

Merlin Entertainments Group Luxembourg S.à r.l

Managers' report and financial
statements 2008

Registered number B108846

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Managers' report

The managers present their 2008 managers' report and financial statements covering a trading period of 52 weeks ended 27 December 2008 (*2007: 52 weeks ended 29 December 2007*). There was no significant movement in the financial position of the Group in the period between 29 December 2007 and 31 December 2007, which was the balance sheet date presented in last year's financial statements. Accordingly, no changes to comparative information are required.

Principal activities

The Group's principal activity is the operation of theme parks and visitor attractions in Europe, the USA and Asia. The Group's results are detailed on page 6 of the financial statements.

The Company's principal activity is that of a holding company.

Business review

The presentational currency of the Group changed from Euros to Sterling with effect from the first trading day of the 2008 financial year. This decision was taken based on the preference of the managers as a result of the Tussauds Group acquisition during 2007, which resulted in a significant increase in the Merlin business presence within the UK.

On 19 May 2008, the Group acquired the previous joint venture partner's 50% interest in Sea Life Centre (Blackpool) Limited.

On 22 May 2008, the Group acquired the business and assets of the London Aquarium from County Hall Aquarium.

On 12 December 2008, the Group acquired the business and assets of the Underwater Adventures Aquarium in Minnesota, USA, from The Minnesota Aquarium LLC.

The consideration paid and total commitments entered into amounted to £21.9 million, including the assumption of finance lease commitments of £2.0 million that terminate in December 2022. Up to a further £2.0 million could be paid in addition to this amount, dependent on trading performance in 2009.

Research and development

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

Financial instruments

Information on financial instruments is detailed in note 24.

Proposed dividend

The managers do not recommend the payment of a dividend.

Market value of land and buildings

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

Group's likely future development

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

Managers' report *(continued)*

Managers and managers' interests

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

Robert Friedman

John Sutherland

Darcy Corben (resigned 29/01/08)

Knud Hjorth

Andrew Wright (resigned 16/12/08)

Colin Armstrong (appointed 29/01/08)

Jamie Nelson (appointed 16/12/08)

Other than as detailed below, none of the managers who held office at the end of the financial year had any disclosable interest in the shares of Group companies.

Share options

According to the register of managers' interests, the following rights to subscribe for shares in or debentures of Group companies were granted to the managers or their immediate families, or exercised by them, during the financial year:

	Date of grant	Class of ordinary share	At 30 December 2007	Options granted during the year	Options exercised during the year	At 27 December 2008	Exercise price (p)
Colin Armstrong	03.04.08	B1	-	350	-	350	37.0
	03.04.08	B2	-	350	-	350	37.0
	03.04.08	B3	-	350	-	350	37.0
	03.04.08	B4	-	350	-	350	37.0
	03.04.08	B5	-	350	-	350	37.0
Total			-	1,750	-	1,750	

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

Employees

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

Managers' report *(continued)*

Disclosure of information to auditors

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

Auditors

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

By order of the board

John Sutherland
Manager

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31 March 2009



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REPORT OF THE REVISEUR D'ENTREPRISES

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Merlin Entertainments Group Luxembourg S.à r.l. for the 52 weeks ended 27 December 2008, which comprise the consolidated balance sheet as at December, the consolidated income statement, consolidated statement of recognised income and expense and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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



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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Merlin Entertainments Group Luxembourg S.à r.l. as of 27 December 2008, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

Luxembourg, 31 March 2009

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

Thierry Ravasio

Consolidated income statement
For the 52 weeks ended 27 December 2008
(2007: 52 weeks ended 29 December 2007)

		2008	2007⁽¹⁾		
	Note	£m	Recurring £m	Non- recurring ⁽²⁾ £m	Total £m
Revenue	3	662.3	484.2	-	484.2
Cost of sales	4	(87.9)	(63.7)	-	(63.7)
Gross profit		574.4	420.5	-	420.5
Depreciation and amortisation	9,10	(80.3)	(44.9)	-	(44.9)
Staff expenses	5	(164.5)	(112.7)	(2.3)	(115.0)
Other operating expenses		(209.2)	(136.4)	(1.8)	(138.2)
Operating profit/(loss)		120.4	126.5	(4.1)	122.4
Financing income	7	45.9	13.4	-	13.4
Financing costs	7	(240.8)	(160.1)	-	(160.1)
Share of profit of joint ventures	11	-	0.1	-	0.1
Loss before tax		(74.5)	(20.1)	(4.1)	(24.2)
Taxation	8	(5.4)	(14.4)	1.2	(13.2)
Loss for the year		(79.9)	(34.5)	(2.9)	(37.4)
Attributable to:					
Equity holders of the parent	23	(79.1)	(34.3)	(2.9)	(37.2)
Minority interest	23	(0.8)	(0.2)	-	(0.2)
Loss for the year		(79.9)	(34.5)	(2.9)	(37.4)

⁽¹⁾ Comparative period figures have been restated following a change in presentational currency from Euros to Sterling with effect from the first trading day of the 2008 financial year (see note 1).

⁽²⁾ Details of non-recurring items in 2007 are provided in note 6.

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

Consolidated statement of recognised income and expense

For the 52 weeks ended 27 December 2008

(2007: 52 weeks ended 29 December 2007)

	Note	2008 £m	2007 ⁽¹⁾ £m
Foreign exchange translation gains		21.8	4.5
Foreign exchange translation losses relating to the net investment in foreign operations	7	(76.3)	(12.4)
Defined benefit plan actuarial gains and losses	21	(1.4)	0.2
Income tax on income and expenses recognised directly in equity	8	(2.3)	(0.2)
Expense recognised directly in equity		(58.2)	(7.9)
Loss for the year		(79.9)	(37.4)
Total recognised expense	23	(138.1)	(45.3)
Total recognised expense for the year is attributable to:			
Equity holders of the parent	23	(138.2)	(45.4)
Minority interest	23	0.1	0.1
		(138.1)	(45.3)

⁽¹⁾ Comparative period figures have been restated following a change in presentational currency from Euros to Sterling with effect from the first trading day of the 2008 financial year (see note 1).

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

Consolidated balance sheet

at 27 December 2008

(2007: 29 December 2007)

	Note	2008 £m	2007 ⁽¹⁾ £m
Non-current assets			
Property, plant and equipment	9	909.5	718.8
Intangible assets	10	978.5	852.4
Investment in joint ventures	11	0.7	1.1
Other receivables	14	4.7	5.2
Deferred tax assets	12	41.0	64.0
		1,934.4	1,641.5
Current assets			
Inventories	13	12.4	8.9
Trade and other receivables	14	41.1	38.2
Other financial assets	15	23.8	8.1
Tax receivable		-	5.9
Cash and cash equivalents	16	114.9	46.2
		192.2	107.3
Total assets		2,126.6	1,748.8
Current liabilities			
Bank overdrafts	16	-	6.7
Interest-bearing loans and borrowings	17	104.5	7.8
Other financial liabilities	17	77.3	22.0
Trade and other payables	19	103.7	76.9
Tax payable		0.4	-
Provisions	20	5.6	-
		291.5	113.4
Non-current liabilities			
Interest-bearing loans and borrowings (excluding shareholder loans)	17	1,201.5	1,023.0
Other payables	19	7.4	5.1
Provisions	20	22.0	14.3
Employee benefits	21	4.4	3.0
Deferred tax liabilities	12	123.2	132.1
		1,358.5	1,177.5
Total liabilities excluding non-current shareholder loans		1,650.0	1,290.9
Net assets excluding non-current shareholder loans		476.6	457.9
Non-current shareholder loans	17	580.7	424.7
Net (liabilities)/assets		(104.1)	33.2
Issued capital and reserves attributable to equity holders of the parent	23	(107.9)	29.7
Minority interest	23	3.8	3.5
Total equity	23	(104.1)	33.2

⁽¹⁾ Comparative period figures have been restated following a change in presentational currency from Euros to Sterling with effect from the first trading day of the 2008 financial year (see note 1).

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

Consolidated cash flow statement

For the 52 weeks ended 27 December 2008

(2007: 52 weeks ended 29 December 2007)

	Note	2008 £m	2007 ⁽¹⁾ £m
Cash flows from operating activities			
Loss for the year:		(79.9)	(37.4)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment charges	9,10	80.3	44.9
Release/(amortisation) of grants		1.0	(0.3)
Gain on sale of property, plant and equipment		(0.2)	(0.5)
Financing income	7	(45.9)	(13.4)
Financing costs	7	240.8	160.1
Share of profit of joint ventures	11	-	(0.1)
Taxation	8	5.4	13.2
		201.5	166.5
Working capital changes		16.0	1.0
Increase/(decrease) in provisions and other non-current liabilities		6.9	(0.7)
		224.4	166.8
Tax paid		(5.3)	(13.1)
Net cash from operating activities		219.1	153.7
Cash flows from investing activities			
Interest received		16.3	5.8
Dividends received from joint ventures	11	0.2	0.5
Acquisition of subsidiaries, net of cash acquired	2	(19.8)	(452.8)
Acquisition of property, plant and equipment		(96.2)	(67.6)
Disposal of property, plant and equipment		0.5	0.6
Disposal proceeds from sale and leaseback transaction		-	622.4
Loans repaid by joint ventures	11	0.2	0.3
Government grants refunded		-	(0.1)
Net cash (outflow)/inflow from investing activities		(98.8)	109.1
Cash flows from financing activities			
Proceeds from bank loans		78.6	1,631.5
Repayment of shareholder loans		-	(3.7)
Capital repayments of finance leases		(2.1)	-
Interest paid		(105.6)	(62.9)
Repayment of borrowings including debt taken on in business combinations		-	(1,821.4)
Available-for-sale financial assets acquired		(21.5)	-
Dividends paid to minority interests		(2.7)	(3.8)
Net cash outflow from financing activities		(53.3)	(260.3)
Net increase in cash and cash equivalents		67.0	2.5
Cash and cash equivalents at beginning of year		39.5	33.0
Effect of exchange rate fluctuations		8.4	4.0
Cash and cash equivalents at end of year	16	114.9	39.5

⁽¹⁾ Comparative period figures have been restated following a change in presentational currency from Euros to Sterling with effect from the first trading day of the 2008 financial year (see note 1).

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

Notes *(forming part of the financial statements)*

52 weeks ended 27 December 2008

1 Accounting policies

Merlin Entertainments Group Luxembourg S.à r.l. (the "Company") is a company incorporated in Luxembourg.

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

These financial statements were approved by the Board of Managers on 31 March 2009.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and have been applied consistently by all subsidiaries and joint ventures. Judgements made by the managers, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

The consolidated financial statements also adhere to the Luxembourg legal requirements and generally accepted accounting principles in Luxembourg except for IFRS 3 "Business combinations" and related amendments to other standards (IAS 36 revised "Impairment of assets", IAS 38 revised "Intangible assets" and IAS 39 "Financial instruments: Recognition and measurement").

In addition, the presentation of the consolidated balance sheet and income statement differs from Luxembourg legal requirements with respect to the distinction between current and non-current assets and liabilities as defined under IFRS. In the opinion of the Board of Managers, the presentation adopted more appropriately reflects the financial position of the Group.

A reconciliation of the net result and equity of the Group for the year ended 27 December 2008 to that which would have been reported under Luxembourg accounting principles is set out in note 23.

Basis of preparation

These financial statements have been prepared for the 52 weeks ended 27 December 2008 (*2007: 52 weeks ended 29 December 2007*). There was no significant movement in the financial position of the Group in the period between 29 December 2007 and 31 December 2007, which was the balance sheet date presented in last year's financial statements. Accordingly, no changes to comparative information are required. The financial statements are prepared on the historical cost basis except for derivative financial instruments measured at their fair value.

Although the Group has net current liabilities of £99.3 million and a loss for the year of £79.9 million, the financial statements have been prepared on the going concern basis. The treatment assumes that the Group will continue in operational existence, and will be able to meet its liabilities as they fall due, for 12 months from the date of signature of the financial statements. The managers consider this assumption to be reasonable because after reviewing the Group's cash flow forecasts and trading budgets and making appropriate enquiries, they believe the Group to be operationally and financially robust, and that it will generate sufficient cash to meet its borrowing requirements for the next 12 months.

These financial statements are presented in Sterling following a change in the Group's presentational currency from Euros to Sterling with effect from the first trading day of the 2008 financial year. This decision was taken based on the preference of the managers as a result of the Tussauds Group acquisition during 2007, which resulted in a significant increase in the Merlin business presence within the UK. This decision has not affected the functional currency of the Company, which is still Euros.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Merlin Entertainments Group Luxembourg S.à r.l and its subsidiaries at each balance sheet date, and include its share of its joint ventures' results using the equity method.

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

Notes *(continued)*

52 weeks ended 27 December 2008

1 Accounting policies *(continued)*

Basis of consolidation *(continued)*

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

Investments in joint ventures

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

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

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

- i) assets and liabilities are translated at the closing rate at the date of the balance sheet;
- ii) income and expenses are translated at average exchange rates during the year;
- iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. In the event of a foreign entity being sold, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

Classification of financial instruments issued by the Group

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

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

Financial assets and liabilities

Derivative financial instruments – interest rate swaps and forward exchange contracts

Derivative financial instruments are recognised at fair value. Subsequent to initial recognition the gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Group does not apply hedge accounting in accordance with IAS 39.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to exit the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is the present value of future cash flows.

Notes (continued)

52 weeks ended 27 December 2008

1 Accounting policies (continued)

Financial assets and liabilities (continued)

Available-for-sale financial assets – money market fund

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are recognised at fair value and any subsequent changes in fair value are recognised in equity.

Property, plant and equipment

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

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

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

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

The estimated useful lives are as follows:

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

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

Intangible assets and goodwill

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Negative goodwill arising on an acquisition is recognised in profit or loss.

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

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

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

Notes (continued)

52 weeks ended 27 December 2008

1 Accounting policies (continued)

Intangible assets and goodwill (continued)

The estimated useful lives are as follows:

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

Trade and other receivables

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

Inventories

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

Cash and cash equivalents

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

Impairment

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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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

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

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

Calculation of recoverable amount

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

Notes *(continued)*

52 weeks ended 27 December 2008

1 Accounting policies *(continued)*

Impairment *(continued)*

Reversals of impairment

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

Interest-bearing borrowings

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

Borrowing costs

Borrowing costs that are incurred in the acquisition and construction of attractions are recognised as an expense in the period in which they are incurred.

Employee benefits

Defined contribution plans

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

Defined benefit schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses are recognised in the period they occur directly into equity through the statement of recognised income and expense.

Share-based payment transactions

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

Notes *(continued)*

52 weeks ended 27 December 2008

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Revenue

Revenue represents the amounts (excluding VAT and similar taxes) received from customers for 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.

Cost of sales

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

Government grants

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

Expenses

Operating lease payments

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

Finance lease payments

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

Financing costs and income

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

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

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Notes (continued)

52 weeks ended 27 December 2008

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

New standards and interpretations

No new standards have been adopted during the year. IFRS and interpretations with effective dates after 31 December 2008 relevant for the Group will be implemented in the financial year where the standards become effective. The Group has not early adopted the following pronouncements that are not yet effective:

Amendment to IAS 23 "Borrowing Costs" (effective for annual reporting periods beginning on or after 1 January 2009). The amendment to IAS 23 requires capitalisation of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale, and the Group has subsequently adopted this amendment effective 1 January 2009.

The revised IFRS 3 "Business Combinations" (effective for annual reporting periods beginning on or after 1 July 2009), which contains new requirements for how business combinations are recorded in the financial statements.

The impact of these new standards on the Group's financial statements is currently being assessed.

The IASB has issued the following standards, amendments to standards and interpretations that will be effective for the Group as from 1 January 2009 or after. The Group does not expect any significant impact of these amendments on its consolidated financial statements.

- IFRS 8 "Operating Segments";
- IAS 1 (Revised) "Presentation of financial statements";
- IAS 27 (Revised) "Consolidated and separate financial statements";
- IAS 32 (Amendment) "Financial Instruments: Presentation" and IAS 1 (Amendment) "Presentation of Financial Statements";
- IFRS 2 (Amendment) "Share-based Payment – Vesting Conditions and Cancellations";
- IFRS 1 (Amendments) "First-time Adoption of International Financial Reporting Standards" and IAS 27 (Amendment) "Consolidated and Separate Financial Statements respond to constituents";
- IAS 39 (Amendment – "Eligible Hedged Item") "Financial Instruments: Recognition and Measurement";
- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" and IFRS 7 (Amendment) "Financial Instruments: Disclosures";
- IFRS 1 (Revised) "First-time Adoption of International Financial Reporting Standards";
- IFRIC 13, "Customer loyalty programmes";
- IFRIC 15, "Agreements for construction of real estates";
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation";
- IFRIC 17, "Distributions of non-cash assets to owners".

2 Acquisition and disposal of subsidiaries

2008

Sea Life Centre Blackpool

On 19 May 2008, the Group acquired the previous joint venture partner's 50% interest in Sea Life Centre (Blackpool) Limited.

Notes (continued)

52 weeks ended 27 December 2008

2 Acquisition and disposal of subsidiaries (continued)

London Aquarium

On 22 May 2008, the Group acquired the business and assets of the London Aquarium from County Hall Aquarium.

Underwater Adventures Aquarium

On 12 December 2008, the Group acquired the business and assets of the Underwater Adventures Aquarium in Minnesota, USA, from The Minnesota Aquarium LLC.

The consideration paid and total commitments entered into for the three acquisitions amounted to £21.9 million, including the assumption of finance lease commitments of £2.0 million that terminate in December 2022. Up to a further £2.0 million could be paid in addition to this amount, dependent on trading performance in 2009.

In the period to 27 December 2008 these acquisitions contributed £1.6 million to the consolidated operating profit of the Group.

The initial accounting for these business combinations has been completed on a provisional basis while the values concerned are finalised.

The acquisitions made during 2008 had the following effect on the Group's assets and liabilities:

	Acquiree's book values £m	Fair value adjustments £m	Acquisition amounts £m
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	5.7	-	5.7
Brands	-	1.7	1.7
Other intangible assets	-	0.6	0.6
Trade and other receivables	0.1	-	0.1
Cash and cash equivalents	0.5	-	0.5
Finance lease commitments	(2.0)	-	(2.0)
Trade and other payables	(0.9)	-	(0.9)
Current tax liabilities	(0.1)	-	(0.1)
Deferred tax liabilities	-	(0.5)	(0.5)
Adjustment for joint venture net assets acquired	(0.2)	-	(0.2)
Net identifiable assets and liabilities	3.1	1.8	4.9
Goodwill			15.4
Consideration			20.3
Analysis of consideration:			
Cash			19.9
Professional fees and other associated costs			0.4
			20.3
Analysis of net cash outflow:			
Cash acquired			(0.5)
Cash paid at acquisition			19.9
Professional fees and other associated costs			0.4
Net cash outflow			19.8

Goodwill has arisen on the above acquisitions as they provide opportunities to further deliver the Group's strategy of growth, including the roll-out of chainable brands and the ability to generate improved marketing leverage through geographical clustering. Had these acquisitions occurred on 30 December 2007, the estimated Group revenue would have been £668.6 million and the estimated operating profit would have been £121.5 million.

Notes (continued)

52 weeks ended 27 December 2008

2 Acquisition and disposal of subsidiaries (continued)

2007

The Tussauds Group

On 21 May 2007, the Group acquired the entire share capital of Tasmania Holdings Limited, the holding company of The Tussauds Group, which operated a number of theme parks and attractions. These included Alton Towers, Thorpe Park, Chessington World of Adventures, Heide Park, the London Eye, Warwick Castle, and Madame Tussauds attractions in London, Amsterdam, New York, Las Vegas, Hong Kong and Shanghai.

The consideration paid for the share capital was £72.6 million of Preferred Equity Certificates in Merlin Entertainments Group Luxembourg S.à r.l. issued at par, and 67,612 'A1' ordinary shares, 67,612 'A2' ordinary shares, 67,612 'A3' ordinary shares, 67,612 'A4' ordinary shares and 67,612 'A5' ordinary shares in Merlin Entertainments Group Luxembourg S.à r.l.

The fair value of ordinary shares issued was £89.0 million, including a premium on issue of £88.0 million, net of issue costs of £0.9 million. The fair value of these instruments was based on an agreed enterprise valuation for The Tussauds Group following detailed negotiations between the parties and a comparative valuation of the Merlin business.

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

	The Tussauds Group		
	Acquiree's book values	Fair value adjustments	Acquisition amounts
	£m	£m	£m
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	506.1	278.4	784.5
Brands	-	107.8	107.8
Other intangible assets	-	9.2	9.2
Deferred tax assets	38.5	-	38.5
Inventories	5.8	(0.5)	5.3
Trade and other receivables	27.4	0.4	27.8
Cash	39.2	-	39.2
External debt	(606.2)	-	(606.2)
Trade and other payables	(82.0)	(0.6)	(82.6)
Provisions and employee benefits	(5.3)	(7.0)	(12.3)
Deferred tax liabilities	(1.2)	(148.3)	(149.5)
Net identifiable assets and liabilities	(77.7)	239.4	161.7
Goodwill			491.8
Consideration			653.5
Analysis of consideration:			
Consideration to former owners - settlement of shareholder debt			482.4
Consideration to former owners - equity share capital and debt issued			161.5
Legal and other professional fees			9.6
			653.5

Goodwill has arisen on the acquisition as a result of the enlarged Group's portfolio including opportunities to deliver the Group's strategy of organic growth; improved purchasing and marketing leverage; the roll-out of chainable brands; and destination positioning through the building of hotels and second gate attractions at the Group's theme parks.

Notes (continued)

52 weeks ended 27 December 2008

2 Acquisition and disposal of subsidiaries (continued)

In the period to 29 December 2007 The Tussauds Group contributed £54.6 million to the consolidated operating profit of the Group. Had the acquisition occurred on 31 December 2006, the estimated Group revenue would have been £557.9 million and the estimated operating profit would have been £115.1 million.

In July 2007, shortly after the acquisition of The Tussauds Group, the Group undertook a disposal of certain of the acquired property, plant and equipment in a sale and leaseback transaction to reduce the Group's debt. These assets were disposed of by way of the sale of Charcoal Midco 2 Limited and its subsidiary undertakings for £622.4 million. The Charcoal Midco 2 consolidated group consisted predominantly of property, plant and equipment and working capital with a carrying value of £622.4 million together with a deferred tax liability of £110.8 million (note 12). The resulting profit arising from the restructuring relating to the disposal amounted to £110.8 million. As noted in note 10, this profit was directly offset by a reduction of the goodwill, resulting in a net impact on operating profit of £nil.

3 Revenue

Revenue is comprised entirely of revenues receivable from the operation of family visitor attractions and theme park resorts.

4 Cost of sales

	2008	2007
	£m	£m
Change in inventories	(3.5)	2.9
Goods for resale purchased	91.4	60.8
	87.9	63.7

5 Staff numbers and costs

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

	2008	2007
Visitor attractions and theme park resorts	8,366	7,678
Management and administration	1,412	853
	9,778	8,531

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£m	£m
Wages and salaries	140.9	98.1
Share based payments	0.6	-
Social security costs	18.5	13.7
Other pension costs	4.5	3.2
	164.5	115.0

Notes (continued)

52 weeks ended 27 December 2008

6 Non-recurring items

As a result of the acquisition of the Tussauds Group in 2007 and subsequent corporate restructuring, a number of non-recurring items were incurred across the Group in 2007. The total charge for the year ended 27 December 2008 amounted to £nil (2007: £4.1 million). An analysis of these costs is shown below.

	2008	2007
	£m	£m
Redundancy and related costs	-	2.3
Corporate reorganisation costs	-	1.0
Restructuring costs	-	0.8
	-	4.1

7 Financing income and costs

	2008	2007
	£m	£m
Financing income:		
Interest income	16.3	5.9
Net foreign exchange gain	1.3	-
Unrealised gain on re-measurement of financial derivatives at fair value	-	7.5
Gain on re-measurement of financial liabilities measured at amortised cost (note 30)	28.3	-
	45.9	13.4
Financing cost:		
Interest expense on financial liabilities measured at amortised cost	135.1	102.6
Interest expense on shareholder loans	39.5	29.5
Net foreign exchange loss	-	6.3
Unrealised loss on re-measurement of financial derivatives at fair value	57.5	21.5
Loss on re-measurement of financial liabilities measured at amortised cost (note 30)	7.9	-
Other interest charges	0.8	0.2
	240.8	160.1
The above financial income and expenses include the following in respect of assets/(liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	16.3	5.9
Total interest expense on financial liabilities	175.4	132.3
Recognised directly in equity through the translation reserve:		
Foreign currency translation differences for foreign operations*	76.3	12.4

* Foreign currency translation differences for foreign operations are stated before £2.7 million (2007: £0.2 million) of attributable income tax.

Notes (continued)

52 weeks ended 27 December 2008

8 Taxation

Recognised in the income statement

	2008	2007
	£m	£m
Current tax expense		
Current year	16.7	5.9
Adjustment for prior periods	(6.8)	0.6
Total current income tax	9.9	6.5
Deferred tax expense		
Origination and reversal of temporary differences	1.2	6.7
Change in tax rate	(0.4)	-
Adjustment for prior periods	(5.3)	-
Total deferred tax	(4.5)	6.7
Total tax expense in income statement	5.4	13.2

Reconciliation of effective tax rate

	2008	2008	2007	2007
	£m	£m	£m	£m
Loss before tax		(74.5)		(24.2)
Income tax using the domestic corporation tax rate	(29.6%)	(22.1)	(29.6%)	(7.1)
Non-deductible expenses	14.0%	10.5	16.6%	4.0
Effect of tax rates in foreign jurisdictions	(2.6%)	(1.9)	3.7%	0.9
Effect of changes in tax rate	(0.5%)	(0.4)	(28.1%)	(6.8)
Unrecognised temporary differences	42.1%	31.4	88.8%	21.5
Adjustments from prior years	(16.2%)	(12.1)	3.1%	0.7
Total tax shown in income statement	7.2%	5.4	54.5%	13.2

Income tax recognised directly in equity

	2008	2007
	£m	£m
Actuarial gains and losses	(0.4)	-
Foreign exchange translation differences relating to the net investment in foreign operations	2.7	0.2
Total income tax recognised directly in equity	2.3	0.2

Notes (continued)

52 weeks ended 27 December 2008

9 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Cost				
Balance at 31 December 2006	318.8	111.2	10.8	440.8
Acquisitions through business combinations	600.6	160.1	23.8	784.5
Additions	10.5	36.3	20.3	67.1
Disposals	(533.8)	(25.5)	(0.1)	(559.4)
Transfers	17.0	12.6	(29.6)	-
Effect of movements in foreign exchange	23.1	19.5	1.4	44.0
Balance at 29 December 2007	436.2	314.2	26.6	777.0
Acquisitions through business combinations	1.9	3.8	-	5.7
Additions	13.6	30.0	49.3	92.9
Additions to asset retirement provisions	7.8	0.3	-	8.1
Disposals	(0.4)	(0.8)	-	(1.2)
Transfers	27.1	25.5	(52.6)	-
Effects of movements in foreign exchange	113.9	48.7	7.6	170.2
Balance at 27 December 2008	600.1	421.7	30.9	1,052.7
Depreciation				
Balance at 31 December 2006	6.1	6.4	-	12.5
Depreciation for the year - owned assets	9.7	18.3	-	28.0
Depreciation for the year - leased assets	1.2	3.6	-	4.8
Impairment	1.6	1.0	-	2.6
Disposals	(0.6)	(0.1)	-	(0.7)
Effect of movements in foreign exchange	1.3	9.7	-	11.0
Balance at 29 December 2007	19.3	38.9	-	58.2
Depreciation for the year - owned assets	15.7	30.3	-	46.0
Depreciation for the year - leased assets	2.7	2.6	-	5.3
Impairment	4.1	6.9	-	11.0
Disposals	(0.3)	(0.8)	-	(1.1)
Transfers	5.7	(5.7)	-	-
Effects of movements in foreign exchange	10.8	13.0	-	23.8
Balance at 27 December 2008	58.0	85.2	-	143.2
Carrying amounts				
At 29 December 2007	416.9	275.3	26.6	718.8
At 30 December 2007	416.9	275.3	26.6	718.8
At 27 December 2008	542.1	336.5	30.9	909.5

Property, plant and equipment were tested for impairment in accordance with the Group's accounting policy. As a result, land and buildings totalling £4.1million (2007: £1.6 million) and plant and equipment totalling £6.9 million (2007: £1.0 million) have been written down in the year. These impairments were in respect of a small number of the Group's attractions, arising from a review of the market conditions unique to each specific location.

Notes (continued)

52 weeks ended 27 December 2008

9 Property, plant and equipment (continued)

The Group leases buildings under a number of finance lease agreements, some of which arose as a result of the sale and leaseback transaction referred to in note 2. The leased buildings secure lease obligations. At 27 December 2008 the net carrying amount of leased buildings was £51.3 million (2007: £40.8 million).

The Group leases plant and equipment under a number of finance lease agreements, some of which arose as a result of the sale and leaseback transaction referred to in note 2. The leased equipment secures lease obligations. At 27 December 2008 the net carrying amount of leased plant and machinery was £52.8 million (2007: £50.7 million).

Bank loans and overdrafts are secured by a fixed and floating charge over all the assets held by the Group. These loans are repayable over varying periods as detailed in note 17.

10 Intangible assets

	Goodwill	Brands	Other intangible assets	Total
	£m	£m	£m	£m
Cost				
Balance at 31 December 2006	256.7	62.9	4.1	323.7
Acquisitions through business combinations	491.8	107.8	9.2	608.8
Additions	-	-	0.7	0.7
Disposals	-	(0.5)	(0.3)	(0.8)
Effect of movements in foreign exchange	45.5	5.8	0.3	51.6
Balance at 29 December 2007	794.0	176.0	14.0	984.0
Acquisitions through business combinations	15.4	1.7	0.6	17.7
Acquisition of minority interest	0.2	-	-	0.2
Effects of movements in foreign exchange	102.5	23.0	3.5	129.0
Balance at 27 December 2008	912.1	200.7	18.1	1,130.9
Amortisation and impairment				
Balance at 31 December 2006	0.5	1.1	0.5	2.1
Disposals	-	(0.2)	(0.1)	(0.3)
Amortisation for the year	-	4.5	3.1	7.6
Impairment	1.9	-	-	1.9
Reduction arising from Group restructuring (see note 2)	110.8	-	-	110.8
Effect of movements in foreign exchange	9.1	0.1	0.3	9.5
Balance at 29 December 2007	122.3	5.5	3.8	131.6
Amortisation for the year	-	6.2	1.0	7.2
Reduction of goodwill *	10.8	-	-	10.8
Effects of movements in foreign exchange	0.7	1.6	0.5	2.8
Balance at 27 December 2008	133.8	13.3	5.3	152.4
Carrying amounts				
At 29 December 2007	671.7	170.5	10.2	852.4
At 30 December 2007	671.7	170.5	10.2	852.4
At 27 December 2008	778.3	187.4	12.8	978.5

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

Notes (continued)

52 weeks ended 27 December 2008

10 Intangible assets (continued)

* 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 2008. £10.8 million was recognised as an adjustment to goodwill.

Impairment reviews

Intangible assets were tested for impairment in accordance with the Group's accounting policy. As a result, no goodwill has been written off in the year (2007: £1.9 million)

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

Midway Attractions provide predominantly indoor visits of shorter duration. LEGOLAND Parks are LEGOLAND branded theme parks. All other theme parks are categorised as Resort Theme Parks.

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

	2008 £m	2007 £m
Midway Attractions	464.0	422.1
LEGOLAND Parks	42.0	36.0
Resort Theme Parks	272.3	213.6
	778.3	671.7

The recoverable amounts used in the impairment tests are based on value in use calculations. These calculations use cash flow projections based on the 5 year business plan. Cash flows beyond the 5 year business plan are extrapolated using a 2.5% growth rate. The growth rate is consistent with historic experience and future expected trends in respect of both market development and market share growth. A pre tax discount rate of 11% (2007: 11%) has been used in discounting the projected flows.

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

Visitor numbers and revenue

Projections are based on market analysis, including total available market, historic trends, competition and site development activity, both in terms of capital expenditure on rides and attractions as well as marketing activity.

Operating costs

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

Capital expenditure

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

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

Notes (continued)

52 weeks ended 27 December 2008

11 Investment in joint ventures

	2008	2007
	£m	£m
At beginning of year	1.1	1.7
Reclassification as a subsidiary (see note 2)	(0.2)	-
Share of net profit	-	0.1
Dividends	(0.2)	(0.5)
Repayment of loan	(0.2)	(0.3)
Effects of movement in foreign exchange	0.2	0.1
At end of year	0.7	1.1

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

	2008	2007
	£m	£m
Non-current assets	1.8	2.4
Current assets	0.3	1.0
Total assets	2.1	3.4
Non-current liabilities	0.7	0.8
Current liabilities	0.7	1.2
Total liabilities	1.4	2.0
Revenue	2.4	3.5
Expenses	2.3	3.3
Profit	0.1	0.2

On 19 May 2008 the Group acquired the remaining 50% of the share capital in Sea Life Centre (Blackpool) Limited (see note 2).

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	3.3	16.2	(64.4)	(61.8)	(61.1)	(45.6)
Other short term temporary differences	20.6	4.4	(3.2)	(0.4)	17.4	4.0
Intangible assets	-	18.9	(55.6)	(69.9)	(55.6)	(51.0)
Tax value of loss carry-forwards	17.1	24.5	-	-	17.1	24.5
Net tax assets/(liabilities)	41.0	64.0	(123.2)	(132.1)	(82.2)	(68.1)

Other short term temporary differences primarily relate to impairment and unrealised losses on the re-measurement of financial derivatives at fair value.

Notes (continued)

52 weeks ended 27 December 2008

12 Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Property, plant and equipment	29.6	34.5	-	-	29.6	34.5
Other short term temporary differences	34.7	3.0	(0.4)	-	34.3	3.0
Intangible assets	0.5	0.5	-	-	0.5	0.5
Tax value of loss carry-forwards	67.9	3.4	-	-	67.9	3.4
	132.7	41.4	(0.4)	-	132.3	41.4

Movement in deferred tax during the year

	Acquisitions	through	Disposals	Recognised	Effects of	29
	31 December 2006 £m					
Property, plant and equipment	(32.5)	(113.1)	110.8	(6.9)	(3.9)	(45.6)
Other short term temporary differences	-	2.5	-	1.2	0.3	4.0
Intangible assets	(22.9)	(29.4)	-	5.3	(4.0)	(51.0)
Tax value of loss carry-forwards	-	29.0	-	(6.3)	1.8	24.5
Net tax assets/(liabilities)	(55.4)	(111.0)	110.8	(6.7)	(5.8)	(68.1)

	Acquisitions	through	Recognised	Recognised	Effects of	27
	30 December 2007 £m					
Property, plant and equipment	(45.6)	-	(1.2)	-	(14.3)	(61.1)
Other short term temporary differences	4.0	-	10.8	(0.8)	3.4	17.4
Intangible assets	(51.0)	(0.5)	3.0	-	(7.1)	(55.6)
Tax value of loss carry-forwards	24.5	-	(8.1)	-	0.7	17.1
Net tax assets/(liabilities)	(68.1)	(0.5)	4.5	(0.8)	(17.3)	(82.2)

13 Inventories

	2008 £m	2007 £m
Maintenance stock	2.6	2.1
Goods for resale	9.8	6.8
	12.4	8.9

Notes (continued)

52 weeks ended 27 December 2008

13 Inventories (continued)

In 2008 changes in inventories recognised as a credit to cost of sales amounted to £3.5 million (2007: charge of £2.9 million). In 2008 the write-down of inventories to net realisable value amounted to £0.7 million (2007: £nil). The reversal of write-downs amounted to £0.4 million (2007: £nil). The write-down and reversal are included in cost of sales.

14 Trade and other receivables

Non-current assets

	2008	2007
	£m	£m
Prepayments and accrued income	4.7	5.2

Current assets

	2008	2007
	£m	£m
Trade receivables	12.1	10.7
Other receivables	5.6	6.7
Prepayments and accrued income	23.4	20.8
	41.1	38.2

Impairment of trade receivables

	2008	2007
	£m	£m
Trade receivables	13.3	11.3
Provision for impairment of trade receivables	(1.2)	(0.6)
	12.1	10.7

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

The ageing analysis of trade receivables at the year end is as follows:

	2008	2007
	£m	£m
Neither past due nor impaired	6.0	4.7
Overdue 30 days	3.2	3.3
Overdue 60 days	2.5	1.9
Overdue greater than 90 days	0.4	0.8
	12.1	10.7

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

Notes (continued)

52 weeks ended 27 December 2008

15 Other financial assets

	2008	2007
	£m	£m
Available-for-sale financial assets	23.8	-
Derivative financial instruments - interest rate swaps	-	8.1
	23.8	8.1

Available-for-sale financial assets represent short term, immediately available funds held in a Money Market fund investing entirely in US Treasury Bills and Notes. The fund is rated Aaa by Moody's and AAAM by Standard & Poor's.

The Group's exposure to interest rate, liquidity, foreign currency and credit risks is disclosed in note 24.

16 Cash and cash equivalents / bank overdrafts

	2008	2007
	£m	£m
Cash and cash equivalents	114.9	46.2
Bank overdrafts used for cash management purposes	-	(6.7)
Cash and cash equivalents per cash flow statement	114.9	39.5

17 Financial liabilities

Current interest-bearing loans and borrowings

	2008	2007
	£m	£m
Secured bank loans	83.0	3.2
Shareholder loans	16.8	-
Interest payable	2.3	2.0
Finance leases	2.4	2.6
	104.5	7.8

Other financial liabilities

	2008	2007
	£m	£m
Derivative financial instruments - interest rate swaps	76.4	22.0
Derivative financial instruments - forward contracts	0.9	-
	77.3	22.0

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

	2008	2007
	£m	£m
Secured bank loans	1,108.6	940.2
Finance leases	92.9	82.8
	1,201.5	1,023.0

Notes (continued)

52 weeks ended 27 December 2008

17 Financial liabilities (continued)

Non-current shareholder loans

	2008	2007
	£m	£m
Shareholder loans	580.7	424.7

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2008		2007	
				Face value £m	Carrying amount £m	Face value £m	Carrying amount £m
Secured bank loan	GBP	5.85%	2012	537.6	504.1	475.1	457.9
Secured bank loan	EUR	6.08%	2012	526.3	531.9	394.7	380.2
Secured bank loan	USD	3.68%	2012	145.1	146.9	103.0	99.3
Secured bank loan	RMB	5.95%	2009	8.7	8.7	6.0	6.0
Finance lease liabilities	GBP	5.60%	2042	54.7	54.7	52.6	52.6
Finance lease liabilities	EUR	7.74%	2042	40.6	40.6	32.8	32.8
				1,313.0	1,286.9	1,064.2	1,028.8
A PECs	EUR	9.00%	2035	241.2	241.2	171.0	171.0
B PECs	EUR	7.65%	2035	36.7	36.7	26.4	26.4
C PECs	EUR	9.00%	2036-37	248.3	248.3	176.1	176.1
D PECs	EUR	7.65%	2036-37	54.5	54.5	39.1	39.1
Italian shareholder debt	EUR	5.93%	2009	16.8	16.8	12.1	12.1
				597.5	597.5	424.7	424.7
				1,910.5	1,884.4	1,488.9	1,453.5

The nominal interest rate for secured bank loans represents the weighted average interest rate which prevailed on the debt at the reporting date. The nominal interest rate for finance leases is calculated as the weighted average effective interest rate.

The nominal interest rates for the Preferred Equity Certificates ("PECs") are the fixed contractual rates and the rates for the Italian shareholder debt are those rates prevailing at the reporting date.

Accounting policies and significant estimates and judgements regarding the carrying amount of secured bank loans can be found in notes 1 and 30 respectively.

Bank loans and overdrafts are secured by a fixed and floating charge over all the assets held by the Group. These loans are repayable in March 2012.

The PECs were all issued in multiples of €1 and carry 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%

Notes (continued)

52 weeks ended 27 December 2008

17 Financial liabilities (continued)

Terms and debt repayment schedule (continued)

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

The Italian shareholder debt is subject to an agreement whereby the debt holder has an option for a six month period, commencing three years after the date of issue, to purchase the debt at nominal value plus accrued interest calculated thereon at a rate of Euribor plus 3%. Equally, the Group has the option to demand settlement under similar terms in the subsequent six month period.

The Group's exposure to interest rate, liquidity, foreign currency and credit risks is disclosed in note 24.

18 Obligations under leases

As part of a financing transaction subsequent to the acquisition of The Tussauds Group in 2007, the Group entered into an arms length sale and leaseback transaction.

The transaction was effected by way of a number of sale and leaseback agreements for the operational property, plant and equipment at a number of individual visitor attractions. Each of these lease agreements run for a period of 35 years from inception and allow for annual rent increases based on the United Kingdom RPI. The Group has the option, but is not contractually required, to extend each of the lease agreements individually for 2 further terms of 35 years, subject to an adjustment to market rates at that time. As outlined in note 30, the classification of the leases as either operating or finance in nature was considered on an asset by asset basis.

In addition, the Group also enters into operating leases for a number of its operating premises. These leases are typically of a duration of between 10 and 60 years, with rent increases generally determined based on local market practice. As noted in the accounting policies in note 1, the key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. During 2008 £47.3 million (2007: £25.5 million) was recognised as an expense in the income statement in respect of operating leases.

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

Operating leases

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

	2008	2007
	£m	£m
Less than one year	40.0	37.7
Between one and five years	167.0	146.2
More than five years	1,174.8	1,030.2
	1,381.8	1,214.1

Finance leases

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

	Future minimum lease payments		Present value of minimum lease payments		Present value of minimum lease payments	
	2008	Interest 2008	2008	2007	Interest 2007	2007
	£m	£m	£m	£m	£m	£m
Less than one year	7.6	5.2	2.4	6.7	4.1	2.6
Between one and five years	28.1	24.9	3.2	26.1	15.7	10.4
More than five years	253.9	164.2	89.7	180.9	108.5	72.4
	289.6	194.3	95.3	213.7	128.3	85.4

Notes (continued)

52 weeks ended 27 December 2008

19 Trade and other payables

Current liabilities

	2008	2007
	£m	£m
Trade payables	27.0	27.9
Accruals and deferred income	69.4	40.8
Dividend payable to minority interest	0.2	2.9
Other taxation and social security	1.6	-
Other payables	5.5	5.3
	103.7	76.9

Non-current liabilities

	2008	2007
	£m	£m
Deferred income	2.3	-
Other payables	5.1	5.1
	7.4	5.1

20 Provisions

	Asset retirement provisions £m	Onerous contracts £m	Other £m	Total £m
Balance at 30 December 2007	8.1	4.6	1.6	14.3
Provisions made during the year	8.1	0.2	3.8	12.1
Released during the year	-	(1.3)	(0.9)	(2.2)
Unwinding of discount	0.2	-	-	0.2
Effects of movements in foreign exchange	1.3	1.1	0.8	3.2
Balance at 27 December 2008	17.7	4.6	5.3	27.6
Non-current	17.7	0.1	4.2	22.0
Current	-	4.5	1.1	5.6
	17.7	4.6	5.3	27.6

Asset retirement provisions

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

Onerous contracts

The onerous contracts provision largely relates to an onerous construction contract, which is expected to complete in 2009.

Other

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

Notes (continued)

52 weeks ended 27 December 2008

21 Employee benefits

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

The assets and liabilities of the plans are:

	Tussauds		
	Group	Gardaland	Total
	£m	£m	£m
2008			
<i>Scheme assets at fair value</i>			
Equities	5.6	-	5.6
Corporate bonds and cash	2.1	-	2.1
Property	1.3	-	1.3
Fair value of scheme assets	9.0	-	9.0
Present value of defined benefit obligations	(11.2)	(2.2)	(13.4)
Net pension liability	(2.2)	(2.2)	(4.4)
2007			
<i>Scheme assets at fair value</i>			
Equities	7.4	-	7.4
Corporate bonds and cash	1.4	-	1.4
Property	1.9	-	1.9
Fair value of scheme assets	10.7	-	10.7
Present value of defined benefit obligations	(11.9)	(1.8)	(13.7)
Net pension liability	(1.2)	(1.8)	(3.0)

Movement in the present value of the defined benefit obligations

	Tussauds		
	Group	Gardaland	Total
	£m	£m	£m
At 31 December 2006	-	(2.0)	(2.0)
Assumed on acquisition of The Tussauds Group	(12.2)	-	(12.2)
Current service cost	-	0.1	0.1
Interest cost	(0.3)	(0.1)	(0.4)
Benefits paid	0.1	-	0.1
Contributions by members	(0.2)	0.2	-
Actuarial gains	0.7	-	0.7
At 29 December 2007	(11.9)	(1.8)	(13.7)
Current service cost	(0.1)	0.2	0.1
Interest cost	(0.7)	(0.1)	(0.8)
Benefits paid	0.2	-	0.2
Contributions by members	(0.2)	-	(0.2)
Actuarial gains	1.5	-	1.5
Exchange adjustments	-	(0.5)	(0.5)
At 27 December 2008	(11.2)	(2.2)	(13.4)

Notes (continued)

52 weeks ended 27 December 2008

21 Employee benefits (continued)

Movement in the present value of plan assets

	Tussauds		
	Group	Gardaland	Total
	£m	£m	£m
At 31 December 2006	-	-	-
Assumed on acquisition of The Tussauds Group	10.3	-	10.3
Expected return on plan assets	0.4	-	0.4
Contributions by employer	0.4	-	0.4
Contributions by members	0.2	-	0.2
Benefits paid	(0.1)	-	(0.1)
Actuarial losses	(0.5)	-	(0.5)
At 29 December 2007	10.7	-	10.7
Expected return on plan assets	0.7	-	0.7
Contributions by employer	0.5	-	0.5
Contributions by members	0.2	-	0.2
Benefits paid	(0.2)	-	(0.2)
Actuarial losses	(2.9)	-	(2.9)
Exchange adjustments	-	-	-
At 27 December 2008	9.0	-	9.0

The actual return on scheme assets for the Tussauds Group Pension Plan was a loss of £2.1million (2007: £0.1 million).

Analysis of amounts charged against profits

	Tussauds		
	Group	Gardaland	Total
	£m	£m	£m
2008			
Operating cost			
Current service cost	0.1	(0.2)	(0.1)
Finance cost			
Interest on defined benefit pension plan obligation	0.7	0.1	0.8
Expected return on defined benefit pension plan assets	(0.7)	-	(0.7)
	-	0.1	0.1
Total	0.1	(0.1)	-

Notes (continued)

52 weeks ended 27 December 2008

21 Employee benefits (continued)

Analysis of amounts charged against profits (continued)

2007	Tussauds		Total £m
	Group £m	Gardaland £m	
Operating cost			
Current service cost	-	(0.1)	(0.1)
Finance cost			
Interest on defined benefit pension plan obligation	0.3	0.1	0.4
Expected return on defined benefit pension plan assets	(0.4)	-	(0.4)
	(0.1)	0.1	-
Total	(0.1)	-	(0.1)

Actuarial gains and losses recognised directly in equity in the statement of recognised income and expense

	Tussauds		Total £m
	Group £m	Gardaland £m	
Cumulative amount at 31 December 2006	-	-	-
Net actuarial gains recognised in the year	0.2	-	0.2
Cumulative amount at 29 December 2007	0.2	-	0.2
Net actuarial losses recognised in the year	(1.4)	-	(1.4)
Cumulative amount at 27 December 2008	(1.2)	-	(1.2)

Actuarial assumptions

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

	Tussauds Group 2008	Tussauds Group 2007	Gardaland 2008	Gardaland 2007
Discount rate	6.30%	5.60%	4.13%	4.24%
Expected rate of return on plan assets	5.90%	6.68%	-	-
Future salary increases	3.00%	3.60%	-	-
Rate of price inflation	2.70%	3.30%	2.00%	2.00%

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.9% assumption.

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

Notes (continued)

52 weeks ended 27 December 2008

21 Employee benefits (continued)

Actuarial assumptions (continued)

The assumption considered to be the most significant for the Tussauds Group scheme is the discount rate adopted. If the discount rate were to change by 0.1% then it is predicted that the deficit in the scheme would change by £0.3 million (2007: £0.4 million).

History of experience gains and losses

	2008	2007	2006
	£m	£m	£m
Present value of the defined benefit obligation	(13.4)	(13.7)	(2.0)
Fair value of plan assets	9.0	10.7	-
Deficit in the plans	(4.4)	(3.0)	(2.0)
Experience adjustments arising on plan liabilities	1.5	0.7	-
Experience adjustments arising on plan assets	(2.9)	(0.5)	-

Balance sheet reconciliation

	2008	2007
	£m	£m
Balance sheet liability at beginning of year	(3.0)	(2.0)
Pension scheme assumed on acquisition of The Tussauds Group	-	(1.9)
Pension expense recognised in profit and loss in the financial year	-	0.1
Amounts recognised in statement of recognised income and expense in the financial year	(1.4)	0.2
Employer contributions made in the financial year	0.5	0.4
Member contributions made in the financial year	-	0.2
Exchange movements	(0.5)	-
Balance sheet liability at end of year	(4.4)	(3.0)

Defined contribution plans

The Group operates a number of defined contribution pension plans.

Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the income statement as incurred. The total expense relating to those plans in the current year was £4.6 million (2007: £3.3 million).

Notes (continued)

52 weeks ended 27 December 2008

22 Share-based payments

During the year the Group established a share option scheme under which the Board of Managers may offer options to purchase 'B' ordinary shares in the Company to key management personnel and senior employees. The fair value of options granted is determined on the date of the award. The share options vest upon listing or sale of the Company and there are no performance related vesting conditions. The scheme is equity settled.

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

	No of options 2008	WAEP (£) 2008
Outstanding at beginning of year	-	-
Granted during the year	90,430	0.37
Forfeited during the year	(3,635)	0.37
Outstanding at end of year	86,795	0.37

The options outstanding at 27 December 2008 have an exercise price of €0.50, equating to £0.37 at the date of grant, and a weighted average remaining contractual life of 2 years.

No shares were exercised in the year.

The weighted average fair value of options granted during the year was £26.25.

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:

	2008
Share price	£26.58
Exercise price	£0.37
Expected volatility (weighted average volatility based on statistical estimates)	30%
Option life (expected weighted average life)	3 years
Expected dividends	-
Risk-free interest rate (based on Government Bonds)	4%

Compensation expense

	2008 £m
Share options granted in 2008	0.6
Total expense recognised as employee costs	0.6

The carrying amount of the liability relating to cash settled options at 27 December 2008 is £nil (2007: £nil).

Notes (continued)

52 weeks ended 27 December 2008

23 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £m	Share premium £m	Trans- lation reserve £m	Retained earnings £m	Total parent equity £m	Minority interest £m	Total equity £m
At 31 December 2006	0.5	-	(0.1)	(13.4)	(13.0)	3.7	(9.3)
Business combinations	0.1	88.0	-	-	88.1	-	88.1
Dividends to minority interest	-	-	-	-	-	(0.3)	(0.3)
Total recognised income and expense	-	-	(8.4)	(37.0)	(45.4)	0.1	(45.3)
At 29 December 2007	0.6	88.0	(8.5)	(50.4)	29.7	3.5	33.2
Acquisition of minority interest	-	-	-	-	-	0.2	0.2
Total recognised income and expense	-	-	(58.1)	(80.1)	(138.2)	0.1	(138.1)
Equity settled share based transactions	-	-	-	0.6	0.6	-	0.6
At 27 December 2008	0.6	88.0	(66.6)	(129.9)	(107.9)	3.8	(104.1)

Reconciliation with Luxembourg generally accepted accounting principles (“GAAP”)

The reconciliation of equity and net loss as reported by the Group for the year ended 27 December 2008 with Luxembourg accounting principles is as follows:

	2008 £m	2007 £m
Total parent equity under IFRS as at end of year	(107.9)	29.7
Application of IFRS 3	(296.8)	(140.3)
Total parent equity under Luxembourg GAAP as at end of year	(404.7)	(110.6)
	2008 £m	2007 £m
Net loss under IFRS as at end of year	(79.1)	(37.2)
Foreign exchange loss on foreign instruments	(79.0)	(12.6)
Application of IFRS 3	(156.5)	(111.5)
Net loss under Luxembourg GAAP as at end of year	(314.6)	(161.3)

IFRS 3 requires the separate recognition of intangible assets previously subsumed in goodwill. Furthermore, goodwill arising from acquisitions are no longer amortised but subject to an annual impairment test.

Under Luxembourg GAAP, intangible assets such as brands, franchise agreements, customer contracts are not separately recognized but considered as goodwill. Furthermore, the Group elected to amortise goodwill arising on acquisitions on a straight-line basis over 5 years.

IAS 39 allows foreign exchange losses on net investment to be recognised in equity as translation differences. Under Luxembourg GAAP, foreign exchange losses on net investment are recognised in the income statement.

Notes (continued)

52 weeks ended 27 December 2008

23 Capital and reserves (continued)

Share capital

	Ordinary shares	
	2008	2007
On issue at beginning of year - fully paid	1,802,310	28,400
Issued in the year	-	7,646
Shares withdrawn	-	(36,046)
On issue prior to subdivision	1,802,310	-
New shares issued at €0.50	-	1,802,310
On issue at end of year - fully paid	1,802,310	1,802,310
	2008	2007
	£m	£m
<i>Authorised</i>		
'A' ordinary shares of €0.50 each	0.5	0.5
'B' ordinary shares of €0.50 each	0.1	0.1
	0.6	0.6
<i>Allotted, called up and fully paid</i>		
'A' ordinary shares of €0.50 each	0.5	0.5
'B' ordinary shares of €0.50 each	0.1	0.1
	0.6	0.6

Each of the classes of shares is to be treated as normal ordinary shares and have the same voting rights and rights to dividends save as set out below.

Each share is entitled to one vote at ordinary and extraordinary general meetings.

Shares are freely transferable among shareholders. They may only be transferred to new shareholders subject to the approval of other shareholders given in general meeting, at a majority of three quarters of share capital, subject to that in the event of the death of a shareholder, such approval is not required to transfer his or her shares to either parents, descendants, or the surviving spouse of the shareholder. Transfers of shares by employees do not require the approval of shareholders in general meeting but do require the prior written consent of Blackstone Capital Partners.

In the event that an employee ceases to be an employee or director of the Group, the Board of Managers shall be entitled to serve notice on the departing employee and any family members or trusts that he/she has transferred shares to, requiring them to transfer shares they hold to such persons as specified by the Board. These transfers shall be at market value, except in respect of 'B' ordinary shares. In the case of B ordinary shares, the transfer will be at a value calculated in accordance with the articles, which depending on the circumstances of the cessation of employment, will range from the lower of cost or market value (if below cost), to market value.

Shares participate equally in dividends. In the event of a liquidation, majority sale or listing, 'B' ordinary shares will be repurchased by the company at a value to be determined in accordance with variable parameters and conditions as specified in the articles, based on the performance of the company since its incorporation.

Translation reserve

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

Notes (continued)

52 weeks ended 27 December 2008

24 Financial instruments

Interest rate risk

The Group has drawn senior debt in Sterling, Euros and US Dollars. The Group is required under the terms of its credit facilities to hedge these floating rate borrowings with floating to fixed rate interest rate swaps. At year end exchange rates, more than 95% of the senior debt is hedged by interest rate swaps. All the interest rate swaps mature in 2012 in line with the end date of the credit facilities. The Group does not apply hedge accounting.

The Group has Sterling, Euros and US Dollar loans drawn under its capex and revolving credit facilities. There is no requirement under the credit facilities to hedge these drawdowns and there are no hedges in place to that effect.

At year end exchange rates, more than 85% of the Group's loans drawn under its senior debt, capex and revolving credit facilities are hedged by interest rate swaps.

Profile

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

	Carrying amount	
	2008	2007
	£m	£m
Fixed rate instruments		
Financial assets	-	8.1
Financial liabilities	(753.3)	(520.0)
	(753.3)	(511.9)
Variable rate instruments		
Financial assets	138.7	46.2
Financial liabilities	(1,208.4)	(962.2)
	(1,069.7)	(916.0)

Fair value sensitivity analysis for fixed rate instruments

The Group's sensitivity to interest rates on fixed rate instruments is calculated by measuring the change in the present value of derivatives, assuming the discount yield curve is shifted by 50 basis points (2007: 50 basis points).

At the balance sheet date, if interest rates had been 50 basis points ("bp") lower/higher and all other variables were held constant, the Group's equity would decrease/increase respectively by £18.1million (2007: £48.0 million).

Cash flow sensitivity analysis for variable rate instruments

The Group's sensitivity to interest rates on variable rate instruments is calculated by comparing the annual interest charge/income which would apply to balances held at the year end using year end interest rates to the annual charge which would apply using year end interest rates plus a reasonably possible parallel shift of +50bp/-50bp. In 2007 the analysis was performed based on movements of 100bp. The 2007 sensitivity has been restated using a 50bp shift to provide figures which are comparable to those for 2008.

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

	Profit or (loss)	
	2008	2007
	£m	£m
Variable rate liabilities	(6.1)	(4.9)
Variable rate assets	5.9	4.5
Cash flow sensitivity (net)	(0.2)	(0.4)

Notes (continued)

52 weeks ended 27 December 2008

24 Financial instruments (continued)

Interest risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

A decrease of 50bp (2007: 50 bp) would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

There would be no impact on components of equity other than retained earnings (2007: £nil).

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its obligations as they fall due. The Group produces regular cash forecasts to identify liquidity requirements over the coming 12 months. The Group has access to revolving credit and capex facilities in addition to its existing borrowings to meet any shortfalls. These facilities are considered sufficient to meet the financing requirements of the Group.

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

2008	Carrying amount	Contractual cash flows	0 to <1 years	1 to <2 years	2 to <5 years	5 years and over
	£m	£m	£m	£m	£m	£m
Non derivative financial liabilities						
Secure bank loans	1,191.6	(1,468.0)	(162.0)	(74.5)	(1,231.5)	-
Finance lease liabilities	95.3	(290.0)	(7.7)	(7.7)	(20.7)	(253.9)
Shareholder loans (see note 17) *	597.5	(792.1)	(18.4)	-	(773.7)	-
Trade payables	27.0	(27.0)	(27.0)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging	76.4	(68.6)	(19.1)	(19.1)	(30.4)	-
Forward contracts used for hedging	0.9	(0.9)	(0.9)	-	-	-
	1,988.7	(2,646.6)	(235.1)	(101.3)	(2,056.3)	(253.9)
2007						
Non derivative financial liabilities						
Secure bank loans	943.4	(1,384.5)	(86.1)	(155.1)	(1,143.3)	-
Finance lease liabilities	85.4	(286.5)	(5.8)	(5.9)	(18.3)	(256.5)
Shareholder loans (see note 17) *	424.7	(642.7)	-	(14.0)	-	(628.7)
Bank overdrafts	6.7	(6.7)	(6.7)	-	-	-
Trade payables	27.9	(27.9)	(27.9)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging	13.9	(59.2)	(3.9)	(3.9)	(11.7)	(39.7)
	1,502.0	(2,407.5)	(130.4)	(178.9)	(1,173.3)	(924.9)

* The long term element of the shareholder loans is assumed to be repaid in May 2012.

The risk implied from the values shown in the table above, reflects the one-sided scenario of cash outflows only. At 27 December 2008, the Group had cash and cash equivalents of £114.9 million, assets available-for-sale of £23.8 million and access to revolving credit and capex facilities, which are considered sufficient to meet the contractual cash flows of £235.1 million due in less than one year.

A more balanced view of liquidity and financial indebtedness is stated in the calculation of the net liquidity amount. This results from the total amount of cash and cash equivalents and available-for-sale financial assets, less the amount of current interest-bearing loans and borrowings and non-current interest-bearing loans and borrowings (excluding shareholder loans). This measure is used for internal management purposes as well as communication with shareholders and lending institutions.

Notes (continued)

52 weeks ended 27 December 2008

24 Financial instruments (continued)

Liquidity risk (continued)

	2008	2007
	£m	£m
Cash and cash equivalents (net of overdrafts)	114.9	39.5
Available-for-sale financial assets	23.8	-
Total liquidity	138.7	39.5
Short-term debt and current maturities of long-term debt	87.7	7.8
Long-term debt	1,201.5	1,023.0
Total debt	1,289.2	1,030.8
Net liquidity (Total liquidity less Total debt)	(1,150.5)	(991.3)

Foreign currency risk

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

The Group's revenues and costs are primarily in local currency. There are some cross border transactions that give rise to foreign exchange exposures though there is significant natural hedging within the Group. The Group uses a small portfolio of forward foreign exchange trades to manage the Group's net foreign exchange exposure.

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

	2008				2007			
	Sterling	Euro	US	Other	Sterling	Euro	US	Other
	£m	£m	Dollar	£m	£m	£m	Dollar	£m
Cash and cash equivalents	51.8	35.4	20.1	7.6	16.9	14.6	4.9	3.1
Available-for-sale financial assets	-	-	23.8	-	-	-	-	-
Trade receivables	7.4	1.6	1.6	1.5	7.7	1.4	0.9	0.7
Secured bank loans	(504.1)	(531.9)	(146.9)	(8.7)	(457.9)	(380.2)	(99.3)	(6.0)
Shareholder loans	-	(597.5)	-	-	-	(424.7)	-	-
Finance lease liabilities	(54.7)	(40.6)	-	-	(52.6)	(32.8)	-	-
Derivatives	(30.8)	(29.0)	(17.5)	-	(16.2)	8.1	(5.8)	-
Trade payables	(10.6)	(11.6)	(2.4)	(2.4)	(13.8)	(10.2)	(2.2)	(1.7)
Balance sheet exposure	(541.0)	(1,173.6)	(121.3)	(2.0)	(515.9)	(823.8)	(101.5)	(3.9)

The Group treats certain loans as net investment hedging instruments, At 27 December 2008 the Group had £492.2 million (2007: £380.4 million) in Euro denominated loans and £57.6 million (2007: £56.0 million) in Sterling denominated loans.

Notes (continued)

52 weeks ended 27 December 2008

24 Financial instruments (continued)

Foreign currency risk (continued)

Foreign currency sensitivity analysis

A 10 percent strengthening/weakening of Sterling against all foreign currencies at 27 December 2008 would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

10% strengthening of Sterling

	Profit or (loss)	
	2008	2007
	£m	£m
Euro	1.5	0.6
US Dollar	1.0	0.8
Danish Kroner	(1.5)	(1.5)
	1.0	(0.1)

10% weakening of Sterling

	Profit or (loss)	
	2008	2007
	£m	£m
Euro	(1.7)	(0.6)
US Dollar	(1.7)	(0.8)
Danish Kroner	1.2	1.2
	(2.2)	(0.2)

There would be no impact on components of equity other than retained earnings (2007: £nil).

The Group's sensitivity to foreign exchange rates is calculated by revaluing monetary assets 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 balance sheet date. In addition, the sensitivity analysis for forward foreign exchange contracts has applied a 10% strengthening/weakening of Sterling against Euros and US Dollars to a discounted cash flow technique. The 2007 sensitivity has been restated to provide figures which are comparable to those for 2008.

Credit risk

The Group has a credit policy in place with regard to its trade debtors and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

The Group manages and monitors the credit rating of its counterparty exposures including the 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 credit rating of A or A2 (with Moody's or Standard and Poors) or better.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

Notes (continued)

52 weeks ended 27 December 2008

24 Financial instruments (continued)

Fair values

Fair values versus carrying amounts

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

	2008		2007	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Trade and other receivables	17.7	17.7	17.4	17.4
Cash and cash equivalents	114.9	114.9	46.2	46.2
Available-for-sale financial assets	23.8	23.8	-	-
Interest rate swaps used for hedging				
Assets	-	-	8.1	8.1
Liabilities	(76.4)	(76.4)	(22.0)	(22.0)
Forward contracts used for hedging	(0.9)	(0.9)	-	-
Secured bank loans	(1,191.6)	(1,148.5)	(943.4)	(909.0)
Shareholder loans	(597.5)	(590.8)	(424.7)	(424.7)
Finance lease liabilities	(95.3)	(95.3)	(85.4)	(85.4)
Trade and other payables	(27.0)	(27.0)	(27.9)	(27.9)
Bank overdraft	-	-	(6.7)	(6.7)
	(1,832.3)	(1,782.5)	(1,438.4)	(1,404.0)

Discount rates used for determining fair value

	2008	2007
Secured bank loans	7.8%	9.7%
Shareholder loans	8.4%	-

Basis for determining fair values

Derivatives

Interest rate swaps are valued by reference to the mid point of the yield curve prevailing from the reporting date to the contracted expiry date. The valuation is the net present value of the difference between the projected cash flows at the contracted rate and the valuation rate. Unless significant in value, no adjustments are made for any resulting differences between bid/ask and mid-market prices. Forward contracts are valued based on the present value of future cash flows.

Non-derivative financial liabilities

The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Trade and other receivables

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

25 Capital commitments

At the year end the Group has a number of outstanding capital commitments amounting to £30.9 million (2007: £10.8 million). These commitments are expected to be settled in the following two financial years.

Notes (continued)

52 weeks ended 27 December 2008

26 Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 31), shareholders, key management personnel and joint ventures.

Transactions with shareholders

During the year the Group entered into transactions with Blackstone Capital Partners, its ultimate controlling party, KIRKBI A/S and Dubai International Capital ("DIC"), both of which are shareholders, LEGO, a related party of KIRKBI A/S, and Tatweer, a related party of DIC. Transactions entered into, and trading balances outstanding at 27 December 2008, are as follows:

	Amounts owed by		Amounts owed to		Amounts owed to	
	Sales	related party	Fees	related party	Goods	related party
	£m	£m	£m	£m	£m	£m
2008						
Blackstone Capital Partners	-	-	1.3	0.1	-	-
KIRKBI A/S	-	-	0.6	-	-	-
DIC	-	-	0.5	0.9	-	-
LEGO	-	-	-	-	13.2	0.8
Tatweer	0.9	0.7	-	-	-	-
	0.9	0.7	2.4	1.0	13.2	0.8
2007						
Blackstone Capital Partners	-	-	12.1	0.7	-	-
KIRKBI A/S	-	-	0.2	0.1	-	-
DIC	-	-	0.3	0.3	-	-
LEGO	-	-	0.2	0.1	13.3	0.7
Tatweer	-	-	-	-	-	-
	-	-	12.8	1.2	13.3	0.7

Details of shareholder loans are included in note 17.

Transactions with key management personnel

Key management of the Group (the executive members of the Management Committee) and their immediate relatives control 2.13% (2007: 2.13%) of the voting shares of the Company. They also held PECs with a nominal value of £1,090,000 (2007: £1,090,000).

Other related party transactions

The compensation of the key managers is as follows:

	2008 £m	2007 £m
Key management emoluments including social security costs	1.0	0.8
Contributions to money purchase pension schemes	0.1	0.1
Share based payments	0.1	-
	1.2	0.9

Notes (continued)

52 weeks ended 27 December 2008

26 Related parties (continued)

Transactions with joint ventures

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

	Sales to related party £m	Purchases from related party £m	Amounts owed by related party (trading) £m	Amounts owed to related party (trading) £m	Amounts owed by related party (non trading) £m
2008					
Pirate Adventure Golf Limited	0.1	-	-	-	-
SEA LIFE Centre (Blackpool) Limited	0.3	-	-	-	-
SEA LIFE Centre Helsinki Oy	0.1	0.1	-	-	0.3
	0.5	0.1	-	-	0.3
2007					
Pirate Adventure Golf Limited	0.1	-	-	-	-
SEA LIFE Centre (Blackpool) Limited	0.1	-	-	-	-
SEA LIFE Centre Helsinki Oy	-	0.1	-	-	0.5
	0.2	0.1	-	-	0.5

Transactions with Sea Life Centre (Blackpool) Limited relate to the period from 1 January 2008 to 19 May 2008, when the Group acquired the remaining 50% of the share capital in the company.

27 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Blackstone Capital Partners which is the ultimate parent company incorporated in the Cayman Islands. The ultimate controlling party is Blackstone Capital Partners.

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

28 Contingent liabilities

The Group has contingent liabilities arising from local planning obligations and other obligations. The total liability under these obligations could amount up to £nil (2007: £1.0 million).

29 Determination of fair values

Intangible assets

Brands

Brands have been valued based on discounted future cash flows, using the relief from royalty method. The managers consider it consistent with industry practice to place a finite life on useful economic life. For brands this has been estimated at 30 years. This estimate is based on the premise that the brand will span at least one generation. It is anticipated that children currently visiting theme parks and visitor attractions will, based on their positive experience, revisit with their own children.

Goodwill

Goodwill has been calculated as the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. Note 10 contains information about the assumptions and their risk factors relating to goodwill impairment.

Notes (continued)

52 weeks ended 27 December 2008

29 Determination of fair values (continued)

Acquired property, plant and equipment

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

- i. Replacement cost. Industry specific indices were used to restate original historic cost.
- ii. Depreciation. The key determinants are the total, and remaining, economic useful life and the residual value of each asset. The total estimated lives applied are consistent with those set out in note 1. Residual values were based on industry specific indices.

30 Judgements and estimates

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

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

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

Impairment reviews

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

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

Assumptions

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

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital and maintenance expenditure;
- long term growth rates; and
- the selection of discount rates to reflect the risks involved.

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

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

The discount rate used is based on the estimated weighted average cost of capital of a 'market participant' and is drawn from market derived data from market data and businesses in similar sectors. It is adjusted for asset specific risks and is presented on a pre-tax basis. The key assumptions of the 'market participant' include the ratio of debt to equity financing, risk free rates and the medium term risks associated with equity investments.

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

Notes (continued)

52 weeks ended 27 December 2008

30 Judgements and estimates (continued)

Classification of assets sold under sale and leaseback agreements

During 2007, as noted in note 2, the Group undertook a sale and leaseback transaction involving the property, plant and equipment of certain acquired operating units. In order to determine the appropriate leaseback treatment, as either an operating or finance lease, each individual asset was considered on an asset by asset basis. The key elements of these calculations were the expected remaining economic life and fair value of each asset and the allocation of the lease rental charge. Fair values were calculated on a basis consistent with that set out above for property, plant and equipment. The gross lease rental charge for each operating unit has been allocated to underlying individual assets according to their relative fair values.

Financial instruments – effective interest rate calculations

The Group holds certain financial instruments, the terms of which allow for repayment over the 5 year term of the agreement. To facilitate the calculation of an effective interest rate which reflects the expected cash flows, the Group estimates the period of borrowings. During the year, the Group has changed its assumption such that the borrowings will now be repaid in December 2010 (2007: May 2009). This change in assumption required a re-measurement of the financial liabilities concerned that took into account the effective interest rates of the relevant instruments as calculated at the date of inception, together with the amended repayment date noted above. The effect of this change is disclosed in note 7. The calculation includes all transaction costs directly attributable to the acquisition of the financial instrument, which are amortised over the same period.

Provisions

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

Valuations of derivatives – interest rate swaps

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

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

Notes (continued)

52 weeks ended 27 December 2008

31 Subsidiary and joint venture undertakings

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

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2008	Ownership 2007
Merlin Entertainments Group Luxembourg 2 S.à r.l	Luxembourg	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l	Luxembourg	Ordinary	100.0%	100.0%
LEGOLAND California LLC	USA	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre US Inc	USA	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) Inc	USA	Ordinary	100.0%	-
Madame Tussauds Hollywood Inc	USA	Ordinary	100.0%	100.0%
Madame Tussaud Las Vegas Inc	USA	Ordinary	100.0%	100.0%
Madame Tussauds Orlando Inc	USA	Ordinary	100.0%	-
Madame Tussaud's New York Inc	USA	Ordinary	100.0%	100.0%
Madame Tussauds Washington Inc	USA	Ordinary	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA	Ordinary	100.0%	100.0%
Merlin Entertainments Group Florida Inc	USA	Ordinary	100.0%	-
Merlin Entertainments Group US Inc	USA	Ordinary	100.0%	100.0%
Merlin Entertainments Group Wheel Inc	USA	Ordinary	100.0%	-
SEA LIFE Minnesota Inc	USA	Ordinary	100.0%	-
SEA LIFE Orlando Inc	USA	Ordinary	100.0%	-
The Tussauds Group LLC	USA	Ordinary	100.0%	100.0%
Tussauds Harbour Gateway Inc	USA	Ordinary	100.0%	100.0%
LEGOLAND ApS	Denmark	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark	Ordinary	100.0%	100.0%
Dungeon Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
LLD Grundstücks GmbH & Co. KG	Germany	Ordinary	100.0%	100.0%
LLD Grundstücksverwaltungs GmbH	Germany	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany	Ordinary	100.0%	100.0%
Alton Towers Limited	UK	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited (company limited by guarantee)	UK	-	100.0%	100.0%
Charcoal CLG 2 Limited (company limited by guarantee)	UK	-	100.0%	100.0%
Charcoal Holdco Limited	UK	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK	Ordinary	100.0%	100.0%
Charcoal Newco 1a Limited	UK	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK	Ordinary	100.0%	100.0%

Notes (continued)

52 weeks ended 27 December 2008

31 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2008	Ownership 2007
Chessington World of Adventures Operations Limited	UK	Ordinary	100.0%	100.0%
Chessington Zoo Limited	UK	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK	Ordinary	100.0%	100.0%
DMWSL266 Limited	UK	Ordinary	100.0%	100.0%
LEGOLAND US Holdings Limited	UK	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK	Ordinary	100.0%	100.0%
London Dungeon Limited	UK	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK	Ordinary	100.0%	-
London Eye Holdings Limited	UK	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK	Ordinary	100.0%	100.0%
Madame Tussaud's Touring Exhibition Limited	UK	Ordinary	100.0%	100.0%
M.E.G.H. Limited (formerly Merlin Entertainments Group Holdings Limited)	UK	Ordinary	100.0%	100.0%
Merlin Attractions Management Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Developments Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Finance Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Finance Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Holdings Limited (formerly Charcoal Newco 2 Limited)	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group International Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Operations Limited	UK	Ordinary	100.0%	100.0%
Merlin US Holdings Limited	UK	Ordinary	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK	Ordinary	100.0%	-
SEA LIFE Centre (Blackpool) Limited	UK	Ordinary	*100.0%	50.0%
SEA LIFE Centres Limited	UK	Ordinary	100.0%	100.0%
The London Eye Company Limited	UK	Ordinary	100.0%	100.0%
London Planetarium Company Limited (The)	UK	Ordinary	100.0%	100.0%
The Millennium Wheel Company Limited	UK	Ordinary	100.0%	100.0%
The Seal Sanctuary Limited	UK	Ordinary	100.0%	100.0%
The Tussauds Group Limited	UK	Ordinary	100.0%	100.0%
Thorpe Park Operations Limited	UK	Ordinary	100.0%	100.0%
Tussauds (NBD) Limited	UK	Ordinary	100.0%	100.0%
Tussauds Attractions Limited	UK	Ordinary	100.0%	100.0%
Tussauds Attractions Operations Limited	UK	Ordinary	100.0%	100.0%
Tussauds Finance Limited	UK	Ordinary	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK	Ordinary	100.0%	100.0%
Tussauds Holdings Limited	UK	Ordinary	100.0%	100.0%
Tussauds Hotels Limited	UK	Ordinary	100.0%	100.0%
Tussauds Hotels South Limited	UK	Ordinary	100.0%	100.0%
Tussauds Intermediate Holdings Limited	UK	Ordinary	100.0%	100.0%
Tussauds Limited	UK	Ordinary	100.0%	100.0%
Tussauds Theme Parks Limited	UK	Ordinary	100.0%	100.0%
Warwick Castle Limited	UK	Ordinary	100.0%	100.0%

Notes (continued)

52 weeks ended 27 December 2008

31 Subsidiary and joint venture undertakings (continued)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2008	Ownership 2007
Warwick Castle Park Limited	UK	Ordinary	100.0%	100.0%
Wizard AcquisitionCo Limited	UK	Ordinary	100.0%	100.0%
Wizard BondCo Limited	UK	Ordinary	100.0%	100.0%
Wizard EquityCo Limited	UK	Ordinary	100.0%	100.0%
Wizard NewCo Limited	UK	Ordinary	100.0%	100.0%
Gardaland S.r.l.	Italy	Ordinary	97.8%	97.8%
Incoming Gardaland S.r.l.	Italy	Ordinary	97.8%	97.8%
Merlin Entertainments Group Italy S.r.l.	Italy	Ordinary	100.0%	100.0%
Merlin Entertainments Group Italy 2 S.r.l.	Italy	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy	Ordinary	100.0%	100.0%
Merlin Attractions Italy S.r.l.	Italy	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy	Ordinary	**44.7%	44.7%
Ronchi S.p.A.	Italy	Ordinary	88.5%	88.5%
SEA LIFE Italia S.r.l.	Italy	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands	Ordinary	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands	Ordinary	100.0%	100.0%
SEA LIFE Centre Nederland B.V.	Netherlands	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands	Ordinary	60.0%	60.0%
Merlin Dutch Newco 1 B.V.	Netherlands	Ordinary	100.0%	-
Merlin Dutch Newco 2 B.V.	Netherlands	Ordinary	100.0%	-
Merlin Dutch Newco 3 B.V.	Netherlands	Ordinary	100.0%	-
SLCS SEA LIFE Centre Spain S.A.	Spain	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland	Ordinary	100.0%	100.0%
SEA LIFE France SARL	France	Ordinary	100.0%	100.0%
Dirk Frimout Centrum N.V.	Belgium	Ordinary	***100.0%	57.8%
SEA LIFE Centre Belgium N.V.	Belgium	Ordinary	100.0%	100.0%
Martendencias Unipessoal	Portugal	Ordinary	100.0%	-
Madame Tussauds Exhibition (Shanghai) Company Limited	China	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn Bhd	Malaysia	Ordinary	100.0%	-
Joint Ventures				
SEA LIFE Helsinki Oy	Finland	Ordinary	50.0%	50.0%
Pirate Adventure Golf Limited	UK	Ordinary	50.0%	50.0%

* Increased to 100% in May 2008.

** Merlin Entertainments Group Luxembourg 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.

*** Increased to 100% in February 2008.