Merlin Entertainments plc – 2016 Interim Results

Resilient trading performance despite challenging market conditions
Strong contribution from New Business Development
Progress against each of the 2020 strategic milestones
Continued confidence in strategic outlook

28 July 2016

Merlin Entertainments, Europe's leading and the world's second-largest visitor attraction operator, today reports results for the 26 weeks ended 25 June 2016.

Key trading highlights[1]

	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015	Total growth at actual FX	Total growth at constant FX[5]	Like for like growth[6]
Visitors[2] (m)	**28.0**	27.7	1.1%		
Revenue (£m)	**573**	544	5.3%	2.3%	(1.1)%
EBITDA[1] (£m)	**126**	123	2.7%	(1.5)%	
Operating profit[1] (£m)	**70**	71	(2.2)%	(7.5)%	
Profit before tax[1], [3] (£m)	**50**	49	0.9%		
Profit for the period[1] (£m)	**37**	35	3.2%		
Adjusted earnings per share [1], [4] (p)	**3.6p**	3.5p	3.2%		
Dividend per share (p)	**2.2p**	2.1p	4.8%		

Summary

- Group revenue grew by 5.3%, reflecting a strong contribution from new accommodation and attractions and a positive translational impact from non-Sterling earnings, partially offset by a slight decline in like for like revenue;
- Continued growth in LEGOLAND Parks, with revenue up 11.1%. Revenue at constant currency grew by 5.7%, driven by like for like revenue growth of 3.3%, and a further contribution from new accommodation;
- Midway Attractions delivered 7.1% revenue growth. Revenue at constant currency grew by 5.3% despite a like for like revenue decline of 0.2%, reflecting a strong contribution from new attractions. The like for like performance continues to be impacted by a challenging city centre tourist market, with heightened security concerns and the residual effect of stronger Sterling on the London Division;
- As expected, the Resort Theme Parks Operating Group (RTP) has continued to experience lower visitation at Alton Towers following the accident in June 2015. RTP revenues in the period declined by 7.0%. Revenue at constant currency was down 9.1%, reflecting a 10.2% decline in like for like revenue offset by a contribution from new accommodation;
- Profit before tax increased as a result of growth in EBITDA offset by an increased depreciation charge related to continued investment across the estate;
- Good progress towards the 2020 strategic milestones:
    - Three new Midway attractions opened in the period;

- 210 new ‘rooms’ opened to date across four of our theme parks;
- LEGOLAND Dubai remains on track to open under a management contract in October 2016, followed by LEGOLAND Japan in April 2017 with continued progress towards the opening of LEGOLAND Korea and further parks in North America and China.

Nick Varney, Chief Executive Officer, said:

"Merlin has delivered a resilient performance in the first half that reflects the benefit of our diversified portfolio and strong New Business Development programme.

“As previously reported, many of the trends we experienced last year continued into 2016. Our Midway Attractions Operating Group has continued to see a challenging market in London, and Alton Towers, whilst seeing some recovery in mainstream leisure visitation, continues to experience significantly lower overall volumes. By contrast, and following two years of exceptional growth, our LEGOLAND Parks Operating Group has continued to build on its strong performance.

“However, 2016 has also brought some new challenges. Heightened security concerns, following attacks across Europe, have had an effect on city centre tourism, creating a challenging market and compounding an already difficult market in London. Against this backdrop, the Midway Attractions Operating Group’s performance represents a relatively robust result.

“Despite this difficult current trading environment, we remain confident about the medium and long term prospects for Merlin in both our existing estate and around our 2020 milestones.

“Within the existing estate, we have a strong product pipeline across each of the three Operating Groups, we expect a continued recovery in Resort Theme Parks, and there is the further potential boost from the three new LEGO movies expected over the next three years. In addition, if the current weakness in Sterling persists over the medium term, it should provide support to the UK tourism market from domestic and international visitors, benefiting our attractions both in London and across the UK.

“On the 2020 milestones set out earlier this year, our New Openings team are making excellent progress, with a particular highlight this year being the opening of LEGOLAND Discovery Centre Shanghai – our first LEGOLAND-branded attraction in China. The performance and guest feedback has been outstanding and gives us further confidence in the potential for the LEGOLAND brand within the Chinese market.

“In short, there is plenty more Merlin magic to come!”

Outlook

Recent trading would suggest continuation of the trends experienced year to date, with further recovery within the Resort Theme Park estate and continued growth within LEGOLAND Parks. The Midway trading performance is expected to remain subdued reflecting our cautious view on any near term improvement in the London market. With over 70% of our profits generated outside of the UK, our reported results, if current exchange rates prevail, should benefit from a positive translational impact.

We are confident in the delivery of significant year on year profit growth, and anticipate full year earnings per share in line with current expectations.

An update on our peak season performance will be provided in the Summer Trading statement on the 29 September.

Delivering on the strategy

The Group has made good progress against its strategic growth drivers:

#1 Growing the existing estate through planned capital investment cycles

- Compelling new propositions opened at all attractions, including:
    - Midway Attractions – Madame Tussauds Bangkok 4D cinema, Berlin Dungeon ‘drop ride’, LDC Atlanta ‘Pirate Adventure Island’ play area
    - LEGOLAND Parks – ‘NINJAGO – The Ride’ at LEGOLAND Billund and California and ‘The LEGO Movie 4D A New Adventure’ at all parks
    - Resort Theme Parks – ‘Derren Brown’s Ghost Train’ at THORPE PARK, ‘Galactica’ at Alton Towers Resort, ‘Kung Fu Panda Academy’ at Gardaland and ‘How to Train Your Dragon - The Island’ at Heide Park

#2 Exploiting strategic synergies

- Continued roll out of the new accesso® 'Passport' ticketing and admissions system, with major sites expected to have the system by the end of 2017

#3 Transforming our theme parks into destination resorts

- Further progress towards the 2020 strategic milestone of adding 2,000 new rooms across the estate:
  - New 100 room hotel at Gardaland opened in May 2016;
  - Additional 34 room 'Castle' hotel at LEGOLAND Deutschland Holiday Village opened in March 2016, together with a further 13 'room' expansion of the Holiday Village;
  - 'Explorer Glamping' at Chessington World of Adventures (35 'rooms') opened in June 2016;
  - New mediaeval lodges at Warwick Castle (28 'rooms') opened at the start of July 2016; and
  - Recently announced 76 room 'CBeebies Land' hotel to open at Alton Towers in 2017

#4 Rolling out new Midway attractions

- LEGOLAND Discovery Centres opened in Michigan, Shanghai and Arizona
- LEGOLAND Discovery Centre Shanghai represents Merlin's first LEGOLAND-branded attraction in China and opened to positive guest feedback
- On track for the 2020 milestone of 40 new attractions

#5 Developing new LEGOLAND Parks

- LEGOLAND Dubai scheduled to open under a management contract in October 2016
- LEGOLAND Japan on track for opening in April 2017
- Continued progress on LEGOLAND Korea and a further new park by the end of 2020

#6 Strategic acquisitions

- Continue to consider opportunities consistent with our long term growth strategy
- Progress on implementing the strategic partnership with Big Bus Tours, following the $34 million investment announced in February

Dividend

Going forward, the Board will set the interim dividend as approximately one third of the prior year's full year dividend. On this basis the Board announces its intention to pay an interim dividend of 2.2 pence per share which represents growth of 4.8% on the 2015 interim dividend. The Board maintains its commitment to a progressive annual dividend paying out 35-40% of normalised profit after tax.

<u>Information regarding the proposed interim dividend</u>

The timetable for the interim dividend payment of 2.2 pence per share is as follows:

Ex-dividend Date	11 August 2016
Record Date	12 August 2016
Payment Date	19 September 2016

The Company will also provide a Dividend Re-Investment Plan (DRIP). The last day for electing for the DRIP will be 26 August 2016.

References to dividend per share are quoted gross of tax.

Footnotes to Key trading highlights table:

(1) All figures are presented on an underlying basis, excluding exceptional items, which are detailed on page 20 (note 2.2).
(2) Visitors represents all individual visits to Merlin owned or operated attractions.
(3) Profit before tax on a statutory basis is £50 million *(2015: £36 million)*.
(4) Basic earnings per share is 3.6p *(2015: 2.5p)*.
(5) Constant currency basis, using 2016 year to date exchange rates.
(6) Like for like growth refers to the growth between 2015 and 2016 on a constant currency basis using 2016 exchange rates and includes all businesses owned and operated before the start of 2015.

Audio webcast
An audio webcast for analysts will be held this morning at 08:30 and can be accessed via Merlin's corporate website, www.merlinentertainments.biz.

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Notes to Editors :

MERLIN ENTERTAINMENTS plc *is the leading name in location based, family entertainment. Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin operates over 100 attractions, 13 hotels and 5 holiday villages in 23 countries and across 4 continents. The Company aims to deliver memorable experiences to its more than 60 million visitors worldwide, through its iconic global and local brands, and the commitment and passion of its circa 27,000 employees (peak season).*

About our attractions:

Merlin operates two distinct products, managed in three Operating Groups.

Midway
'Midway' attractions are high quality, branded, indoor attractions, with a typical 1-2 hour dwell time, located in city centres or resorts. There are over 100 Midway attractions across 21 countries, with five established chainable brands: SEA LIFE, Madame Tussauds, The Eye (observation attractions), The Dungeons and LEGOLAND Discovery Centres. There is also a new brand concept, 'Shrek's Adventure!', which has been developed with DreamWorks Animation. The pilot attraction opened in London on 1 July 2015.

Theme Parks
Merlin's theme parks are larger multi-day outdoor destination venues, incorporating on-site themed accommodation. These are organised into two specific Operating Groups, based on the brands.

- *LEGOLAND Parks – Six LEGO themed interactive theme parks appealing to younger families with children aged 2-12. The LEGOLAND Parks estate spans five countries across three continents, with plans already announced for further parks in Dubai, Japan and South Korea.*

- *Resort Theme Parks – Six nationally recognised destination theme parks arranged around a central theme. The parks offering includes Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle, Gardaland (Italy) and Heide Park (Northern Germany).*

***Milestones*:**

Alongside its 2015 full year results reported in February 2016, Merlin announced the introduction of three New Business Development milestones, comprising:

- *2,000 new accommodation rooms by the end of 2020*
- *40 new Midway attractions by the end of 2020*
- *Four new LEGOLAND parks by the end of 2020 (including the three already announced – Dubai, Japan and South Korea)*

Number of attractions

Movement in the number of attractions between 26 December 2015 and 25 June 2016:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016	26 Dec 2015	Mov't	25 Jun 2016
SEA LIFE	13	-	13	18	-	18	8	-	8	8	-	8	47	-	47
MT(1)	2	-	2	3	-	3	6	-	6	8	-	8	19	-	19
Dungeons	5	-	5	3	-	3	1	-	1	-	-	-	9	-	9
LDC(2)	1	-	1	3	-	3	7	2	9	2	1	3	13	3	16
Eye	2	-	2	-	-	-	1	-	1	1	-	1	4	-	4
Shrek(3)	1	-	1	-	-	-	-	-	-	-	-	-	1	-	1
Other	-	-	-	-	-	-	-	-	-	6	-	6	6	-	6
Midway(4)	**24**	**-**	**24**	**27**	**-**	**27**	**23**	**2**	**25**	**25**	**1**	**26**	**99**	**3**	**102**
LLP(5)	**1**	**-**	**1**	**2**	**-**	**2**	**2**	**-**	**2**	**1**	**-**	**1**	**6**	**-**	**6**
RTP(6)	**4**	**-**	**4**	**2**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**6**
Group	**29**	**-**	**29**	**31**	**-**	**31**	**25**	**2**	**27**	**26**	**1**	**27**	**111**	**3**	**114**

Note:
(1) Madame Tussauds
(2) LEGOLAND Discovery Centre
(3) DreamWorks Tours – Shrek's Adventure!
(4) Midway Attractions Operating Group
(5) LEGOLAND Parks Operating Group
(6) Resort Theme Parks Operating Group

Attractions opened to date in 2016 comprise: LDC Arizona, LDC Shanghai and LDC Michigan.

Chief Executive Officer's review

Overview

Despite notable challenges in several of Merlin's key markets, the Group has delivered continued growth in the first half of 2016. This resilient performance underlines the diversified nature of the portfolio, with significant variation across and within the three Operating Groups.

We continue to make good progress against the strategic milestones announced earlier this year. Since our 2015 Preliminary results in February we have successfully opened three new Midway attractions and a range of new, innovative, themed accommodation across our theme park estate. We are on track to open LEGOLAND Dubai in October 2016 and LEGOLAND Japan in April 2017. Importantly, we continue to have confidence in the new openings programme, with 19 of the 40 Midway attractions and over half of the 2,000 rooms, from our 2020 milestones, already opened or confirmed. The successful opening of LEGOLAND Discovery Centre Shanghai earlier this year – the first LEGOLAND-branded attraction in China - gives us further confidence in the strong opportunity for the LEGOLAND brand in China.

It is too early to be precise about what effect the outcome of the UK referendum will have on the underlying performance of the Group. The UK's decision to exit the European Union creates some uncertainty, although our investment plans across the region will remain unchanged, and the relative attractiveness of the UK may be improved. Furthermore, with over 70% of our profits generated outside of the UK, our reported results, if current exchange rates prevail, should benefit from a positive translational impact.

Operating Group Review

Midway Attractions

£million	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015	Total growth at Actual FX	Total growth at Constant FX	Like for like Growth
Revenue	270	252	7.1%	5.3%	(0.2)%
EBITDA	91	87	1.5%(1)	0.0%(1)	
Operating profit	64	62	(0.6)%(1)	(2.1)%(1)	

(1) On a comparable basis, excluding the effect of the change in allocation of central costs in 2015. Further detail is provided on page 12.

The Midway Attractions Operating Group grew revenues by 7.1%, driven by a strong contribution from new openings, despite a 0.2% decline in revenue on a like for like basis. Excluding the positive translational impact of foreign exchange, revenues grew by 5.3%.

The Operating Group performance continues to be affected by weakness in the London tourist market with any benefit of a weaker Sterling yet to be seen, and heightened security concerns following terrorist attacks across Europe. Whilst we have taken steps to mitigate the effect of the lower volumes, including re-focused marketing efforts and cost initiatives, we expect the difficult market backdrop to continue to weigh on performance in the balance of the full year.

Following the investment in Big Bus Tours in February 2016, we continue to work on implementing the strategic partnership across overlapping parts of the estate as part of our strategy to 'own the visit' in large Gateway cities.

Three new Midway attractions were opened in the period: LEGOLAND Discovery Centres in Shanghai (China), Michigan (USA) and Arizona (USA). All three attractions have launched well and demonstrate the strength in the LEGOLAND Discovery Centre concept.

The Shanghai attraction in particular – representing the first LEGOLAND-branded attraction in China – has performed extremely well, and ahead of our expectations. This early success provides further confidence in the strong opportunity for the LEGOLAND brand in China.

EBITDA grew by 1.5% (0.0% on a constant currency basis) with the like for like revenue performance in a number of our higher margin attractions resulting in a slight deterioration in the Operating Group margin. The result also included a contribution of £5 million as a result of a sales tax rebate, a component of which was recognised in revenue.

Operating profit declined by 0.6% (2.1% on a constant currency basis), as a result of the EBITDA performance and the increase in depreciation, primarily associated with new attractions opened in this and the preceding period.

LEGOLAND Parks

£million	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015	Total growth at Actual FX	Total growth at Constant FX	Like for like Growth
Revenue	198	178	11.1%	5.7%	3.3%
EBITDA	66	58	13.4%(1)	7.6%(1)	
Operating profit	53	47	12.3%(1)	6.3%(1)	

(1) On a comparable basis, excluding the effect of the change in allocation of central costs in 2015. Further detail is provided on page 12.

The LEGOLAND Parks Operating Group grew revenues by 11.1%. Growth in like for like revenues of 3.3% was supported by a circa two percentage point contribution from new accommodation, including the new 'Castle' hotel at LEGOLAND Deutschland Holiday Village which opened in March 2016 and the full period benefit of the 2015 accommodation openings. The reported figure also benefited from a positive foreign exchange translational impact.

The continued like for like revenue growth, which builds on strong growth of 6.0% in the first half of 2015, reflects the ongoing strength in the LEGOLAND and LEGO brands. LEGOLAND Billund and California also benefited from major new investment in 'LEGO NINJAGO' rides. These world-first rides are controlled by hand gestures and bring to life one of the bestselling LEGO product lines ever created. These innovative 'dark rides' will be rolled out across the LEGOLAND estate ahead of the launch of the Warner Brothers 'LEGO NINJAGO' film in 2017.

Further progress was also made towards our strategic milestone of opening four new LEGOLAND parks by the end of 2020. LEGOLAND Dubai will open in October 2016 under a management contract and construction at LEGOLAND Japan is at an advanced stage with a planned opening date of April 2017. Beyond this, further progress has been made on LEGOLAND Korea and on potential park projects in both China and North America.

EBITDA grew by 13.4% (7.6% on a constant currency basis), primarily as a result of the like for like revenue growth and full period benefit of accommodation opened in 2015.

Operating profit grew by 12.3% (6.3% on a constant currency basis), as a result of the growth in EBITDA, offset to a degree by an increase in depreciation reflecting the continued investment in rides, features and accommodation across the estate.

Resort Theme Parks

£million	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015	Total growth at Actual FX	Total growth at Constant FX	Like for like Growth
Revenue	104	112	(7.0)%	(9.1)%	(10.2)%
EBITDA	(8)	(6)	*nm*(1)	*nm*(1)	
Operating loss	(22)	(20)	*nm*(1)	*nm*(1)	

(1) Not meaningful.

The Resort Theme Parks Operating Group saw revenues decline by 7.0%, driven by a 10.2% decline in like for like revenue offset to a degree by the contribution from new accommodation at Alton Towers (opened in 2015) and Gardaland (opened in May 2016), together with a positive foreign exchange translational impact.

Visitor volumes at Alton Towers remain significantly lower following the accident in June 2015, with like for like revenue performance for the Operating Group reflecting the stronger comparative period prior to the accident in 2015. Encouragingly, the performance in recent weeks has shown some year on year improvement in mainstream leisure visitation. However, the full year performance is still expected to fall some way short of the 2014 result.

We continue to invest in creating innovative new rides and features across the RTP estate, maximising the use of IP where appropriate. This year's investments include 'Derren Brown's Ghost Train' at THORPE PARK, 'Galactica', our first virtual reality roller coaster, at Alton Towers, 'Kung Fu Panda Academy' at Gardaland and 'How to Train Your Dragon – The Island' at Heide Park.

An EBITDA loss of £8 million was recognised in the period, reflecting primarily the seasonality of the Operating Group, with the year on year revenue decline partly offset by ongoing cost management.

An operating loss of £22 million was recognised in the period, reflecting the seasonality of the business.

Chief Financial Officer's review

Trading performance

Revenue grew by £29 million or 5.3%, in the period. A decline in like for like revenue of 1.1% was offset by the contribution of new attractions and accommodation, to give total constant currency growth of 2.3%. The positive translational effect of non-Sterling earnings relative to the comparative period added approximately three percentage points to revenue growth.

Visitor numbers grew by 1.1% in the period to 28.0 million.

The Group like for like revenue decline of 1.1% reflects continued growth in the LEGOLAND Parks offset by an ongoing challenging landscape for Midway Attractions, particularly in London, and a decline in the Resort Theme Parks Operating Group related to the ongoing challenges following the accident at Alton Towers in 2015.

Revenue per capita (RPC) was £18.36, up 0.8% on a constant currency basis as a result of growth in underlying RPC partly offset by a shift in the mix between Operating Groups relative to the comparative period. The headline Group RPC for the first half of the year is typically lower than the full year figure due to the mix effect, with many of the theme parks with a higher spend per head only being open for part of the period. The Company's focus continues to be on revenue maximisation rather than specific volume or RPC targets, which is primarily a function of business mix and promotion strategies.

Underlying EBITDA grew by 2.7% at reported foreign exchange rates, and declined by 1.5% on a constant currency basis. This decrease reflects a decline in like for like revenues offset by an element of cost reductions.

Underlying operating profit declined by 2.2% (7.5% at constant currency) reflecting the growth in depreciation as we continue to invest across the estate.

Finance costs

Underlying net finance costs of £20 million were £2 million lower than the prior period, reflecting the full period benefit of the refinancing which took place in the first half of 2015.

There were no exceptional costs incurred in the period. In 2015, there was a charge of £13 million in connection with the refinancing, primarily relating to the restructuring of interest rate swaps.

Taxation

An underlying tax charge of £13 million has been booked for the period, representing an underlying effective tax rate of 26.2%.

Foreign exchange rate sensitivity

Merlin's income statement is exposed to fluctuations in foreign currency exchange rates principally on the translation of our non-Sterling earnings. The tables below show the impact on 2015 revenues and EBITDA of re-translating them at 2016 foreign exchange (FX) rates. The seasonality of the Group results in a bias towards non-European earnings, with a higher margin, in the first half of the year.

Currency	**H1 2016 average FX rates**	**H1 2015 average FX rates**	**%age movement in FX rates**	**Revenue impact £m**
USD	1.44	1.53	5.8%	10
EUR	1.29	1.37	5.7%	5
AUD	1.98	1.93	(2.7)%	(1)
Other				2
Change in 2015 revenues at 2016 FX rates				**16**

Note: Weighted-average FX rates

Currency	H1 2016 average FX rates	H1 2015 average FX rates	%age movement in FX rates	EBITDA impact £m
USD	1.44	1.53	5.8%	4
EUR	1.28	1.44	10.7%	1
AUD	2.01	1.91	(5.1)%	-
Change in 2015 EBITDA at 2016 FX rates				**5**

Note: Weighted-average FX rates

Earnings per share (EPS)

Basic earnings per share was 3.6p (*2015: 2.5p)*.

Adjusted earnings per share, which excludes the impact of exceptional items, was 3.6p (*2015: 3.5p)*.

Reconciliation between basic and adjusted earnings:

	June 2016 £m	June 2015 £m
Profit attributable to shareholders	**37**	25
Exceptional items after tax	**-**	10
Underlying profit for the period	**37**	35
Weighted average number of shares (million)	**1,014**	1,014
Basic earnings per share (p)	**3.6p**	2.5p
Adjusted earnings per share (p)	**3.6p**	3.5p

Dividend

Merlin is today proposing a 2.2 pence per share interim dividend. This will be paid on 19 September 2016 to shareholders on the register on 12 August 2016.

Cash flow

	June 2016 £m	June 2015 £m
EBITDA	126	123
Working capital and other movements	47	21
Tax paid	(24)	(31)
Net cash inflow from operating activities	**149**	**113**
Capital expenditure	(120)	(127)
Investments	(25)	-
Net repayment of borrowings	-	(110)
Interest paid, net of interest received	(20)	(23)
Refinancing and other costs	-	(27)
Dividend paid	(45)	(43)
Other	4	-
Net cash outflow for the period	**(57)**	**(217)**

Net cash flow from operating activities of £149 million was £36 million higher than the prior year, due to higher EBITDA, increased working capital inflow, and the phasing of cash tax payments.

The Group invested £120 million *(2015: £127 million)* in capital projects during the period, including £76 million in the existing estate and £44 million on New Business Development. Guidance of £250-270 million for the full year 2016 remains unchanged.

Of £25 million of investments, £24 million related to the investment on 24 February 2016 in Big Bus Tours Group Holdings Limited, the leading global owner-operator of Hop On Hop Off City Tours. This investment provided Merlin with a minority equity holding and an investment in loan notes. Interest on the latter is recognised within finance income.

Cash financing costs were £20 million *(2015: £23 million),* reflecting the full period effect of the refinancing which took place in the comparative period. The payment of the 2015 final dividend was £45 million which compares to £43 million paid in the comparative period.

Net debt

	June 2016 £m	Dec 2015 £m	June 2015 £m
Interest-bearing loans and borrowings	1,087	1,007	976
Less: cash and cash equivalents	(101)	(152)	(68)
Finance lease obligations	86	82	81
Net debt	**1,072**	**937**	**989**

Net debt increased by £135 million in the 26 week period, reflecting predominantly the movement in foreign exchange rates, and the cash movements described above.

Similarly, compared to 27 June 2015, net debt has increased by £83 million.

Cash and cash equivalents at 25 June 2016 were £101 million. Further liquidity was provided by an undrawn £300 million revolving credit facility.

Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material effect on the Group's performance in the remaining 27 weeks of 2016 are the same as described on pages 40-45 of the 2015 Annual Report and Accounts. These are summarised as:

- Health, safety and security risks including ride and attractions safety, contractor management, terrorism, pandemic risk and infrastructure safety; and

- Commercial and strategic risks including those over customer satisfaction, people availability and expertise, foreign exchange rates impacting international tourism, animal welfare, availability and delivery of new sites and attractions, competition, IT robustness, technological developments and cyber security, and seasonality / weather; and

- Financial process risks including those over anti-bribery and corruption, liquidity and cash flow risk, interest rate risk, foreign exchange translation risk and credit risk.

The UK referendum vote to leave the European Union is likely to have repercussions across Europe and the rest of the world. Merlin's intentions to invest both in the UK and overseas are unchanged, consistent with its strategic vision to build a diversified portfolio, naturally balanced against external factors.

Allocation of Group costs

As announced via RNS on 15 January 2016, Merlin has revised the way in which certain costs incurred by the Group are allocated to its three Operating Groups. This change applied to the 2015 full year results and all subsequent periods. Overall Group reported profitability is not affected. No restatements have been made to the prior period's numbers.

When compared to the H1 2015 results, this has had the following effect on H1 2016 EBITDA:

	£m
Midway Attractions	**2**
LEGOLAND Parks	**1**
Resort Theme Parks	**1**
Central costs	**(4)**
Group total	**-**

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 25 June 2016 (2015: 26 weeks ended 27 June 2015)

		26 weeks ended 25 June 2016			26 weeks ended 27 June 2015		
	Note	Underlying trading £m	Exceptional items [3] £m	Total £m	Underlying trading £m	Exceptional items [3] £m	Total £m
Revenue	2.1	573	-	573	544	-	544
Cost of sales		(88)	-	(88)	(81)	-	(81)
Gross profit		485	-	485	463	-	463
Staff expenses	2.1	(174)	-	(174)	(157)	-	(157)
Marketing		(40)	-	(40)	(38)	-	(38)
Rent		(44)	-	(44)	(42)	-	(42)
Other operating expenses		(101)	-	(101)	(103)	-	(103)
EBITDA [1]	2.1	126	-	126	123	-	123
Depreciation and amortisation	3.1, 3.2	(56)	-	(56)	(52)	-	(52)
Operating profit		70	-	70	71	-	71
Finance income	2.3	2	-	2	3	1	4
Finance costs	2.3	(22)	-	(22)	(25)	(14)	(39)
Profit before tax		50	-	50	49	(13)	36
Taxation	2.4	(13)	-	(13)	(14)	3	(11)
Profit for the period [2]		**37**	**-**	**37**	**35**	**(10)**	**25**
Earnings per share							
Basic and diluted earnings per share (p)	2.5			3.6			2.5

[1] *EBITDA – this is defined as profit before finance income and costs, taxation, depreciation and amortisation and is after taking account of attributable profit after tax of joint ventures.*

[2] *Profit for the 26 weeks ended 25 June 2016 and the 26 weeks ended 27 June 2015 is wholly attributable to the owners of the Company.*

[3] *Details of exceptional items are provided in note 2.2.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 25 June 2016 (2015: 26 weeks ended 27 June 2015)

	Note	26 weeks ended 25 June 2016 £m	26 weeks ended 27 June 2015 £m
Profit for the period		37	25
Other comprehensive income			
Items that may be reclassified to the income statement			
Exchange differences on the retranslation of net assets of foreign operations		102	(66)
Exchange differences relating to the net investment in foreign operations		(25)	21
Cash flow hedges - effective portion of changes in fair value		(11)	3
Cash flow hedges - reclassified to profit and loss	2.2	-	14
Income tax on items relating to components of other comprehensive income		-	(2)
Other comprehensive income for the period net of income tax		66	(30)
Total comprehensive income for the period [1]		**103**	**(5)**

[1] *Total comprehensive income for the 26 weeks ended 25 June 2016 and the 26 weeks ended 27 June 2015 is wholly attributable to the owners of the Company.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 25 June 2016 (2015: 26 December 2015, 27 June 2015)

	Note	25 June 2016 £m	26 December 2015 £m	27 June 2015 £m
Non-current assets				
Property, plant and equipment	3.1	1,668	1,495	1,431
Goodwill and intangible assets	3.2	977	923	906
Investments	5.1	37	11	6
Other receivables		14	11	10
Deferred tax assets		37	35	48
		2,733	2,475	2,401
Current assets				
Inventories		47	30	37
Trade and other receivables		117	76	98
Derivative financial assets		6	2	7
Cash and cash equivalents	4.1	101	152	68
		271	260	210
Total assets		3,004	2,735	2,611
Current liabilities				
Interest-bearing loans and borrowings	4.1	5	4	4
Derivative financial liabilities		14	1	1
Trade and other payables		336	235	296
Tax payable		10	22	6
Provisions		4	4	4
		369	266	311
Non-current liabilities				
Interest-bearing loans and borrowings	4.1	1,082	1,003	972
Finance leases	4.1	86	82	81
Other payables		26	24	23
Provisions		56	51	49
Employee benefits		5	5	5
Deferred tax liabilities		168	155	152
		1,423	1,320	1,282
Total liabilities		1,792	1,586	1,593
Net assets		**1,212**	**1,149**	**1,018**
Issued capital and reserves attributable to owners of the Company		1,208	1,145	1,014
Non-controlling interest		4	4	4
Total equity		**1,212**	**1,149**	**1,018**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 25 June 2016 (2015: 26 weeks ended 27 June 2015)

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interest £m	Total equity £m
At 28 December 2014		10	-	(101)	(11)	1,161	**1,059**	4	**1,063**
Profit for the period		-	-	-	-	25	**25**	-	**25**
Other comprehensive income for the period net of income tax		-	-	(46)	16	-	**(30)**	-	**(30)**
Total comprehensive income for the period		-	-	(46)	16	25	**(5)**	-	**(5)**
Equity dividends	4.2	-	-	-	-	(43)	**(43)**	-	**(43)**
Equity-settled share-based transactions	4.3	-	-	-	-	3	**3**	-	**3**
At 27 June 2015		10	-	(147)	5	1,146	**1,014**	4	**1,018**
Profit for the period		-	-	-	-	145	**145**	-	**145**
Other comprehensive income for the period net of income tax		-	-	12	(5)	(1)	**6**	-	**6**
Total comprehensive income for the period		-	-	12	(5)	144	**151**	-	**151**
Equity dividends		-	-	-	-	(21)	**(21)**	-	**(21)**
Equity-settled share-based transactions		-	-	-	-	1	**1**	-	**1**
At 26 December 2015		10	-	(135)	-	1,270	**1,145**	4	**1,149**
Profit for the period		-	-	-	-	37	**37**	-	**37**
Other comprehensive income for the period net of income tax		-	-	77	(11)	-	**66**	-	**66**
Total comprehensive income for the period		-	-	77	(11)	37	**103**	-	**103**
Shares issued	4.2	-	1	-	-	-	**1**	-	**1**
Equity dividends	4.2	-	-	-	-	(45)	**(45)**	-	**(45)**
Equity-settled share-based transactions	4.3	-	-	-	-	4	**4**	-	**4**
At 25 June 2016		**10**	**1**	**(58)**	**(11)**	**1,266**	**1,208**	**4**	**1,212**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 25 June 2016 (2015: 26 weeks ended 27 June 2015)

	Note	26 weeks ended 25 June 2016 £m	26 weeks ended 27 June 2015 £m
Cash flows from operating activities			
Profit for the period		37	25
Adjustments for:			
Depreciation and amortisation	3.1, 3.2	56	52
Finance income	2.3	(2)	(4)
Finance costs	2.3	22	39
Taxation	2.4	13	11
		126	123
Working capital changes		44	21
Changes in provisions and other non-current liabilities		3	-
		173	144
Tax paid		(24)	(31)
Net cash inflow from operating activities		149	113
Cash flows from investing activities			
Acquisition of subsidiaries	5.1	(1)	-
Acquisition of investments	5.1	(24)	-
Acquisition of property, plant and equipment		(120)	(127)
Disposal of property, plant and equipment		3	-
Net cash outflow from investing activities		(142)	(127)
Cash flows from financing activities			
Proceeds from issue of share capital	4.2	1	-
Equity dividends paid	4.2	(45)	(43)
Proceeds from borrowings		-	1,002
Financing costs		-	(14)
Interest paid		(20)	(23)
Settlement of interest rate swaps		-	(13)
Repayment of borrowings		-	(1,112)
Net cash outflow from financing activities		(64)	(203)
Net decrease in cash and cash equivalents		(57)	(217)
Cash and cash equivalents at beginning of period	4.1	152	285
Effect of movements in foreign exchange		6	-
Cash and cash equivalents at end of period	4.1	**101**	**68**

SECTION 1 BASIS OF PREPARATION

26 weeks ended 25 June 2016

1.1 Basis of preparation

Merlin Entertainments plc (the Company) is a company incorporated in the United Kingdom. The condensed consolidated interim financial statements as at and for the 26 weeks ended 25 June 2016 *(2015: 26 weeks ended 27 June 2015)* comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entities.

The consolidated financial statements of the Group as at and for the 52 weeks ended 26 December 2015 are available on request from the Company's registered office at 3 Market Close, Poole, Dorset, BH15 1NQ.

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

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 weeks ended 26 December 2015.

These interim financial statements are not statutory accounts. The statutory accounts for the 52 weeks ended 26 December 2015 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

The Group continues to trade profitably, reporting a profit for the period of £37 million *(26 weeks ended 27 June 2015: £25 million)* and continues to generate cash with net operating cash inflows of £149 million. In the equivalent period for 2015, the Group generated net operating cash inflows of £113 million, and went on to generate £325 million for the full year. The Group is funded by senior unsecured bank facilities due for repayment in 2020 and senior unsecured notes due for repayment in 2022. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.1.

After reviewing the Group's cash flow forecasts and trading budgets and making appropriate enquiries, the Directors believe the Group to be operationally and financially robust and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its condensed consolidated financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 52 weeks ended 26 December 2015, except for the adoption as of 1 January 2016 of the following new standards and interpretations. These have been adopted by the Group with no significant impact on its consolidated financial statements.

- IFRS 11 'Joint arrangements' - accounting for acquisitions of interests in joint operations.
- IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' – clarification of acceptable methods of depreciation and amortisation.
- IAS 27 'Separate financial statements' - equity method.
- IFRS 5 'Non-current assets held for sale and discontinued operations' – changes in method for disposal.
- IFRS 7 'Financial Instruments: Disclosures' - continuing involvement for servicing contracts.
- IAS 19 'Employee Benefits' – discount rate in a regional market sharing the same currency – e.g. the Eurozone.
- IAS 1 'Presentation of financial statements' – disclosure initiative.

In January 2016 the IASB issued IFRS 16 'Leases', which is expected to become effective from the 2019 accounting period. It is anticipated that this will require many of the Group's leases to be accounted for 'on balance sheet' and will result in significant changes to the presentation of the Group's consolidated financial statements. It will therefore be a key area of focus in the coming periods.

SECTION 2 RESULTS FOR THE PERIOD

26 weeks ended 25 June 2016

2.1 Profit before tax

Segmental information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group is managed through its three Operating Groups, which form the operating segments on which the information shown below is prepared. The Group determines and presents operating segments based on the information that is provided internally to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Performance is measured based on segment EBITDA, as included in internal management reports. Segment operating profit is included below for information purposes.

Information regarding the results of each segment is included below:

	Midway Attractions £m	LEGOLAND Parks £m	Resort Theme Parks £m	Segment results £m
26 weeks ended 25 June 2016				
Segment revenue	270	198	104	572
Segment profit/(loss), being segment EBITDA [(1)]	91	66	(8)	149
Segment depreciation and amortisation	(27)	(13)	(14)	(54)
Segment operating profit/(loss) [(1)]	64	53	(22)	95
26 weeks ended 27 June 2015				
Segment revenue	252	178	112	542
Segment profit/(loss), being segment EBITDA [(1)]	87	58	(6)	139
Segment depreciation and amortisation	(25)	(11)	(14)	(50)
Segment operating profit/(loss) [(1)]	62	47	(20)	89

Reconciliation to statutory items included in the condensed consolidated income statement

	Revenue £m	EBITDA £m	Depreciation and amortisation £m	Operating profit £m
26 weeks ended 25 June 2016				
Segment results	572	149	(54)	95
Other items [(1), (2)]	1	(23)	(2)	(25)
Total per condensed consolidated income statement	573	126	(56)	70
26 weeks ended 27 June 2015				
Segment results	542	139	(50)	89
Other items [(1), (2)]	2	(16)	(2)	(18)
Total per condensed consolidated income statement	544	123	(52)	71

(1) During 2015 the Group revised how certain costs are internally allocated to its three Operating Groups. There was no change to the operating segments or their composition. The change in allocation was made subsequent to 27 June 2015. The effect has been to increase the reported segment EBITDA and operating profit in Midway Attractions, LEGOLAND Parks and Resort Theme Parks in 2016 by £2 million, £1 million and £1 million respectively, with an equivalent increase in costs of £4 million reported within 'Other items' in the tables above.

(2) Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributable to the reportable segments.

2.1 Profit before tax *(continued)*

Staff expenses
The aggregate payroll costs of the persons employed by the Group (including Directors) during the period were as follows:

	26 weeks ended 25 June 2016 £m	26 weeks ended 27 June 2015 £m
Wages and salaries	147	132
Share-based payments (note 4.3)	4	3
Social security costs	18	17
Other pension costs	5	5
	174	157

Seasonality of operations
The Group's portfolio of attractions operates on different trading cycles. Being predominantly indoor attractions, Midway attractions are generally open throughout the year with high points around public holidays and vacation periods. In contrast, as outdoor attractions, the Group's theme parks are predominantly closed or operate reduced opening times during the winter. The operations of these attractions are also weighted towards vacation periods, normally around June to September.

Information regarding the results for the 52 weeks to 25 June 2016 is included below:

	52 weeks ended 25 June 2016 £m	52 weeks ended 27 June 2015 £m
Revenue	1,308	1,280
Underlying EBITDA	405	414
Underlying operating profit	290	311
Profit before tax	251	222

2.2 Exceptional items

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

	26 weeks ended 25 June 2016 £m	26 weeks ended 27 June 2015 £m
Within finance income and costs:		
Foreign exchange gain (1)	-	(1)
Cash flow hedges – reclassified to profit and loss (1)	-	14
Exceptional items before income tax	-	13
Income tax credit on exceptional items above	-	(3)
Exceptional items for the period	-	10

(1) As part of the refinancing undertaken during the prior period, the Group incurred net exceptional financing costs of £13 million. The Group restructured its interest rate swaps as part of a wider refinancing of the debt facilities, and paid a net £13 million to cash settle certain swaps. In respect of these swaps, £14 million had previously been hedge accounted through equity and was therefore recycled through the income statement. This was then offset by foreign exchange gains of £1 million as part of the wider refinancing. These have been separately presented in order to better present the underlying finance cost for the Group. Further details of the Group's debt are presented in note 4.1.

2.3 Finance income and costs

Finance income

	26 weeks ended 25 June 2016 £m	26 weeks ended 27 June 2015 £m
Underlying trading		
In respect of assets not held at fair value		
Interest income	1	-
Other		
Net foreign exchange gain	1	3
	2	3
Exceptional items		
Other		
Net foreign exchange gain (note 2.2)	-	1
	2	4

Finance costs

	26 weeks ended 25 June 2016 £m	26 weeks ended 27 June 2015 £m
Underlying trading		
In respect of liabilities not held at fair value		
Interest expense on financial liabilities measured at amortised cost	21	24
Other interest expense	1	1
	22	25
Exceptional items		
In respect of liabilities held at fair value		
Cash flow hedges - reclassified to profit and loss (note 2.2)	-	14
	22	39

2.4 Taxation

The tax charge on underlying profits for the 26 weeks ended 25 June 2016 is based on management's best estimate of the full year effective tax rate of 26.2% *(26 weeks ended 27 June 2015: 27.9%; 52 weeks ended 26 December 2015: 27.9%)*.

The effective tax rate on overall profit before taxation is 26.2% *(26 weeks ended 27 June 2015: 29.3%; 52 weeks ended 26 December 2015: 28.1%)*.

2.5 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Adjusted earnings per share is calculated in the same way except that the profit for the period attributable to ordinary shareholders is adjusted for exceptional items (see note 2.2).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	26 weeks ended 25 June 2016 £m	**26 weeks ended 27 June 2015 £m**
Profit attributable to ordinary shareholders	37	25
Exceptional items net of tax (note 2.2)	-	10
Adjusted profit attributable to ordinary shareholders	37	35

	26 weeks ended 25 June 2016	**26 weeks ended 27 June 2015**
Basic weighted average number of shares	1,013,822,268	1,013,746,032
Dilutive potential ordinary shares	1,593,369	1,057,156
Diluted weighted average number of shares	1,015,415,637	1,014,803,188

Share incentive schemes (see note 4.3) are treated as dilutive to earnings per share when, at the reporting date, the awards are both 'in the money' and would be issuable had the performance period ended at that date.

For the 26 week period ended 25 June 2016 and 27 June 2015, the PSP is not dilutive as the performance measures have not been achieved, whereas the DBP, CSOP and AESP are dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

Earnings per share

	26 weeks ended 25 June 2016 Pence	**26 weeks ended 27 June 2015 Pence**
Basic and diluted earnings per share on profit for the period	3.6	2.5
Exceptional items net of tax	-	1.0
Adjusted and diluted earnings per share on adjusted profit for the period	3.6	3.5

SECTION 3 OPERATING ASSETS AND LIABILITIES

26 weeks ended 25 June 2016

3.1 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Balance at 27 December 2015	767	628	100	1,495
Acquisitions through business combinations (note 5.1)	-	1	-	1
Additions	6	23	85	114
Movements in asset retirement provisions	1	-	-	1
Disposals	(3)	-	-	(3)
Transfers	30	41	(71)	-
Depreciation for the period - owned assets	(14)	(39)	-	(53)
Depreciation for the period - leased assets	(1)	(1)	-	(2)
Effect of movements in foreign exchange	70	38	7	115
Balance at 25 June 2016	856	691	121	1,668

Capital commitments

At the period end the Group has a number of outstanding capital commitments in respect of capital expenditure at its existing attractions and for Midway attractions that are under construction. These are expected to be settled within two financial years of the reporting date. These amount to £42 million *(27 June 2015: £25 million and 26 December 2015: £32 million)* for which no provision has been made.

In addition, at period end foreign exchange rates, the Group is expecting to invest a further £104 million in LEGOLAND Japan and LEGOLAND Korea over future periods.

3.2 Goodwill and intangible assets

		Intangible assets		
	Goodwill £m	Brands £m	Other £m	Total £m
Balance at 27 December 2015	737	170	16	923
Amortisation for the period	-	-	(1)	(1)
Effect of movements in foreign exchange	45	8	2	55
Balance at 25 June 2016	782	178	17	977

In the 2015 Annual Report and Accounts, disclosure was provided regarding the valuation at 26 December 2015 of the goodwill associated with the Resort Theme Parks Operating Group of £176 million. Having reviewed the development of trading performance and prospects over the interim period, market conditions which inform the discount rate and long term growth rate used in these valuations, and the areas of sensitivity disclosed in the 2015 Annual Report and Accounts, the Directors remain satisfied that no impairment has arisen in the 26 weeks ended 25 June 2016.

SECTION 4 CAPITAL STRUCTURE AND FINANCING

26 weeks ended 25 June 2016

4.1 Net debt

Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings and finance lease liabilities. Cash and cash equivalents comprise cash balances, call deposits and other short term liquid investments such as money market funds which are subject to an insignificant risk of a change in value.

	27 December 2015 £m	Net cash flows £m	Non-cash movement £m	Effect of movements in foreign exchange £m	25 June 2016 £m
Cash and cash equivalents	152	(57)	-	6	101
Interest-bearing loans and borrowings	(1,007)	-	(2)	(78)	(1,087)
Finance leases	(82)	-	-	(4)	(86)
Net debt	(937)	(57)	(2)	(76)	(1,072)

The Group's facilities are:

- Bank facilities comprising £250 million, $540 million and €50 million floating rate term debt to mature in March 2020. The relevant floating interest rates are LIBOR, the USD benchmark rate and EURIBOR, which were 0.59%, 0.62% and (0.23)% respectively at 25 June 2016. The margin on the bank facilities is dependent on the Group's adjusted leverage ratio and is currently 2.0%.
- A £300 million multi-currency revolving credit facility of which £nil had been drawn down at 25 June 2016. The margin on this facility is also dependent on the Group's adjusted leverage ratio and would currently be at a margin when drawn of 1.75% over the same floating interest rates.
- A bond in the form of €500 million seven year notes with a coupon rate of 2.75% to mature in March 2022.

The fees related to the facilities are being amortised to the maturity of the debt as the debt is currently expected to be held for its full term. The borrowings (including the revolving credit facility) and the €500 million bonds are unsecured but guaranteed by the Company and certain of its subsidiaries.

4.2 Equity

Share capital

	Ordinary shares of £0.01 each	
	Number	£m
On issue and fully paid at 27 December 2015	1,013,746,032	10
Issued in the period	163,234	-
On issue and fully paid at 25 June 2016	1,013,909,266	10

During the period the Company issued 163,234 ordinary shares for consideration of £1 million in connection with the Group's employee share incentive schemes (note 4.3).

4.2 Equity *(continued)*

Dividends

The following dividends were declared and paid by the Company:

	26 weeks ended 25 June 2016 £m	26 weeks ended 27 June 2015 £m
Final dividend for the 52 weeks ended 27 December 2014 of 4.2 pence per share	-	43
Final dividend for the 52 weeks ended 26 December 2015 of 4.4 pence per share	45	-
	45	43

On 27 July 2016 the Directors declared an interim dividend of 2.2 pence per share *(2015: 2.1 pence per share)*, amounting to £22 million *(2015: £21 million)*, which will be paid on 19 September 2016 to ordinary shareholders on the Register at the close of business on 12 August 2016.

4.3 Share-based payment transactions

Equity-settled schemes

The Group operates four employee share incentive schemes: the Performance Share Plan (PSP), the Deferred Bonus Plan (DBP), the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). The movements in the period, together with the weighted average exercise prices (WAEP) over the period, are set out in the tables below.

	PSP [(1)]	DBP [(1)]	CSOP		AESP	
	Number	Number	Number	WAEP (£)	Number	WAEP (£)
At 27 December 2015	5,633,093	361,734	3,192,347	3.58	5,502,199	3.10
Granted during the period	2,113,325	27,519	1,259,800	4.60	1,692,389	3.19
Forfeited during the period	(247,965)	(42,155)	(232,375)	3.69	(346,534)	3.12
Exercised during the period	-	-	(22,305)	3.15	(176,055)	3.17
Expired during the period	-	-	-	-	(55,896)	3.10
At 25 June 2016	7,498,453	347,098	4,197,467	3.88	6,616,103	3.12

(1) Nil cost options

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

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	1 April 2016	-	4.65	4.65	n/a	n/a	3.0	n/a
DBP	24 March 2016	-	4.54	4.54	n/a	n/a	3.0	n/a
CSOP	1 April 2016	4.60	4.65	0.91	1.4%	21%	4.6	0.7%
AESP	16 February 2016	3.53	4.15	0.77	1.6%	21%	2.2	0.4%
	16 March 2016	3.15	4.62	1.46	1.4%	21%	3.3	0.7%

The total charge for the period relating to employee share-based payment plans was £4 million *(26 weeks ended 27 June 2015: £3 million)* which was charged to staff expenses.

SECTION 5 OTHER NOTES

26 weeks ended 25 June 2016

5.1 Investments

Investments in joint ventures

On 16 June 2016 the Group acquired the remaining 50% of the SEA LIFE Helsinki joint venture. The consideration was £1 million, settled in cash and the fair value of the net assets acquired was £1 million. SEA LIFE Helsinki is now accounted for as a wholly owned subsidiary.

Other investments

On 24 February 2016 the Group invested $34 million (£24 million) in Big Bus Tours Group Holdings Limited, the leading global owner-operator of Hop On Hop Off City Tours. The consideration was settled in cash and provided Merlin with a minority equity holding, accounted for as a held for sale financial asset at fair value and an investment in loan notes, accounted for as a financial asset at historic cost with interest accrued at the estimated effective interest rate. Interest on the loan notes is recognised within finance income (see note 2.3).

Financial instruments

There have been no changes to the valuation techniques used for financial assets or liabilities held at fair value and no transfers in the hierarchy of financial assets or liabilities. There has been no effect of fair value movements on assets classified as level 3 and the valuations are not highly sensitive to changes in unobservable inputs.

5.2 Related party transactions

Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and IDR Resorts Sdn. Bhd. All dealings with related parties are conducted on an arm's length basis.

Transactions with shareholders

During the period the Group entered into transactions with a major shareholder, KIRKBI Invest A/S, and the LEGO Group, a related party of KIRKBI Invest A/S. Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, and trading balances outstanding at 25 June 2016, were as follows:

	Goods and services			
	Sales £m	Amounts owed by related party £m	Purchases £m	Amounts owed to related party £m
25 June 2016				
KIRKBI Invest A/S	-	2	4	3
LEGO Group	1	1	21	5
	1	3	25	8
27 June 2015				
KIRKBI Invest A/S	-	-	3	2
LEGO Group	1	1	21	5
	1	1	24	7

Transactions with other related parties

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group has subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park. On this basis, IDR and its subsidiaries are deemed to be related parties. At 25 June 2016 the Group had subscribed for 42,500,000 shares in IDR (*27 June 2015: 16,350,300 shares*).

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 25 June 2016, are as follows:

	25 June 2016 £m	27 June 2015 £m
Sales to related party	3	3
Amounts owed by related party	2	3

5.3 Contingent liabilities

On 2 June 2015 an accident occurred at Alton Towers Resort on 'The Smiler' ride. The Group responded immediately to support those who were injured, and maintains appropriate insurance that we expect will provide full compensation in due course. Following a prosecution brought by the Health and Safety Executive, the Group has admitted to breaching the Health and Safety at Work Act.
A sentencing hearing is scheduled for September 2016 at which point we expect that financial penalties will be incurred. In the context of the Group's financial statements these costs are not anticipated to be material.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the current financial period and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining 27 weeks of the financial period; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial period and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

Andrew Carr will step down as a member of the Board of Merlin Entertainments plc with effect from 1 August 2016 and Anne-Francoise Nesmes will then succeed him as Chief Financial Officer. Yun (Rachel) Chiang was appointed as a Non-executive Director to the Board of Merlin Entertainments plc with effect from 1 January 2016. There have been no further appointments or resignations in the period and the remaining Directors are listed in the Merlin Entertainments plc 2015 Annual Report and Accounts.

By order of the Board

Nick Varney
Chief Executive Officer
27 July 2016

Andrew Carr
Chief Financial Officer
27 July 2016

INDEPENDENT REVIEW REPORT TO MERLIN ENTERTAINMENTS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 25 June 2016, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1.1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 25 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Hugh Green
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Gateway House, Tollgate
Chandlers Ford
Southampton
SO53 3TG

27 July 2016