounts paid to it, unless it is a corporation or otherwise establishes a basis for exemption. Payments that are subject to information reporting may be subject to backup withholding if a US Holder does not provide its taxpayer identification number and otherwise comply with the requirements of the backup withholding rules. US persons required to establish their exempt status generally must provide such certification on IRS Form W-9. Non-US Holders generally are not subject to US information reporting and backup withholding. However, such holders may be required to provide certification of non-US status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through US-related financial intermediaries. Backup withholding is not an additional tax, and may be credited against the holder's US federal income tax liability or refunded to the holder, provided that the required information is furnished to the IRS.

US Holders that are individuals (and certain entities formed by or for US Holders) are required to report information with respect to their investment in the Ordinary Shares to the IRS unless the Ordinary Shares are held in an account at a domestic US financial institution. Investors who fail to report required information could become subject to substantial penalties. Investors are encouraged to consult with their own tax advisors regarding the potential information reporting obligations in respect of their investment in the Ordinary Shares.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT ABOVE IS FOR GENERAL INFORMATIONAL PURPOSES ONLY. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE US FEDERAL, STATE, LOCAL AND NON-US TAX CONSEQUENCES TO THEM IN THEIR PARTICULAR CIRCUMSTANCES OF ACQUIRING, HOLDING, AND DISPOSING OF ORDINARY SHARES.

12. UNDERWRITING AGREEMENT AND LOCK-UP ARRANGEMENTS

On 30 October 2013, the Company, the Directors, the Selling Shareholders and the Underwriters entered into the Underwriting Agreement pursuant to which the Underwriters have agreed, subject to the execution by the Company, the Selling Shareholders and the Underwriters of the Pricing Memorandum and other terms and conditions, to severally procure acquirers, or failing which to acquire for themselves, at the Offer Price, the Ordinary Shares to be issued or sold pursuant to the Global Offer.

The Underwriting Agreement contains, amongst others, the following further provisions:

(a) the Company has appointed Goldman Sachs International and Barclays as Joint Sponsors and the Company and the Selling Shareholders have appointed Goldman Sachs International and Barclays as Joint Global Co-ordinators in connection with the Global Offer, have appointed Goldman Sachs International, Barclays, Citigroup and Morgan Stanley as Joint Bookrunners in connection with the Global Offer and have appointed HSBC and the UniCredit Group as co-lead managers in connection with the Global Offer;

(b) Blackstone and CVC Holdco have granted to Goldman Sachs International, as Stabilising Manager, an Over-allotment Option pursuant to which the Stabilising Manager may require Blackstone and CVC Holdco to sell Ordinary Shares (in an amount of up to 10 per cent. of the aggregate number of Ordinary Shares to be made available in the Global Offer) at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and/or, amongst other things, to cover any short positions resulting from stabilisation transactions. The Over-allotment Option may be exercised from Admission up to and including the Stabilisation End Date, provided that it may only be exercised to the extent that Ordinary Shares have been over-allotted. Save as required by law or by regulation, neither the Stabilising Manager nor its agents intend to disclose the extent of any over-allotments made and/or any stabilisation transactions;

(c) the obligations of the Underwriters to procure acquirers for, or failing which, to acquire the Ordinary Shares themselves pursuant to the Underwriting Agreement, are subject to certain conditions that are typical for an agreement of this nature including, amongst others, execution of the Pricing Memorandum, Admission having occurred by not later than 8.00 a.m. (London time) on 15 November 2013 (or such later time and/or date as the Joint Global Co-ordinators may agree) and there having occurred no material adverse effect in relation to the Group prior to Admission. The Joint Global Co-ordinators (on behalf of the Underwriters) may terminate the Underwriting Agreement in certain customary circumstances prior to Admission, including the occurrence of certain material changes in the condition (financial or otherwise) of the Group and certain changes in market and economic conditions. The Underwriting Agreement will become unconditional, and the Underwriters' right to terminate the Underwriting Agreement will cease from Admission;

(d) subject to, among other things, the conditions set out in the Underwriting Agreement having been satisfied or waived and the Underwriting Agreement not having been terminated prior to Admission, the Company and the Selling Shareholders have agreed that the Settlement Manager may deduct (on behalf of the Underwriters) from the proceeds of the Global Offer payable to each of the Company or a Selling Shareholder a commission of 1.25 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of New Shares or Existing Shares (excluding Over-allotment Shares) agreed to be issued or sold (as applicable) by the Company or such Selling Shareholder in the Global Offer, together with an amount equal to any applicable value added tax payable thereon. In addition, it is agreed that the Stabilising Manager may deduct (on behalf of the Underwriters) from the proceeds payable to the Over-allotment

Shareholders a commission of 1.25 per cent. of the amount equal to the Offer Price multiplied by the total number of Over-allotment Shares transferred in accordance with the Underwriting Agreement, together with an amount equal to any applicable value added tax payable thereon. In addition, the Company and each of the Selling Shareholders (with the Company exercising discretion on behalf of Share Plan Nominee) may, in its absolute and sole discretion as to the amount (if any) and as to the allocation between the Underwriters, pay to the Joint Global Co-ordinators (on behalf of the Underwriters) a further commission of up to 1 per cent. of the aggregate proceeds to be received by the Company or, as the case may be, the relevant Selling Shareholders (including in respect of any Over-allotment Shares) in connection with the Institutional Offer. In respect of the Intermediaries Offer, the Company and the Underwriters have agreed that a commission of 1 per cent. of the amount equal to the Offer Price multiplied by the number of Ordinary Shares allocated to and paid for by an Intermediary (the "**Intermediary Fee**"), together with an amount equal to any value added tax payable thereon, shall be paid to each Intermediary by the Settlement Manager (on behalf of the Company) out of the aggregate proceeds to be received by the Company, in connection with the Global Offer. The aggregate commissions payable to the Underwriters by the Company in connection with the Global Offer shall be reduced by the aggregate of the Intermediary Fee paid to each Intermediary;

(e) the Company has agreed to pay or cause to be paid (together with, in each case, any related value added tax) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst other things, the Global Offer and/or Admission. The Selling Shareholders have agreed to pay or cause to be paid (together with any related value added tax) certain costs, charges, fees and expenses incurred by them in connection with, or incidental to, amongst other things the sale of Existing Shares (including the Over-allotment Shares) in the Global Offer;

(f) the Company has undertaken, amongst other things, during the period beginning on the date of this document and continuing to and including the date 180 days after the date of Admission, not to (and to procure that no member of the Group will) issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of the Underwriting Agreement and in each case described in this document) or to enter into any agreement, commitment or arrangement which provides for the issue, offer or sale of Ordinary Shares or to do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed;

(g) the Company has undertaken, amongst other things, not to (and shall procure that no member of the Group will), between the date of this document and the date falling 90 days after Admission, enter into any agreement, commitment or arrangement which is not disclosed in this document and which is or may be material in the context of the business or affairs of the Company and/or the Group or in relation to the Global Offer or which provides for the issue, offer or sale of the Ordinary Shares without first having consulted (as far as in advance as reasonably practicable) with the Joint Global Co-ordinators and to notify (as far as in advance as reasonably practicable) the Joint Global Co-ordinators of any intention on its or any member of the Group's behalf, to enter into any such agreement, commitment or arrangement;

(h) each Major Shareholder has undertaken, amongst other things, during the period beginning on the date of this document and continuing to and including the date 180 days after the date of Admission, not to offer, pledge, sell, contract to sell or pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of the Underwriting Agreement and in each case described in this document), or do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed;

(i) none of the Directors or Share Plan Nominee (in respect of the Ordinary Shares it holds for the benefit of the Directors or the Senior Managers) will amongst other things, be permitted, during the period beginning on the date of this document and continuing to and including the date 360 days after the date of Admission, to offer, sell, pledge, contract to sell, pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Underwriting Agreement, any Ordinary Share, or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive Ordinary Shares or any such substantially similar securities (other than upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of the Underwriting Agreement and in each case described in this document), or do anything with the same economic effect as any of the foregoing without the prior written consent of the Joint Global Co-ordinators, not to be unreasonably withheld or delayed; and

(j) the Company, the Selling Shareholders and the Directors have given certain representations and warranties to the Underwriters and, in addition, the Company has given certain indemnities to the Underwriters. The Company's liabilities are unlimited as to time and amount and the liabilities of the Selling Shareholders and the Directors are limited as to time and amount.

13. BANKING FACILITIES

On 28 June 2013 the Group entered into an amendment and restatement agreement (the "**Amendment Agreement**") with UniCredit Group as facility agent for lenders under a facilities agreement, originally dated 4 March 2007 and subsequently as amended from time to time (the "**Facilities Agreement**"), by which the Group amended and restated the terms of such agreement (as amended and restated by the Amendment Agreement, the "**Restated Facilities Agreement**"). With effect from 3 July 2013 (the "**Effective Date**"), the term facilities made available under the Restated Facilities Agreement comprised currency tranches of (i) €500 million, (ii) £455,210,000, (iii) US$602,262,500 and (iv) AU$185 million. The aggregate amount of the revolving credit facility is £150 million (such revolving credit facility and term facilities, the "**Restated Facilities**").

The term facilities will mature in July 2019 and the revolving credit facility will mature in July 2018. The margins payable on borrowings under the Restated Facilities range from 3.25 to 4.00 per cent. per annum above LIBOR or, in relation to borrowings denominated in Euros or Australian Dollars, EURIBOR or the Bank Bill Rate, respectively.

The Restated Facilities Agreement contains certain representations, warranties and covenants customary for a credit facility of this nature. Such covenants include the maintenance of agreed financial ratios as set out below, and restrictions on disposals, acquisitions, indebtedness, the grant of security and payment of dividends other than certain agreed circumstances. The Restated Facilities Agreement contains customary qualifications and relaxations to such restrictions including to reflect that a member of the Group will become a listed company on Admission.

The obligations of the borrowers under the Restated Facilities Agreement are supported by cross guarantees and security in the form of pledges over shares granted by certain agreed companies within the Group as well as further security over specified assets or over the whole undertaking, depending on the jurisdiction concerned.

The Restated Facilities Agreement requires the borrowers to maintain specified financial ratios for EBITDA to net interest charges of the Group and consolidated net debt to consolidated EBITDA of the Group. In addition, the Restated Facilities Agreement contains customary undertakings including, among other things, a requirement that guarantees from members of the Group represent not less than 80 per cent. of consolidated EBITDA of the Group.

The Restated Facilities Agreement contains customary mandatory prepayment provisions that require the prepayment of amounts under the Restated Facilities in the event of certain events taking place, for example the prepayment of sale proceeds upon a disposal of any asset, undertaking or business, subject to certain exclusions, and in the case of a flotation which is not a qualifying IPO, the prepayment of facilities to reduce the ratio consolidated net debt to consolidated EBITDA of the Group. The Global Offer and subsequent Admission will be a qualifying IPO for the purposes of the Restated Facilities Agreement. A term facility can also be voluntarily prepaid either in whole or in part. If it is prepaid in part the prepayment must be a minimum amount of £1,000,000 or the equivalent amount in other currencies permitted under the Restated Facilities.

The Restated Facilities Agreement also contains certain events of default, for example a de-listing following the first qualifying IPO, a change of control or the sale of all or substantially all of the Group's assets, the occurrence of which will give the lenders the right to accelerate outstanding loans, terminate commitments and enforce their security.

14. RELATED PARTY TRANSACTIONS

Save as disclosed in paragraph 15.8 of this Part 15 – Additional Information and note 6.3 of the financial statements as set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. there are no related party transactions that were entered into by the Group between 27 December 2009 and the date of this Prospectus.

15. MATERIAL CONTRACTS

In addition to the Underwriting Agreement and the Restated Facilities Agreement referred to at paragraphs 12 and 13, respectively, of this Part 15 – Additional Information, the following contracts (not being contracts entered into in the ordinary course of business) (a) have been entered into by the Company or any member of the Existing Group in the two years immediately preceding the date of this Prospectus and are, or may be, material or (b) contain provisions under which the Company or any member of the Existing Group has any obligation or entitlement which is material to the Company or the Existing Group as at the date of this Prospectus.

15.1 LEGOLAND Licence and Co-operation Agreement

Perpetual, exclusive and worldwide rights

Certain members of the Group (the "**Licensees**") hold rights to use the LEGOLAND and LEGO trademarks in the LEGOLAND business under a licence and co-operation agreement dated 24 August 2005 (as subsequently amended and restated) with KIRKBI (then named LEGO Holding A/S) (the "**LCA**"). Subject to the terms of the LCA, these rights were granted on a perpetual, exclusive and worldwide basis. Under the LCA, KIRKBI granted the Licensees extensive rights to use the LEGOLAND trademark in connection with the development, operation and promotion of the Group's present and future LEGOLAND businesses (including in connection with hotels and other accommodation facilities and smaller LEGOLAND attractions, such as LEGOLAND Discovery Centres, and merchandise). The Licensees were also granted limited rights to use the LEGO trademark in connection with the LEGOLAND business.

New LEGOLAND Parks and attractions

The LCA requires the Licensees to continue to develop the LEGOLAND business. Provided the Licensees increase the LEGOLAND portfolio of LEGOLAND attractions by at least one LEGOLAND Park or one Cluster (eight mid size LEGOLAND attractions) for every seven years that have elapsed since 24 August 2005, the licences granted under the LCA remain exclusive on a worldwide basis.

If (but only for so long as) the portfolio of LEGOLAND attractions is not increased at this rate:

(a) the licenses nevertheless remain exclusive in:

- (i) certain "core territories", which are (i) the American Core Territory (all states west of the Mississippi river and North Carolina, South Carolina, Florida, Georgia and Alabama); and (ii) the European Core Territory (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, the Netherlands and the United Kingdom); and
- (ii) territories where a LEGOLAND Park already exists; and

(b) the licenses become non-exclusive in all other territories.

In addition, if the Licensees hold fewer than one LEGOLAND Park in the American Core Territory, or fewer than two LEGOLAND Parks in the European Core Territory, then the licences become non-exclusive in respect of the affected core territory (other than any territory where a LEGOLAND Park remains),

As at the date of this Prospectus, the Group has increased the LEGOLAND portfolio since 24 August 2005 by two LEGOLAND Parks and one Cluster (eight LEGOLAND Discovery Centres) which confer worldwide exclusivity under the LCA until at least the end of 2033.

The Licensees have a right of first refusal to open a new LEGOLAND Park in any country or US state that becomes non-exclusive; once the new park opens, the Group's exclusive rights under the LCA are restored for the country or US state in question.

No new LEGOLAND attractions are permitted within 100 miles of the Disneyland Resort at Anaheim in California before 31 December 2020.

Use and enforcement of the LEGOLAND and LEGO trademarks

Although the LCA sets out the form and manner in which the LEGOLAND and LEGO trademarks can be used and enforced, these provisions are broadly consistent with provisions in other long-term licence arrangements of a similar nature.

Royalties

The Licensees pay to KIRKBI a quarterly royalty, calculated as a percentage of gross qualifying revenue generated by operation of the LEGOLAND Parks and attractions. The royalty rates are, in normal circumstances, fixed but can

(i) reduce if LEGO's worldwide turnover falls below specified levels; and (ii) increase, (a) in relation to any LEGOLAND Park whose qualifying revenue falls below a specified floor (being a percentage of that LEGOLAND Park's first year's qualifying revenue); and (b) if, but only for so long as, the number of LEGOLAND Parks operated by the Licensees falls below three. If an increase in royalty is triggered by a fall in qualifying revenue at a particular LEGOLAND Park, this increase applies to the qualifying revenue of the affected LEGOLAND Park only and continues only until the required revenue is achieved again.

Operational requirements

The LCA includes certain operational requirements for the operation of the LEGOLAND attractions, confirming their family orientation, the requirement of a LEGO theme, a list of minimum components for each attraction, requirements for any new rides or attractions at any LEGOLAND venue and a requirement to monitor customer satisfaction and to include a retail area to sell LEGO merchandise.

Termination rights

The LCA includes rights for each party to terminate the agreement in specified circumstances, which rights are customary in licence agreements of this nature. Where appropriate, the exercise of these rights is subject to adjudication by an independent expert or panel. They include:

(a) rights for the Licensee to terminate on 24 months' notice, on unremedied material breach by KIRKBI or following the occurrence of an insolvency event in relation to KIRKBI;

(b) rights for KIRKBI to terminate the whole agreement on a change of control of Merlin but only if this would result in a Licensee being controlled by a LEGO competitor or an inappropriate party or on the winding up of Merlin Entertainments Group Luxembourg 3 S.à r.l. ("**MEG Lux 3**") other than for the purpose of a reorganisation. The LCA defines an inappropriate party as any person or entity (other than a financial institution) where one third of its revenue is derived from the manufacture and sale of tobacco, armaments and/or pornographic material; and

(c) rights for KIRKBI to terminate the agreement in relation to a particular LEGOLAND venue on the winding up of the relevant Licensee, on a material or persistent breach of the agreement by the relevant Licensee (but subject to adjudication), if there is a substantial failure to meet the operational requirements by the relevant Licensee (subject to adjudication) or if customer satisfaction levels in relation to the LEGOLAND Park in question fall below a minimum level for four consecutive LEGOLAND seasons.

15.2 Acquisition of Living and Leisure Australia

On 19 December 2011 Merlin Entertainments (Australia) Pty Ltd ("**ME Australia**") entered into an implementation deed (the "**Implementation Deed**") setting out the terms and conditions on which it proposed to make a recommended takeover bid for all the securities in Living and Leisure Australia Limited ("**LLA**"). The offer became unconditional on 10 February 2012 and closed on 30 March 2012.

In connection with the takeover of LLA, on 19 December 2011 ME Australia also entered into a share purchase agreement (the "**LLAM SPA**") pursuant to which Arctic Capital Limited ("**Arctic**") agreed to sell and ME Australia agreed to purchase the shares in Living and Leisure Australia Management Limited ("**LLAM**").

The total cash consideration for the acquisition of LLA and LLAM amounted to £98 million.

Under the Implementation Deed LLA and ME Australia have given certain warranties customary for a transaction of this nature including warranties relating to incorporation, power and capacity and due execution. The LLAM SPA also contains warranties and indemnities from Arctic, including a tax indemnity. ME Australia has also given an indemnity to LLA for any loss incurred in connection with: (i) a breach of the terms of the LLAM SPA by ME Australia; (ii) a diminution in value of LLAM if ME Australia did not complete the acquisition strictly in accordance with the terms of the LLAM SPA; and (iii) a material breach of LLAM's duties under certain trust documents or at law which result in it not being entitled to be indemnified out of the assets of one of the LLA trusts listed in the LLAM SPA.

15.3 Sale and lease-back arrangements

On 8 July 2007, the Company's subsidiaries, Charcoal Midco 1 Limited ("**Charcoal**") and MEG Lux 3, entered into a sale and purchase agreement (the "**SLB Sale and Purchase Agreement**") with the Prestbury Group under which Charcoal agreed to sell the entire issued share capital of certain of its subsidiaries (the "**SLB Subsidiaries**") and the freehold land of four of the Resort Theme Parks (Thorpe Park, Alton Towers, Heide Park and Warwick Castle), including the hotels at the Heide Park and Alton Towers sites as well as freehold land at the Madame Tussauds, London site. The consideration paid by the Prestbury Group was a total of £622.4 million (the "**Purchase Price**"). The rent payable by the Group is linked to the UK Retail Price Index, and with the Group's right to two extensions, the total term of each of the leases is 105 years.

Prior to the execution of the SLB Sale and Purchase Agreement, the Group transferred the operating businesses and assets belonging to the SLB Subsidiaries to three newly incorporated companies in the Group (Alton Towers Resorts Operations Limited, Thorpe Park Operations Limited and Merlin Attractions Operations Limited).

The SLB Sale and Purchase Agreement contains warranties by Charcoal that are customary for an agreement of this nature. In addition, Charcoal gave a number of indemnities to the Prestbury Group in respect of certain matters that occurred prior to the purchase of the SLB Subsidiaries by the Prestbury Group as well as in relation to tax. Any claims made under the indemnity are capped at the Purchase Price and, save for the tax indemnity which expires seven years from the date of the SLB Sale and Purchase Agreement, the indemnities expire in accordance with the statutory time limits. Finally, MEG Lux 3 agreed to guarantee the obligations of Charcoal under the SLB Sale and Purchase Agreement.

15.4 LEGOLAND Malaysia

On 13 December 2008 MEG Lux 3 and Merlin Malaysia entered into a 25 year development and management agreement with Iskandar Investment Berhad and IDR Resorts Sdn. Bhd. setting out the terms on which LEGOLAND Malaysia would be opened, operated and maintained by MEG Lux 3 and Merlin Malaysia (the "**DMA**"). LEGOLAND Malaysia is owned by a project company, IDR Resorts Sdn. Bhd. (the "**Project Company**") of which Merlin Malaysia is a shareholder. MEG Lux 3 and Merlin Malaysia are party to a shareholders' agreement regulating their rights and obligations with respect to the Project Company (the "**Shareholders' Agreement**").

Capital Contributions

Under the Shareholders' Agreement Merlin Malaysia is required to contribute certain fees due to it to the capital of the Project Company until it holds 20 per cent. of the issued share capital of the Project Company. If the other shareholder in the Project Company makes additional capital contributions, Merlin Malaysia is obliged to subscribe for its pro rata portion of the aggregate amount to be contributed by the shareholders.

Fees

Development Fee

Pursuant to the terms of the DMA and the Shareholders' Agreement, Merlin Malaysia is entitled to a development fee of US$10 million. Half of the development fee was paid to Merlin Malaysia in cash on the date of the agreement with the remainder to be used by Merlin to subscribe for shares in the Project Company. It is anticipated that this subscription will be completed before the end of the 2013 financial year.

Annual/Quarterly Revenue Share

Following the opening of LEGOLAND Malaysia, each quarter Merlin Malaysia is entitled to 3.5 per cent. of the revenue generated by the operating company and the full amount (less the amount Merlin Malaysia is required to pay to KIRKBI as a royalty for use of the LEGOLAND and LEGO trademarks pursuant to the LCA described above) is paid to the Project Company to satisfy Merlin Malaysia's capital contribution obligations under the Shareholders' Agreement. After 12 years, if Merlin Malaysia's capital contribution obligations under the Shareholders' Agreement have not been satisfied, the amount payable to the Project Company decreases to half of the Merlin Malaysia revenue share.

Fixed Operating Fee

From the opening date, Merlin Malaysia is entitled to a fixed annual fee of US$2.5 million.

Exclusivity

Under the DMA Merlin Malaysia has agreed that it shall deal and negotiate exclusively with the other parties to the DMA with regard to the use and exploitation of any of the LEGOLAND and LEGO trademarks for the development or operation of (i) any theme park or amusement park or major theme/amusement park attraction in any member country of the Association of South East Asian Nations (Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Burma (Myanmar), Cambodia, Laos and Vietnam); and (ii) any LEGOLAND Discovery Centre or comparable LEGOLAND themed attraction in Malaysia or Singapore and, for a period of five years from the opening of LEGOLAND Malaysia, in Indonesia and Brunei Darussalam.

15.5 Blackstone Relationship Agreement

On 30 October 2013, the Company and Blackstone entered into the Blackstone Relationship Agreement regulating their relationship.

Independence of the Company and compliance with the Listing Rules

The Blackstone Relationship Agreement provides that the Company shall have its own management team which is independent of Blackstone. Blackstone has undertaken not to:

(a) exercise its voting rights in a manner which would prevent the Company from operating and making decisions for the benefit of shareholders of the Company as a whole and (save in respect of any arm's length arrangement between Blackstone and a member of the Group) independently of Blackstone at all times; or

(b) vote in favour of, or propose, any resolution to amend the articles of association of the Company which would be contrary to the principle of the independence of the Company from Blackstone.

Blackstone has also undertaken that it shall not take any action that would cause the Company to breach the Listing Rules or otherwise influence the day to day operations of the Company.

Board and Committees

Whilst Blackstone holds in aggregate at least 10 per cent. of the Ordinary Shares it will have the right to appoint and remove one director of the Company (the **"Blackstone Director"**) by notice tabled at a meeting of the Board. Blackstone will (provided that it continues to hold at least 10 per cent. of the Company's Ordinary Shares) also be able to appoint the Blackstone Director as an observer to each of the Remuneration Committee, Nomination Committee and Audit Committee. If Blackstone is diluted below 10 per cent. as a result of an issue of Ordinary Shares by the Company, then the Blackstone Director will be required to resign unless Blackstone notifies the Company that it intends to increase its percentage shareholding of Ordinary Shares to 10 per cent. or more. Blackstone must then increase its shareholding to 10 per cent. or more within a period of 20 Business Days of the first date following such notification on which Blackstone is legally permitted to make such an acquisition. If it fails to do so, then the Blackstone Director will be required to resign.

The Blackstone Director shall not be permitted to disclose information relating to a business opportunity that may be of interest to the Group received in his capacity as the Blackstone Director and will not be required to disclose information subject to a confidentiality obligation to the Company received in a capacity other than as the Blackstone Director.

Transactions and Corporate Governance

The parties agree that all transactions and relationships between a member of the Group and any member of the Blackstone Group shall be on arms' length terms and on a normal commercial basis and in accordance with relevant related party transaction rules.

Information, Inside Information and Market Abuse

Blackstone has the right to receive information in respect of any member of the Group to permit it to monitor its investment in the Group and to complete its tax return, compilation or filing and comply with any other laws or regulations which apply to Blackstone and its affiliates. Blackstone acknowledges that such information may be inside information and undertakes that it shall not deal in any securities of the Company in breach of the applicable rules and regulations relating to inside information or base any behaviour in relation to qualifying investments or related investments which would amount to market abuse.

Anti-Dilution

As long as Blackstone holds Ordinary Shares representing at least five per cent. of the Ordinary Shares, the Company will not issue any additional Ordinary Shares or other securities convertible into Ordinary Shares unless Blackstone has provided written consent, the issue is approved by Shareholders in general meeting, the issue is pursuant to a grant of options under an employee share plan or scheme described in this document, the allotment of equity securities is in connection with a rights issue pursuant to any applicable general authority or the allotment of Ordinary Shares is for cash or uses a "cash box" structure on a non pre-emptive basis pursuant to a general authority to allot (provided that Blackstone is permitted to participate to maintain its percentage shareholding).

Non-Solicitation

For two years following Admission, Blackstone will not seek to solicit for employment any of the Directors of the Company or Senior Managers of the Group (from time to time).

Termination

The Blackstone Relationship Agreement will terminate upon Blackstone ceasing to own in aggregate five per cent. of the voting rights attaching to the Ordinary Shares or upon the Ordinary Shares ceasing to be admitted to the Official List.

Blackstone may also terminate the Blackstone Relationship Agreement with immediate effect by written notice to the Company on any person acquiring control of the Company (being 50 per cent. of the voting rights of the Company) or on the administration or winding up of the Company or upon the entry by the Company into an arrangement with its creditors.

15.6 KIRKBI Relationship Agreement

On 30 October 2013, the Company and KIRKBI entered into the KIRKBI Relationship Agreement regulating their relationship.

Independence of the Company and compliance with the Listing Rules

The KIRKBI Relationship Agreement provides that the Company shall have its own management team which is independent of KIRKBI. KIRKBI has undertaken not to:

(a) exercise its voting rights in a manner which would prevent the Company from operating and making decisions for the benefit of shareholders of the Company as a whole and (save in respect of any arm's length arrangement between KIRKBI and a member of the Group) independently of KIRKBI at all times; or

(b) vote in favour of, or propose, any resolution to amend the articles of association of the Company which would be contrary to the principle of the independence of the Company from KIRKBI.

KIRKBI has also undertaken that it shall not take any action that would prejudice the Company maintaining its status as a listed company or cause the Company to breach the Listing Rules or otherwise influence the day to day operations of the Company.

Board and Committees

Whilst KIRKBI holds in aggregate at least 10 per cent. of the Ordinary Shares it will have the right to appoint and remove one director of the Company (the **"KIRKBI Director"**) by notice tabled at a meeting of the Board. KIRKBI will (provided that it continues to hold at least 10 per cent. of the Company's Ordinary Shares) also be able to appoint the KIRKBI Director as an observer to each of the Remuneration Committee, Nomination Committee and Audit Committee. If KIRKBI is diluted below 10 per cent. as a result of an issue of Ordinary Shares by the Company, then the KIRKBI Director will be required to resign unless KIRKBI notifies the Company that it intends to increase its percentage shareholding of Ordinary Shares to 10 per cent. or more. KIRKBI must then increase its shareholding to 10 per cent. or more within a period of 20 Business Days of the first date following such notification on which KIRKBI is legally permitted to make such an acquisition. If it fails to do so, then the KIRKBI Director will be required to resign.

The KIRKBI Director shall not be permitted to disclose information relating to a business opportunity that may be of interest to the Group received in his capacity as the KIRKBI Director and will not be required to disclose information subject to a confidentiality obligation to the Company received in a capacity other than as the KIRKBI Director.

Transactions and Corporate Governance

The parties agree that all transactions and relationships between a member of the Group and KIRKBI shall be on arms' length terms and on a normal commercial basis and in accordance with relevant related party transaction rules.

Information, Inside Information and Market Abuse

KIRKBI has the right to receive information in respect of any member of the Group to permit it to monitor its investment in the Group and to complete its tax return, compilation or filing and comply with any other laws or regulations which apply to KIRKBI and its affiliates. KIRKBI acknowledges that such information may be inside information and undertakes that it shall not deal in any securities of the Company in breach of the applicable rules and regulations relating to inside information or base any behaviour in relation to qualifying investments or related investments which would amount to market abuse.

Anti-Dilution

As long as KIRKBI holds Ordinary Shares representing at least five per cent. of the Ordinary Shares, the Company will not issue any additional Ordinary Shares or other securities convertible into Ordinary Shares unless KIRKBI has provided written consent, the issue is approved by Shareholders in general meeting, the issue is pursuant to a grant of options under an employee share plan or scheme described in this document, the allotment of equity securities is in connection with a rights issue pursuant to any applicable general authority or the allotment of Ordinary Shares is for cash or uses a "cash box" structure on a non pre-emptive basis pursuant to a general authority to allot (provided that KIRKBI is permitted to participate to maintain its percentage shareholding).

Non-Solicitation

For two years following Admission, KIRKBI will not seek to solicit for employment any of the Directors of the Company or Senior Managers of the Group (from time to time).

Termination

The KIRKBI Relationship Agreement will terminate upon KIRKBI ceasing to own in aggregate five per cent. of the voting rights attaching to the Ordinary Shares or upon the Ordinary Shares ceasing to be admitted to the Official List.

KIRKBI may also terminate the KIRKBI Relationship Agreement with immediate effect by written notice to the Company on any person acquiring control of the Company (being 50 per cent. of the voting rights of the Company) or on the administration or winding up of the Company or upon the entry by the Company into an arrangement with its creditors.

15.7 CVC Relationship Agreement

On 30 October 2013, the Company and CVC Holdco entered into the CVC Relationship Agreement regulating their relationship.

Independence of the Company and compliance with the Listing Rules

The CVC Relationship Agreement provides that the Company shall have its own management team which is independent of CVC Holdco. CVC Holdco has undertaken not to:

(a) exercise its voting rights in a manner which would prevent the Company from operating and making decisions for the benefit of shareholders of the Company as a whole and (save in respect of any arm's length arrangement between CVC Holdco and a member of the Group) independently of CVC Holdco at all times; or

(b) vote in favour of, or propose, any resolution to amend the articles of association of the Company which would be contrary to the principle of the independence of the Company from CVC Holdco.

CVC Holdco has also undertaken that it shall not take any action that would prejudice the Company maintaining its status as a listed company or cause the Company to breach the Listing Rules or otherwise influence the day to day operations of the Company.

Board and Committees

Whilst the CVC Holdco holds in aggregate at least 10 per cent. of the Ordinary Shares it will have the right to appoint and remove one director of the Company (the **"CVC Director"**) by notice tabled at a meeting of the Board. CVC Holdco will (provided that it continues to hold at least 10 per cent. of the Company's Ordinary Shares) also be able to appoint the CVC Director as an observer to the Remuneration Committee, Nomination Committee and Audit Committee. If CVC Holdco is diluted below 10 per cent. as a result of an issue of Ordinary Shares by the Company, then the CVC Director will be required to resign unless CVC Holdco notifies the Company that it intends to increase its percentage shareholding of Ordinary Shares to 10 per cent. or more. CVC Holdco must then increase its shareholding to 10 per cent. or more within a period of 20 Business Days of the first date following such notification on which CVC Holdco is legally permitted to make such an acquisition. If it fails to do so, then the CVC Director will be required to resign.

The CVC Director shall not be permitted to disclose information relating to a business opportunity that may be of interest to the Group received in his capacity as the CVC Director and will not be required to disclose information subject to a confidentiality obligation to the Company received in a capacity other than as the CVC Director.

Transactions and Corporate Governance

The parties agree that all transactions and relationships between a member of the Group and CVC Holdco shall be on arms' length terms and on a normal commercial basis and in accordance with relevant related party transaction rules.

Information, Inside Information and Market Abuse

CVC Holdco has the right to receive information in respect of any member of the Group to permit it to monitor its investment in the Group and to complete its tax return, compilation or filing and comply with any other laws or regulations which apply to CVC Holdco. CVC Holdco acknowledges that such information may be inside information and undertakes that it shall not deal in any securities of the Company in breach of the applicable rules and regulations relating to inside information or base any behaviour in relation to qualifying investments or related investments which would amount to market abuse.

Anti-Dilution

As long as CVC Holdco holds Ordinary Shares representing at least five per cent. of the Ordinary Shares, the Company will not issue any additional Ordinary Shares or other securities convertible into Ordinary Shares unless CVC Holdco has provided written consent, the issue is approved by Shareholders in general meeting, the issue is pursuant to a grant of options under an employee share plan or scheme described in this document, the allotment of equity securities is in connection with a rights issue pursuant to any applicable general authority or the allotment of Ordinary Shares is for cash or uses a “cash box” structure on a non pre-emptive basis pursuant to a general authority to allot (provided that CVC Holdco is permitted to participate to maintain its percentage shareholding).

Non-Solicitation

For two years following Admission, CVC Holdco will not seek to solicit for employment any of the Directors of the Company or Senior Managers of the Group (from time to time).

Termination

The CVC Relationship Agreement will terminate upon CVC Holdco ceasing to own in aggregate five per cent. of the voting rights attaching to the Ordinary Shares or upon the Ordinary Shares ceasing to be admitted to the Official List.

CVC Holdco may also terminate the CVC Relationship Agreement with immediate effect by written notice to the Company on any person acquiring control of the Company (being 50 per cent. of the voting rights of the Company) or on the administration or winding up of the Company or upon the entry by the Company into an arrangement with its creditors.

15.8 Reorganisation Agreement

On 30 October 2013, the Company and the ME Lux Shareholders entered into the Reorganisation Agreement, pursuant to which the ME Lux Shareholders sold, subject to the Reorganisation Agreement becoming unconditional as described below, their entire holding of shares in ME Lux (the current holding company of the Existing Group) in consideration for the issue to them of the Consideration Shares. The number of Consideration Shares to be issued to each ME Lux Shareholder is equal to the number of A preferred ordinary shares and B ordinary shares currently held by such ME Lux Shareholder in ME Lux, save in respect of Blackstone Merlin Holdings Limited, to whom one less A1 Ordinary Share is to be issued in order to take account of the one A1 Ordinary Share already held by them.

The Reorganisation Agreement will become wholly unconditional at 12:00 noon on the second Business Day following the date on which the Pricing Statement is published. There are no other conditions to the Reorganisation Agreement.

The Reorganisation Agreement will terminate on 31 December 2013 if the hearing of the Listing Applications Team of the UKLA in respect of Admission does not occur prior to that date.

15.9 Intermediaries Terms and Conditions

The Intermediaries Terms and Conditions regulate the relationship between the Company, the Selling Shareholders, the Intermediaries Offer Adviser, the Underwriters and each of the Intermediaries that is accepted by the Company to act as an Intermediary after making an application for appointment in accordance with the Intermediaries Terms and Conditions.

The Intermediaries Offer is subject to a minimum application amount of £1,000 per application from investors in the United Kingdom, the Channel Islands and the Isle of Man. There is no maximum limit on the monetary amount that underlying applicants may apply to invest in the Intermediaries Offer. All applications will be subject to potential scaling back, on the basis set out below, in the event of oversubscription of the Global Offer and to all other applicable allocation policies which may be applied to the Global Offer, and which may be notified by the Joint Global Co-ordinators in relation to the Global Offer and/or the Intermediaries Offer.

The Company has agreed to pay Intermediaries a commission of 1.00 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of New Shares subscribed pursuant to the Intermediaries Offer, in addition to the commission payable to the Underwriters described in paragraph 12(d) of this Part 15 – Additional Information.

Capacity and liability

The Intermediaries have agreed that, in connection with the Intermediaries Offer, they will be acting as agent for retail investors in the United Kingdom, the Channel Islands and the Isle of Man who wish to acquire Ordinary Shares under the Intermediaries Offer (the **"Underlying Applicants"**). None of the Company, any of the Selling Shareholders, the Intermediaries Offer Adviser or any of the Underwriters will have any responsibility for any liability, costs or expenses incurred by any Intermediary.

Eligibility to be appointed as an Intermediary

In order to be eligible to be considered by the Company for appointment as an Intermediary, each intermediary must be:

(a) authorised by the FCA or the Prudential Regulatory Authority in the United Kingdom; or

(b) a member firm of the London Stock Exchange conducting business in the Channel Islands or the Isle or Man; or

(c) in respect of acting as agents for Underlying Applicants in Jersey, authorised by the Jersey Financial Services Commission to carry on the relevant class of investment business in Jersey; or

(d) a person licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) to carry on restricted activities in respect of category 2 controlled investments under such Law,

and in each case have appropriate permissions, licences, consents and approvals to act as Intermediary in the United Kingdom, Jersey, Guernsey or the Isle of Man, as applicable. Each Intermediary must also:

(a) be a member of CREST; or

(b) have arrangements with a clearing firm that is a member of CREST.

Each Intermediary must also, to the extent applicable, conduct its business in the Isle of Man in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 or any relevant exclusion or exemption therefrom and all other relevant Isle of Man laws and regulations.

Applications for Shares

A minimum of £1,000 per Underlying Applicant will apply. The Intermediaries have agreed not to make more than one application per Underlying Applicant.

Allocations of Ordinary Shares under the Intermediaries Offer will be at the absolute discretion of the Company, after consultation with the Joint Global Co-Ordinators and the Joint Bookrunners. If there is excess demand for Ordinary Shares in the Intermediaries Offer, allocations of Ordinary Shares may be scaled down to an aggregate value which is less than that applied for. Each Intermediary will be required by the Company to apply the basis of allocation to all allocations to Underlying Applicants who have applied through such Intermediary.

Effect of Intermediaries Offer Application Form

By completing and returning the Intermediaries Offer Application Form, the Intermediary will be deemed to have irrevocably agreed to invest or procure the investment in Ordinary Shares of the aggregate amount stated on the Intermediaries Offer Application Form or such lesser amounts in respect of which such application may be accepted. The Company, the Selling Shareholders and Barclays reserve the right to reject, in whole or in part, or to scale down, any application for Ordinary Shares in the Intermediaries Offer.

Commission

Conditional upon Admission, the Company will pay each Intermediary a commission rate of one per cent. of the aggregate value (based on the final Offer Price) of the Ordinary Shares allocated to and paid for by such Intermediary.

Each Intermediary is prohibited from charging any fees, charges or commissions to an Underlying Applicant for making an application for Ordinary Shares on behalf of such Underlying Applicant in the Intermediaries Offer.

Information and communications

The Intermediaries have agreed to give certain undertakings regarding the use of information provided to them in connection with the Intermediaries Offer (both prior to and following publication of the Prospectus). The Intermediaries have given certain undertakings regarding their role and responsibilities in the Intermediaries Offer and are subject to certain restrictions on their conduct in connection with the Intermediaries Offer, including in relation to their responsibility for information, communications, websites, advertisements and their communications with clients and the press.

Representations and warranties

The Intermediaries have given representations and warranties that are relevant for the Intermediaries Offer, and have agreed to indemnify the Company, the Selling Shareholders, the Intermediaries Offer Adviser and the Underwriters against any loss or claim arising out of any breach by them of the Intermediaries Terms and Conditions or as a result of a breach of any duties or obligations under FSMA or under any rules of the FCA or any applicable laws.

The Company and the Joint Global Co-ordinators (on behalf of the Underwriters) will determine, in their absolute discretion, the final number of Ordinary Shares to be allocated under the Intermediaries Offer and the Company will determine the basis of allocation of the Ordinary Shares in the Intermediaries Offer which the Intermediaries will be required to follow. Accordingly, persons who apply to an Intermediary for Ordinary Shares under the Intermediaries Offer may not receive all of the Ordinary Shares that they apply for and it is possible that they may not receive any.

15.10 Orderly Sale Agreement

On 30 October 2013, the Company, Blackstone and CVC Holdco entered into an orderly sale agreement regulating the sale of Ordinary Shares amongst themselves (the "**Orderly Sale Agreement**").

The Orderly Sale Agreement provides that neither Blackstone nor CVC Holdco will dispose of Ordinary Shares (a "**Sale**") for consideration of less than £75 million without first obtaining the consent of the other. In addition, neither Blackstone nor CVC Holdco will complete a Sale without first notifying the other and following a process inviting them to participate in such Sale. Certain types of sales are excluded from these restrictions, including but not limited to, disposals pursuant to a takeover bid, scheme of arrangement or share buyback.

The Company also agrees to assist any party who is proposing a Sale for consideration in excess of £75 million by providing reasonable cooperation and assistance to the seller, including access to personnel and information. The Company will not be required to provide such assistance where, amongst other things, to provide such assistance would prevent or interfere with the discharge by the Company's employees of their managerial or other responsibilities, it would interfere with a material proposed acquisition, disposition, financing, reorganisation, recapitulation or similar transaction or it would require non-public information to be disclosed to the relevant seller.

The agreement will terminate in respect of a party (excluding the Company) when it holds less than five per cent. of the Ordinary Shares or for all parties when the Company ceases to be admitted to the Official List or upon certain insolvency events.

15.11 LEGOLAND South Korea Undertaking Agreement

On 29 October 2013, a subsidiary of the Company, Merlin Entertainments Group Limited, and Gangwon Provincial Government (**"Gangwon"**) entered into an undertaking agreement relating to the development of a LEGOLAND Park in Gwang-do, South Korea (the **"Undertaking Agreement"**). The expected total cost of the project is approximately US$300 million.

The Undertaking Agreement provides that an operating company that will be a subsidiary of Merlin (**"OpCo"**) will rent the facilities of the proposed site for an initial period of 50 years from Gangwon (who will use its best endeavours to extend the lease on expiry of its term). The rent payable under this operating lease will be determined by reference to the annual revenue of the proposed LEGOLAND Park.

A property holding company (**"PropCo"**), with funding provided by Gangwon, third parties and Merlin Entertainments Group Limited (who will provide approximately US$10 million), will own the site. Merlin Entertainments Group Limited has, subject to certain conditions being met, agreed to contribute approximately a further US$90 million to the development and operation of the proposed LEGOLAND Park through capital contributions to OpCo.

It is not expected that any payment in excess of US$10 million will be required to be paid by Merlin pursuant to the Undertaking Agreement before the end of the 2014 financial year.

The Undertaking Agreement may be terminated by mutual agreement of the parties or following a material breach that is not cured within 30 business days of notice of such breach.

16. LITIGATION

There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Company or the Existing Group or their respective financial position or profitability.

17. SUBSIDIARIES

The Company acts as the holding company of the Group, the principal activities of which are the provision of location based, family entertainment. The Company has the following significant subsidiary undertakings:

Name	Country of Incorporation	Registered Office	Principal Activity	Proportion of Ownership	Class of Shares
Living and Leisure Australia Trust	Australia	c/o Trust Company Limited	Trust	100	—
Living and Leisure Finance Trust	Australia	c/o Trust Company Limited	Trust	100	—
ME LoanCo (Australia) Pty Limited	Australia	TMF Corporate Services (Aust) Pty Limited, Level 16, 201 Elizabeth Street, Sydney, NSW, 2000, Australia	Holding company	100	Ordinary
Merlin Entertainments (Australia) Pty Ltd	Australia	TMF Corporate Services (Aust) Pty Limited, Level 11, 50 Queen Street, Melbourne, VIC, 3000, Australia	Holding Company	100	Ordinary
Mount Hotham Skiing Company Pty Ltd	Australia	TMF Corporate Services (Aust) Pty Limited, Level 11, 50 Queen Street, Melbourne, VIC, 3000, Australia	Operating Company	100	Ordinary
Sydney Attractions Group Pty Ltd	Australia	TMF Corporate Services (Aust) Pty Limited, Level 16, 201 Elizabeth Street, Sydney, NSW, 2000, Australia	Holding company	100	Ordinary
The Sydney Aquarium Company Pty Ltd	Australia	TMF Corporate Services (Aust) Pty Limited, Level 16, 201 Elizabeth Street, Sydney, NSW, 2000, Australia	Operating company	100	Ordinary
LEGOLAND ApS	Denmark	Aastvej 10, DK 7190, Billund, Denmark	Operating company	100	Ordinary
Merlin Entertainments Group Denmark Holdings ApS	Denmark	Aastvej 10, DK 7190 Billund, Denmark	Holding company	100	Ordinary
Alton Towers Resort Operations Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
Charcoal Newco 1 Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Holding company	100	Ordinary

Name	Country of Incorporation	Registered Office	Principal Activity	Proportion of Ownership	Class of Shares
Charcoal Newco 1a Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Holding company	100	Ordinary
Chessington World of Adventures Operations Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company Limited	100	Ordinary
LEGOLAND Windsor Park Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
London Eye Holdings Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Holding company	100	Ordinary
London Eye Management Services Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
Madame Tussauds Touring Exhibition Limited (including MT Hong Kong Branch)	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
Merlin Entertainments (SEA LIFE) Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
Merlin Entertainments Group Holdings Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Holding company	100	Ordinary
Merlin Entertainments Group Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
Thorpe Park Operations Limited	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
Merlin Attractions Operations Limited (Previously Tussauds Attractions Operations Limited)	England and Wales	3 Market Close, Poole, Dorset, BH15 1NQ, United Kingdom	Operating company	100	Ordinary
Heide-Park Soltau GmbH	Germany	Heidenhof 1, 29614, Soltau, Germany	Operating company	100	Ordinary
LEGOLAND Deutschland GmbH	Germany	Legoland Allee, 89312, Gunzburg, Germany	Operating company	100	Ordinary
LEGOLAND Deutschland Freizeitpark GmbH	Germany	Legoland Allee, 89312, Gunzburg, Germany	Operating company	100	Ordinary
Merlin Entertainments Group Deutschland GmbH	Germany	Cremon 11, 20457, Hamburg, Germany	Holding company	100	Ordinary
Gardaland S.r.l.	Italy	Via Sant Orsola 3 Cap, 20123, Milan, Italy	Operating company	97.8	Ordinary
Merlin Entertainments Group Italy S.r.l.	Italy	Via Sant Orsola 3 Cap, 20123, Milan, Italy	Holding company	90	Ordinary
Merlin Entertainments S.à r.l.	Luxembourg	2-4 rue Eugène Ruppert, L-2453, Luxembourg	Holding company	100	Ordinary
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Luxembourg	2-4 rue Eugène Ruppert, L-2453, Luxembourg	Holding company	100	Ordinary
Merlin Entertainments Group Luxembourg 2 S.à r.l.	Luxembourg	2-4 rue Eugène Ruppert, L-2453, Luxembourg	Holding company	100	Ordinary

Name	Country of Incorporation	Registered Office	Principal Activity	Proportion of Ownership	Class of Shares
Merlin Entertainments Group Luxembourg S.à r.l.	Luxembourg	2-4 rue Eugène Ruppert, L-2453, Luxembourg	Holding company	100	A Ordinary
LEGOLAND California LLC	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, United States	Operating company	100	Ordinary
Madame Tussauds New York LLC	United States	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, United States	Operating company	100	Ordinary
Merlin Entertainments Group Florida LLC	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, United States	Holding company	100	Ordinary
Merlin Entertainments Group US LLC	United States	40 East Division Street, Suite A, Dover, Kent, Delaware, 19901, United States	Holding company	100	Ordinary
Merlin Entertainments Group US Holdings Inc	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, United States	Holding company	100	Ordinary
Merlin Entertainments Group Luxembourg TopCo US Branch	United States	3377 Las Vegas Boulevard South, Suite 2001, Las Vegas 89109	Branch		

18. PROPERTY, PLANT AND EQUIPMENT

The Group's principal properties are as follows:

Property	Freehold	Long Leasehold (>25 years of unexpired term)	Short Leasehold (<25 years of unexpired term)
Alton Towers Resort, England	Yes (part)	Yes (part)[(1)]	
Chessington World of Adventures Resort, England	Yes (resort and hotel)		
Gardaland Theme Park Resort, Italy	Yes		
Heide Park Resort, Germany		Yes	
LEGOLAND California Resort, United States	Yes (main site)		Yes (model shop)
LEGOLAND Billund Resort, Denmark	Yes (main site, hotel and other parts)		Yes (other parts)
LEGOLAND Deutschland Resort, Germany	Yes		
LEGOLAND Florida, United States	Yes (main site)	Yes (Cypress Gardens)	
LEGOLAND Windsor Resort, England	Yes (resort and hotel[(2)])		
SEA LIFE London Aquarium, London, England		Yes	
London Dungeon, London, England		Yes	
The EDF Energy London Eye, London, England[(3)]		Yes (part)	Yes (part)[(4)]
Madame Tussauds, Hong Kong			Yes
Madame Tussauds, London, England		Yes (part)	Yes (part)[(5)]
Madame Tussauds, New York, United States			Yes[(6)]
SEA LIFE Sydney, Australia			Yes[(7)]
Thorpe Park Resort, England		Yes (resort and land on which hotel is to be constructed)	

(1) The site of the theme park and the hotel are both long leasehold titles. The Group also owns the freehold title to the hotel site, but this is now subject to a long lease in favour of Prestbury, out of which the lease to the Group is granted. The remainder of the property is freehold.
(2) The Group owns the freehold of the whole site. However, the Group has granted a headlease of the hotel site to Richie Properties Limited which has in turn granted an underlease back to the Group.
(3) In respect of The EDF Energy London Eye itself, this is located partly on the bed of the River Thames pursuant to the terms of a licence granted by The Port of London Authority. No freehold or leasehold interest is held by the Group in respect of this land.
(4) Part of the site used for the operation of The EDF Energy London Eye, including maintenance of support leg cables and other support work for the wheel, and access to it is held pursuant to a lease which expires on 31 December 2030, but in respect of which the Group has the benefit of statutory rights of renewal.
(5) The term of the existing lease expires on 4 April 2037.
(6) The term of the existing lease expires in 2024. However, the lease contains various tenant options to renew, which, if each were exercised, could effectively extend the term by a further 74 years.
(7) The term of the existing leases expire in 2037. The main lease contains various tenant options to renew, which, if each were exercised, could effectively extend the term by a further 50 years.

19. NO SIGNIFICANT CHANGE

19.1 There has been no significant change in the financial or trading position of the Existing Group since 29 June 2013, being the date of the last audited financial information of the Existing Group, contained in Part 12 of this Prospectus.

19.2 There has been no significant change in the financial or trading position of the Company since 20 September 2013, being the date of its incorporation.

20. MISCELLANEOUS

20.1 The total costs and expenses of, and incidental to, the Global Offer payable by the Company are estimated to amount to £35 million (excluding VAT).

20.2 KPMG LLP (a member of the Institute of Chartered Accountants in England and Wales) has given and has not withdrawn its written consent to the inclusion in this Prospectus of its Accountants' Report(s) and its letters set out in Part 12—Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. and Part 13—Pro Forma Statement of Net Assets, in the form and context in which they appear and has authorised the contents of those parts of this Prospectus which comprise its reports for the purpose of Rule 5.5.3R(2)(f) of the Prospectus Rules. As the Ordinary Shares have not been and will not be registered under the Securities Act, KPMG LLP has not filed and will not file a consent under the Securities Act.

20.3 The Ordinary Shares are in registered form and will, on Admission, be capable of being held in uncertificated form. The Ordinary Shares will be admitted with the ISIN GB00BDZT6P94.

21. INTERMEDIARIES

The Intermediaries authorised at the date of this document to use this document in connection with the Intermediaries Offer are:

Name	Address
A J Bell Securities Limited (trading as Sippdeal)	Trafford House, Chester Road, Manchester, M32 0RS
Abbey Stockbrokers Ltd (trading as Santander Sharedealing)	Kingfisher House, Radford Way, Billericay, Essex, CM12 0GZ
Albert E Sharp LLP	Seven Elm Court, Arden Street, Stratford-Upon-Avon, CV37 6PA
All IPO plc	Suite 27, Essex Technology Centre, The Gables, Fyfield Road, Ongar, Essex, CM5 0GA
Arnold, Stansby & Co Limited	Alexandra Buildings, Queen Street, Manchester, M2 5JJ
Barclays Bank plc (trading as Barclays Wealth)	1 Churchill Place, London, E14 5HP
Barclays Stockbrokers Limited	1 Churchill Place, London, E14 5HP
Beaufort Asset Clearing Services Limited (trading as Beaufort Sharedealing)	131 Finsbury Pavement, London, EC2A 1NT
Bestinvest (Brokers) Limited	6 Chesterfield Gardens, Mayfair, London, W1J 5BQ
Brown Shipley & Co Ltd	Founders Court, Lothbury, London, EC2R 7HE
Charles Stanley & Co Ltd	25 Luke Street, London, EC2A 4AR
Cornhill Capital Limited	4th floor, 18 St Swithins Lane, London, EC4N 8AD
Dowgate Capital Stockbrokers Limited	Talisman House, Jubilee Walk, Three Bridges, Crawley, RH10 1LQ

Name	Address
Edwards Securities Limited	156 South Street, Dorking, Surrey, RH4 2HF
EFG Private Bank (trading as EFG Harris Allday)	Leconfield House, Curzon Street, London, W1J 5JB
Hargreave Hale Limited	9-11 Neptune Court, Hallam Way, Blackpool, FY4 5LZ
Hargreaves Lansdown Asset Management	1 College Square South, Anchor Road, Bristol, BS1 5HL
Hartmann Capital Limited	3rd floor, New Liverpool House, 15-17 Eldon Street, London, EC2M 7LD
Havelock Hunter Stockbrokers Ltd	1 Mount Ephraim Road, Tunbridge Wells, Kent, TN1 1ET
Hedley and Company Stockbrokers Limited	Springwell House, 2 Shear Bank Road, Blackburn, BB1 8AD
iDealing.com Ltd	114 Middlesex Street, London, E1 7HY
Interactive Investor Trading Limited (trading as Interactive Investor & Shareprice)	21 Mansell Street, London, E1 8AA
James Brearley & Sons Limited	Walpole House, 2 Burton Road, Blackpool, FY4 4NW
James Sharp & Co	The Exchange, 5 Bank Street, Bury, Lancashire, BL9 0DN
Jarvis Investment Management Limited (trading as Sharedeal Active & X-O.co.uk)	78 Mount Ephraim, Tunbridge Wells, Kent, TN4 8BS
Killik & Co LLP	46 Grosvenor Street, London, W1K 3HN
MD Barnard & Co Limited	17 - 21 New Century Road, Laindon, Basildon, Essex, SS15 6AG
Midas Investment Management Limited	Arthur House, Chorlton Street, Manchester, M1 3FH
Novum Securities Limited	47 Park Lane, London, W1K 1PR
Old Park Lane Capital plc	49 Berkeley Square, London, W1J 5AZ
Paul E Schweder Miller & Co	46-50 Tabernacle Street, London, EC2A 4SJ
Quilter Cheviot Ltd	1 St Helen's, 1 Undershaft, London, EC3A 8BB
Rathbone Investment Management Ltd	1 Curzon Street, London, W1J 5FB
Redmayne-Bentley LLP	9 Bond Court, Leeds, LS1 2JZ
Reyker Securities plc	17 Moorgate, London, EC2R 6AR
Sanlam Private Investments (UK) Ltd	16 South Park, Sevenoaks, Kent, TN13 1AN
Shore Capital Stockbrokers Limited	Bond Street House, 14 Clifford Street, London, W1S 4JU
SVS Securities plc	110 Fenchurch Street, London, EC3M 5JT
Talos Securities Ltd (trading as Selftrade)	Boatman's House, 2 Selsdon Way, London, E14 9LA
The Share Centre Limited	Oxford House, Oxford Road, Aylesbury, HP21 8SZ
W.H. Ireland Limited	11 St James's Square, Manchester, M2 6WH
Walker Crips Stockbrokers Limited	Finsbury Tower, 103-105 Bunhill Row, London, EC1Y 8LZ

Any new information with respect to financial intermediaries unknown at the time of publication of this document, including in respect of: (i) any intermediary financial institution that is appointed by the Company in connection with the Intermediaries Offer after the date of this document following its agreement to adhere to and be bound by the Intermediaries Terms and Conditions; and (ii) any Intermediary that ceases to participate in the Intermediaries Offer, will be made available on the Company's website at www.merlinentertainments.biz.

22. SMALL BENEFICIAL SHAREHOLDER ARRANGEMENTS

As at the date of this document, Share Plan Nominee is the legal owner of 99,776,250 shares in ManCo and 1,657,520 shares in ME Lux on behalf of approximately 300 Small Beneficial Shareholders (including Executive Management Beneficial Shareholders) and the EBT through nominee arrangements. Immediately prior to Admission (following completion of the Reorganisation, the Reorganisation Agreement, the intended subsequent liquidation of ManCo (the **"ManCo Liquidation"**) and the vesting of the Awards under the plan (the **"Vesting of Awards"**)), Share Plan Nominee, assuming the Offer Price is set at the mid-point of the Price Range, will be the legal owner of 70,054,431 Ordinary Shares on behalf of the Small Beneficial Shareholders and the EBT.

Small Beneficial Shareholders who are Grade 4 managers of the Group (**"Grade 4 Beneficial Shareholders"**) will sell, through the Global Offer, 100 per cent. of the Ordinary Shares in which they have a beneficial interest as a result of the completion of the Reorganisation, the Reorganisation Agreement, the ManCo Liquidation and the Vesting of Awards.

Small Beneficial Shareholders who are Grade 2 or Grade 3 managers of the Group, together with Mark Allsop (**"Grade 2/3 Beneficial Shareholders"**), will sell, through the Global Offer (i) such a number of Ordinary Shares as is necessary to fund any tax liability arising in their name as a result of the completion of the Reorganisation, the Reorganisation Agreement, the ManCo Liquidation and the Vesting of Awards (the **"Tax Liability Shares"**) and (ii) 25 per cent. of the remaining Ordinary Shares (after the sale of any Tax Liability Shares) in which they have a beneficial interest. Following Admission, Grade 2/3 Beneficial Shareholders will not be permitted to sell any Ordinary Shares in which they have a beneficial interest for a period of 360 days, except pursuant to certain customary exceptions.

Small Beneficial Shareholders who are Senior Managers (excluding Mark Allsop) will sell, through the Global Offer, 25 per cent. of the Ordinary Shares in which they are beneficially interested. Following Admission, the Senior Managers will be subject to the lock-up arrangements summarised in paragraph 12 of this Part 15 – Additional Information.

Sir John Sunderland, Nick Varney and Andrew Carr will sell, through the Global Offer, 30 per cent. of the Ordinary Shares in which they are beneficially interested. Following Admission, as Directors of the Company, they will be subject to the lock-up arrangements summarised in paragraph 12 of this Part 15 – Additional Information.

As described in paragraph 12 of this Part 15, the sale of Existing Shares through the Global Offer by Share Plan Nominee (on behalf of Small Beneficial Shareholders and the EBT) is underwritten on the terms and subject to the conditions of the Underwriting Agreement.

In aggregate and assuming the Offer Price is set at the mid-point of the Price Range, and that Admission occurs on 15 November 2013 Share Plan Nominee may sell up to 28,375,356 Existing Shares which it holds on behalf of Small Beneficial Shareholders and the EBT pursuant to the arrangements described above (representing 2.99 per cent. of the issued share capital of the Company immediately prior to Admission). The aggregate number of Existing Shares to be sold pursuant to the Global Offer by Share Plan Nominee on behalf of the Small Beneficial Shareholders and the EBT will be set out in the Pricing Statement. Please refer to paragraph 6.1 of this Part 15 – Additional Information for further details on the expected beneficial interests of the Directors and Senior Managers immediately prior to and following Admission.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA for a period of 28 days from the date of this Prospectus.

(a) the Articles;

(b) the historical financial information of the Group for the 2011 financial year and the 2012 financial year;

(c) the Accountants' Reports set out in Part 12 – Accountants' Report and Financial Information on Merlin Entertainments S.à r.l. and Part 13 – Pro Forma Statement of Net Assets; and

(d) this Prospectus.

For the purposes of item 3.2.4 of the Prospectus Rules, the Prospectus will be published in electronic form and be available on the Company's website at www.merlinentertainments.biz, subject to certain access restrictions, for a period of 28 days from the date of publication of this Prospectus. Copies of this Prospectus are also available for inspection on the National Storage Mechanism at www.hemscott.com/nsm.do.

Dated 30 October 2013

PART 16 – DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

"2006 Act"	the Companies Act 2006 of England and Wales, as amended
"2008 financial year"	the 52 weeks ended 27 December 2008
"2009 financial year"	the 52 weeks ended 26 December 2009
"2010 financial year"	the 52 weeks ended 25 December 2010
"2011 financial year"	the 53 weeks ended 31 December 2011
"2012 financial year"	the 52 weeks ended 29 December 2012
"2013 financial year"	the 52 weeks ending 28 December 2013
"2014 financial year"	the 52 weeks ending 27 December 2014
"2015 financial year"	the 52 weeks ending 26 December 2015
"2016 financial year"	the 53 weeks ending 31 December 2016
"A Ordinary Shares"	has the meaning given in paragraph 3.2 of Part 15 – Additional Information
"Accountants' Reports"	KPMG LLP's reports relating to Merlin Entertainments S.à r.l. and the unaudited pro forma information set out in Parts 12 and 13 of this Prospectus respectively
"Admission"	admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities becoming effective
"Articles" or "Articles of Association"	the articles of association of the Company as in effect from Admission
"Attractions"	the Resort Theme Parks, the LEGOLAND Parks and the Midway Attractions
"B Ordinary Shares"	has the meaning given in paragraph 3.2 of Part 15 – Additional Information
"Barclays"	Barclays Bank PLC
"BFIP"	Blackstone Family Investment Partnership (Cayman) IV-A L.P. on behalf of itself and Blackstone Family Investment Partnership (Cayman) IV-A SMD L.P.
"Blackstone"	together, Blackstone Capital Partners (Cayman) IV-A L.P., BFIP, Blackstone Participation Partnership (Cayman) IV L.P. and Blackstone Merlin Holdings Limited of, in each case, c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, KY1-9005 George Town, Grand Cayman, Cayman Islands
"Blackstone Director"	has the meaning given in paragraph 15.5 of Part 15 – Additional Information
"Blackstone Lenders"	certain funds affiliated with Blackstone
"Blackstone Relationship Agreement"	the agreement summarised at paragraph 15.5 of Part 15 – Additional Information
"Board" or "Directors"	the directors of the Company as at the date of this Prospectus whose names are set out in paragraph 1 of Part 9 – Directors, Senior Management and Corporate Governance
"Business Days"	days (not being a Saturday or a Sunday) on which banks are generally open for business in London, United Kingdom
"Citigroup"	Citigroup Global Markets Limited
"Computershare"	Computershare Investor Services Plc
"Consideration Shares"	has the meaning given in paragraph 3.2 of Part 15 – Additional Information
"CREST"	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to shares in uncertificated form

"CVC"	CVC Capital Partners SICAV-FIS S.A. and its subsidiaries and affiliates
"CVC Director"	has the meaning given in paragraph 15.7 of Part 15 – Additional Information
"CVC Holdco"	Lancelot Holdings S.à r.l a Luxembourg company owned by funds managed and advised by CVC of 20, avenue Monterey, L-2163 Luxembourg
"CVC Lenders"	certain funds affiliated with CVC
"CVC Relationship Agreement"	the agreement summarised at paragraph 15.7 of Part 15 – Additional Information
"Directors"	the directors of the Company from time to time;
"Disclosure and Transparency Rules"	the rules made by the FCA under Part VI of FSMA relating to the disclosure of information (as amended from time to time)
"EEA"	is the European Economic Area
"EBITDA"	profit before finance income and costs, taxation, depreciation, amortisation and after taking account of profit after tax of joint ventures
"EBT"	has the meaning given in paragraph 5.8 of Part 15 – Additional Information
"EU"	the European Union
"Exchange Act"	the US Securities Exchange Act of 1934, as amended
"Executive Directors"	Nick Varney and Andrew Carr
"Executive Management Beneficial Shareholders"	together, the Executive Directors, Sir John Sunderland and the Senior Managers
"Existing Group"	ME Lux and its subsidiary undertakings, from time to time
"Existing Share Offer Size"	the number of Existing Shares to be sold pursuant to the Global Offer, to be set out in the Pricing Statement;
"Existing Share Offer Size Range"	the range within which the Existing Share Offer Size is currently expected to be set, being between 132,538,824 Ordinary Shares and 242,261,194 Ordinary Shares (excluding any Ordinary Shares which may be sold pursuant to the Over-allotment Option);
"Existing Shares"	except where the context otherwise requires, the issued share capital of the Company at Admission excluding the New Shares
"Facilities Agreement"	has the meaning given in paragraph 13 of Part 15 – Additional Information
"Financial Conduct Authority" or "FCA"	the Financial Conduct Authority of the UK
"FSMA"	the Financial Services and Markets Act 2000 of England and Wales, as amended
"Global Offer"	the Institutional Offer and the Intermediaries Offer
"Group"	(i) for the period from completion of the Reorganisation Agreement (which is expected to occur on 5.00 p.m. on the second Business Day following the date on which the Pricing Statement is published) or otherwise as the context may require, Merlin Entertainments plc and its subsidiary undertakings; and (ii) for the period prior to completion of the Reorganisation Agreement, Merlin Entertainments S.à r.l and its subsidiary undertakings
"H1 2012"	the 26 weeks ended 30 June 2012
"H1 2013"	the 26 weeks ended 29 June 2013
"HMRC"	HM Revenue and Customs
"HSBC"	HSBC Bank plc

"IFRS"	International Financial Reporting Standards
"incremental ROIC"	has the meaning given in paragraph 4 of Part 6 – Presentation of Financial and Other Important Information
"Institutional Offer"	the offer of Ordinary Shares to certain institutional and other investors as described in Part 14 – Details of the Global Offer
"Intermediaries"	the entities listed in paragraph 21 of Part 15 – Additional Information, together with any other intermediary (if any) that is appointed by the Company in connection with the Intermediaries Offer after the date of this document
"Intermediaries Offer"	the offer of Ordinary Shares to the Intermediaries as described in paragraph 1 of Part 14 – Details of the Global Offer
"Intermediaries Offer Adviser"	Solid Solutions Associates (UK) Limited
"Intermediaries Offer Application Form"	the form of application for Ordinary Shares in the Intermediaries Offer used by the Intermediaries
"Intermediaries Terms and Conditions"	the terms and conditions upon which the Intermediaries have agreed to be appointed by the Company to act as an Intermediary in the Intermediaries Offer and pursuant to which the Intermediaries may apply for Ordinary Shares in the Intermediaries Offer, details of which are set out at paragraph 15.9 of Part 15 – Additional Information
"ISA"	Individual Savings Account
"Joint Bookrunners"	Goldman Sachs International, Barclays, Citigroup and Morgan Stanley
"Joint Global Co-ordinators"	Goldman Sachs International and Barclays
"Joint Sponsors"	Goldman Sachs International and Barclays
"Key Brands"	Alton Towers, Chessington World of Adventures, The Dungeons, The Eye Brand, Gardaland, Heide Park, LEGOLAND, Madame Tussauds, SEA LIFE, Thorpe Park and Warwick Castle
"KIRKBI"	KIRKBI Invest A/S, whose registered office is at Koldingvej 2, DK-7190, Billund, Denmark
"KIRKBI Director"	has the meaning given in paragraph 15.6 of Part 15 – Additional Information
"KIRKBI Lender"	KIRKBI A/S, the holding company of KIRKBI whose registered office is at Koldingvej 2, DK-7190, Billund, Denmark
"KIRKBI Relationship Agreement"	the agreement summarised of paragraph 15.6 of Part 15 – Additional Information
"Lazard"	Lazard & Co., Limited
"LCA"	has the meaning given in paragraph 15.1 of Part 15 – Additional Information
"LEGOLAND Parks"	LEGOLAND Billund, LEGOLAND California, LEGOLAND Deutschland, LEGOLAND Florida, LEGOLAND Malaysia and LEGOLAND Windsor
"like-for-like"	has the meaning given in paragraph of 4 of Part 6 – Presentation of Financial and Other Important Information
"Listing Rules"	the listing rules made by the FCA under Part VI of FSMA (as amended from time to time)
"London Stock Exchange" or "LSE"	London Stock Exchange plc
"Major Shareholders"	together, Blackstone, CVC Holdco and KIRKBI
"ManCo"	Merlin Entertainments Management Company S.à r.l
"ME Lux"	Merlin Entertainments S.à r.l., the former holding company of the Group
"ME Lux Shareholders"	means the Blackstone Shareholders, CVC Holdco, KIRKBI, Merlin Entertainments Management S.à r.l. and Merlin Entertainments Share Plan Nominee Limited

"MEG Lux 3"	Merlin Entertainments Group Luxembourg 3 S.à r.l.
"Member State"	a member state of the EU
"Merlin" or the "Company"	Merlin Entertainments plc
"Merlin Annual Pass"	an annual season ticket allowing entry to a range of Attractions, generally in the United Kingdom or Germany
"Merlin Malaysia"	Sovereign Haven Sdn. Bhd, a subsidiary of MEG Lux 3
"Midway Attractions"	The Dungeons, LEGOLAND Discovery Centres, The Eye Brand (and other observations), Madame Tussauds, SEA LIFE Centres and those Attractions which have been acquired pursuant to the acquisition of Living and Leisure Australia Limited, but which have not yet been re-branded
"Morgan Stanley"	Morgan Stanley Securities Limited
"Net Proceeds"	£165 million, being the estimated net proceeds receivable by the Company in respect of the Institutional Offer (which is underwritten) and the Intermediaries Offer (assuming the Offer Price is set at the mid-point of the Price Range)
"New EBT"	has the meaning given in paragraph 5 of Part 15 – Additional Information
"New Share Offer Size"	the number of New Shares to be sold pursuant to the Global Offer, to be set out in the Pricing Statement;
"New Share Offer Size Range"	the range within which the New Share Offer Size is currently expected to be set, being between 60,606,061 Ordinary Shares and 71,428,571 Ordinary Shares;
"New Shares"	new Ordinary Shares proposed to be issued by the Company pursuant to the Global Offer
"Non-Executive Directors"	Sir John Sunderland, Charles Gurassa, Ken Hydon, Miguel Ko, Rob Lucas, Dr. Gerry Murphy and Søren Sørenson
"Offer Price"	the price at which each Ordinary Share is to be issued or sold under the Global Offer
"Official List"	The Official List of the Financial Conduct Authority
"Ordinary Shares"	ordinary shares of 1 pence each in the capital of the Company
"Over-allotment Option"	the over-allotment option granted by Blackstone and CVC Holdco to the Stabilising Manager, details of which are set out in Part 14 – Details of the Global Offer
"Over-allotment Shares"	the Existing Shares comprised in the Over-allotment Option
"Plans"	has the meaning given in paragraph 5 of Part 15 – Additional Information
"Price Range"	280p to 330p
"Pricing Memorandum"	the pricing memorandum to be executed by the Company, the Selling Shareholders and the Underwriters immediately prior to the announcement of the Offer Price pursuant to which each of the Underwriters agrees, severally, to procure subscribers and purchasers for, or failing which to subscribe for and/or purchase itself, its relevant proportion of the Ordinary Shares to be issued, sold and transferred under the Global Offer as set out therein, in each case at the Offer Price
"Pricing Statement"	the pricing statement to be published on or about 12 November 2013 by the Company detailing the Offer Price and the number of Ordinary Shares which are the subject of the Global Offer
"Prospectus Directive"	Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area which has implemented the Prospectus Directive

"Prospectus Rules"	the rules made by the FCA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market (as amended from time to time)
"Qualified Institutional Buyers" or "QIBs"	has the meaning given by Rule 144A
"Registrar"	Computershare Investor Services Plc
"Regulation S"	Regulation S under the Securities Act
"Regulations"	the Uncertificated Securities Regulations 2001, as amended
"Relationship Agreements"	the Blackstone Relationship Agreement, the CVC Relationship Agreement and the KIRKBI Relationship Agreement
"Reorganisation"	the arrangements described in paragraph 3.2 of Part 15 – Additional Information
"Reorganisation Agreement"	has the meaning given in paragraph 3.2 of Part 15 – Additional Information
"Reporting Accountants"	KPMG LLP
"Resort Theme Parks"	Alton Towers Resort, Chessington World of Adventures Resort, Gardaland Resort, Heide Park Resort, Thorpe Park Resort and Warwick Castle
"Restated Facilities"	has the meaning given in paragraph 13 of Part 15 – Additional Information
"Restated Facilities Agreement"	has the meaning given in paragraph 13 of Part 15 – Additional Information
"Rule 144A"	Rule 144A under the Securities Act
"SSAS"	Small Self Administered Scheme
"SDRT"	Stamp Duty Reserve Tax
"SEC"	the US Securities and Exchange Commission
"Securities Act"	the US Securities Act of 1933, as amended
"Selling Shareholders"	those shareholders, being Blackstone, CVC Holdco, KIRKBI and Share Plan Nominee, who, pursuant to the Underwriting Agreement, have agreed to sell Ordinary Shares in the Global Offer
"Senior Managers"	persons named in paragraph 1.2 of Part 9 – Directors, Senior Management and Corporate Governance, and each being a "Senior Manager"
"Settlement Manager"	Barclays;
"Share Plan Nominee"	Merlin Entertainments Share Plan Nominee Limited, a company incorporated in England and Wales (registered number 05507318) whose registered office is at 3 Market Close, Poole, Dorset BH15 1NQ
"Shareholders"	holders of Ordinary Shares
"SIPP"	Self Invested Personal Pension
"Small Beneficial Shareholders"	employees and former employees who will, immediately prior to Admission, be beneficially interested in Ordinary Shares
"Stabilisation End Date"	10 December 2013
"Stabilising Manager"	Goldman Sachs International
"Stabilising Period"	the period between commencement of conditional trading of the Ordinary Shares on the London Stock Exchange and 30 days thereafter

"Studios"	Merlin's creative studios, located in west London
"Takeover Code"	the City Code on Takeovers and Mergers
"Theme Parks"	the Resort Theme Parks and the LEGOLAND Parks
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Corporate Governance Code"	the UK Code on Corporate Governance (as amended from time to time)
"UK Listing Authority" or "UKLA"	the FCA exercising its functions under Part VI of FSMA
"Underlying Applicants"	has the meaning given in paragraph 15.9 of Part 15 – Additional Information
"Underwriters"	Goldman Sachs International, Barclays, Citigroup, Morgan Stanley, HSBC and UniCredit Group
"Underwriting Agreement"	the conditional agreement entered into between the Company, the Directors, the Selling Shareholders and the Underwriters, details of which are set out in paragraph 12 of Part 15 – Additional Information
"UniCredit Group"	UniCredit Bank AG, London Branch
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"Vardon Attractions"	Vardon Attractions Limited

PART 17 – GLOSSARY

The following explanations are not intended as technical definitions, but rather are intended to assist the reader in understanding certain terms used in this Prospectus.

"ABC1"	a demographic classification including: (i) higher managerial, administrative and professional occupations; (ii) intermediate managerial and professional occupations; and (iii) supervisory or clerical and junior managerial, administrative or professional occupations
"CAGR"	compound annual growth rate calculated as follows: $\text{CAGR} = \left(\frac{\text{ending value}}{\text{beginning value}}\right)^{\left(\frac{1}{\text{No. of years}}\right)} -1$
"chainable"	the ability to roll out multiple visitor attractions in new locations under one brand
"cluster"	a group of attractions located close to one another
"existing estate"	the Group's Attractions at the end of a financial year
"lead price"	the face value of a ticket for entry to an Attraction, which may then be discounted
"maturity"	in respect of any Attraction, the point at which that Attraction achieves stable revenue generation
"penetration"	attraction volume derived from a LEGOLAND Park's primary market (being the population within one hour's drive time and also being families with children under the age of 15 years)
"second gate"	a visitor attraction at an existing Theme Park with a separate entrance and for which additional admission fees are charged
"secondary spend"	the average spend, excluding admissions fees, per visit to an Attraction, including spend on food and beverages, retail purchases, souvenir photography, parking and guide books
"segment EBITDA"	has the meaning given in paragraph 4 of Part 6 – Presentation of Financial and Other Information
"staycation"	a period of time when an individual or family stays at home and makes trips to attractions within its local area or region
"underlying EBITDA"	has the meaning given in paragraph 4 of Part 6 – Presentation of Financial and Other Information
"up-sell"	an attraction located within a Theme Park for which additional admission fees are charged
"white knuckle ride"	a ride or attraction which induces feelings of excitement and fear in its passengers


WORLD OF ATTRACTIONS
NORTH AMERICA ATTRACTIONS
SEA LIFE
Arizona
California
Dallas
Kansas City
Minnesota
Opening 2014:
Charlotte
Madame Tussauds
Hollywood
Las Vegas
New York
Washington DC
Opening 2014:
San Francisco
LEGOLAND
California
Florida
the Dungeons
Opening 2014:
San Francisco
LEGOLAND DISCOVERY CENTRE
Atlanta
Chicago
Dallas
Kansas City
Toronto
Westchester
Opening 2014:
Boston
UK ATTRACTIONS
SEA LIFE
Birmingham
Blackpool
Brighton
Great Yarmouth
Hunstanton
Loch Lomond
London
Manchester
Scarborough
Weymouth
Weymouth Tower
THE SANCTUARIES
Gweek
Oban
the Dungeons
Blackpool
Edinburgh
London
Warwick
York
Madame Tussauds
Blackpool
London
Alton Towers
Alton
CHESSINGTON WORLD OF ADVENTURES RESORT
Chessington
Merlin Entertainments The Eye Brand
Blackpool
London
WARWICK CASTLE
Warwick
LEGOLAND
Windsor
LEGOLAND DISCOVERY CENTRE
Manchester
THORPE PARK
Chertsey
ASIA ATTRACTIONS
SEA LIFE
Bangkok
Busan
Shanghai
Madame Tussauds
Bangkok
Hong Kong
Shanghai
Tokyo
Wuhan
Opening 2014: Beijing
LEGOLAND
Malaysia
LEGOLAND DISCOVERY CENTRE
Tokyo
EUROPE ATTRACTIONS
SEA LIFE
Benalmadena
Berlin
Blankenberge
Bray
Gardaland
Hannover
Helsinki
Istanbul
Jesolo
Königswinter
Konstanz
München
Oberhausen
Paris
Porto
Scheveningen
Speyer
Timmendorfer
Strand
Madame Tussauds
Amsterdam
Berlin
Vienna
the Dungeons
Amsterdam
Berlin
Hamburg
Gardaland RESORT
Lake Garda
Gardaland WATERPARK
Milan
HEIDE PARK RESORT
Soltau
LEGOLAND
Billund
Günzburg
LEGOLAND DISCOVERY CENTRE
Berlin
Oberhausen
AUSTRALIA / NEW ZEALAND ATTRACTIONS
SEA LIFE
Auckland
Melbourne
Mooloolaba
Sydney
THE SANCTUARIES
Manly
WILD LIFE
Hamilton Island
Sydney
Merlin Entertainments The Eye Brand
Sydney
Madame Tussauds
Sydney
Australian Treetop Adventures
Illawarra
Otway
HOTHAM
Mount Hotham
fallscreek
Falls Creek
MERLIN
ENTERTAINMENTS

Merlin Entertainments plc
Incorporated in England and Wales
Registered number: 08700412

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