



Merlin Entertainments plc – 2014 Preliminary Results

Strong growth in visitors, revenue and profits
Underlying profit after tax up by over 11%
Strategic progress across all three Operating Groups

26 February 2015

Merlin Entertainments (the 'Group') today reports its preliminary results for the year ended 27 December 2014.

Key trading highlights⁽¹⁾

	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013	Total growth at constant FX ⁽⁶⁾	Total growth at actual FX	Like for like growth ⁽⁷⁾	2010-14 CAGR ⁽⁸⁾
Visitors ⁽²⁾	62.8	59.8		4.9%		
Revenue (£m)	1,249	1,192	9.6%	4.8%	7.1%	11.8%
EBITDA ⁽¹⁾	411	390	11.0%	5.3%	7.8%	12.6%
Operating profit ⁽¹⁾	311	290	13.3%	7.1%		11.9%
Profit before tax ^{(1), (3)}	249	186		34.6%		
Underlying profit for the year	179	162		11.1%		
Adjusted earnings per share ^{(1), (4), (5), (p)}	17.7	16.9		5.0%		
Dividend per share (p)	6.2	0.0				
ROCE ⁽⁹⁾	10.6%	10.2%				

(1) All figures are presented on an underlying basis, excluding exceptional items which are detailed on page 23 (note 2.2).

(2) Visitors represents all individual visits to Merlin owned or operated attractions.

(3) Profit before tax on a statutory basis is £226 million.

(4) Basic earnings per share is 16.0p.

(5) The 2013 Adjusted earnings per share calculated using the post-IPO share count of 1013.7 million would have been 16.0p.

(6) Constant currency basis, using 2014 exchange rates.

(7) Like for like growth refers to the growth between 2013 and 2014 on a constant currency basis using 2014 exchange rates and includes all businesses owned and operated before the start of 2013.

(8) The compound annual growth rate over the period 2010 to 2014, based on reported foreign exchange rates.

(9) As defined on page 14.

Merlin Entertainments, Europe's leading and the world's second-largest visitor attraction operator, reports another successful year, delivering strong growth from the existing estate along with the continued international roll out of its brands. This year's strong performance continues the long term growth trajectory of the business, with an underlying EBITDA CAGR from 2010 to 2014 of 12.6%.

In 2014 the Group benefited from further significant investment across the attractions, including major new rides and features in LEGOLAND California and Heide Park in Northern Germany. The LEGOLAND branded attractions were also supported by the launch of 'The LEGO Movie' early in 2014 and the effective promotional activity surrounding the movie.

The year ended positively, with like for like revenue growth in Resort Theme Parks accelerating due to a strong Halloween product offering and an unseasonably warm Autumn in the UK, and the continued strong performance of both LEGOLAND California and Florida. After a difficult start to the year, Midway Attractions performance improved in the second half of the year with strong performances in the UK and China.

As noted during the year, the Group's reported results were unfavourably impacted by movements in foreign exchange rates.

The company also today announces that it has successfully secured a new £1.3 billion banking facility, structured as a £1 billion unsecured term loan and an increased £300 million revolving credit line. The new facilities, once drawn, will replace the existing debt facilities and result in an estimated 100bps reduction in average cash financing costs.

Given the continued strong cash flow generation of the Group, and reflecting its growth opportunities, the Board recommends a final dividend of 4.2 pence per share, equating to a full year dividend for 2014 of 6.2 pence per share.

Delivering on the strategy

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

Growing the existing estate through planned capital investment cycles

- New rides, shows or features at every Merlin attraction in 2014, with £107 million (2013: £95 million) invested across the estate, driving 7.1% like for like revenue growth
- Major investments included the LEGO CHIMA water park at LEGOLAND California, the 'Flight of the Demons' roller coaster at Heide Park, and 11 'high year' investments across the Midway Attractions Operating Group
- Looking to 2015, Gardaland will see the launch of 'Oblivion' – a new drop coaster, three LEGOLAND parks will enjoy new LEGO Friends themed areas, and a major new 'Star Wars' feature will open at Madame Tussauds in both London and Berlin

Exploiting strategic synergies

- Full CRM database established in the UK, Germany and North America
- Merlin Annual Pass relaunched in the UK at the start of 2014
- New customer call centre opened in North America
- Strong ongoing third party promotion plan

Transforming our theme parks into destination resorts

- A new 68 bedroom King's Castle hotel within the LEGOLAND Deutschland Holiday Village; a new themed wing to the LEGOLAND Billund hotel in Denmark; the new THORPE SHARK hotel; and the amazing new Azteca hotel at Chessington World of Adventures Resort
- 2015 will see the opening of a 152 bedroom hotel at LEGOLAND Florida and a new 'Enchanted Village' at Alton Towers Resort, comprising 120 lodges and 5 premium tree houses

Rolling out new Midway attractions

- Six new Midway attractions opened in 2014, across North America and Asia
- Seven new attractions to open in 2015, including: a Madame Tussauds, SEA LIFE and Eye observation attraction in Orlando; a SEA LIFE Centre in Michigan; LEGOLAND Discovery Centres in Istanbul and Osaka; and 'Shrek's Adventure!' to open as part of the London cluster
- Seven attractions in development for 2016 including a number of sites already secured in China

Developing new LEGOLAND parks

- LEGOLAND Dubai on track to open in 2016
- Announcement of agreements to open new LEGOLAND parks in Japan and South Korea in 2017
- Early discussions are ongoing for further new potential parks in the USA and China

Strategic acquisitions

- Continue to consider opportunities consistent with our long term growth strategy

Merlin Magic Making

A unique 300 strong team providing in-house business development, creative, production and project management support for the Operating Groups

- Management of over £230 million worth of projects in 2014
- 2014 saw the launch of three new Madame Tussauds (the most ever!) which, combined with our existing businesses, required the production of 230 wax figures
- Major progress was made with respect to Intellectual Property (IP), with Merlin establishing or consolidating relationships with major IP owners such as the BBC, DreamWorks Animation, Rovio and Lucasfilm (Disney)
- Another busy year for Merlin's Animal Welfare and Development team, with projects including the relocation of captive bred penguins from our New Zealand SEA LIFE Centre to our National SEA LIFE Centre in Birmingham in the UK, a story which was followed on UK national television by BBC2, for their 'Penguins on a Plane' mini-series

Nick Varney, Merlin Entertainments Chief Executive Officer, said:

“2014 has been another good year for Merlin, wowing over 60 million visitors in 23 countries worldwide while growing revenues by 9.6% and underlying EBITDA by 11.0% on a constant currency basis. The ‘stand out’ performance came from the LEGOLAND Parks Operating Group with like for like revenue growth at over 13%. However, the year hasn’t been without its challenges and the strong overall Group result is a function of the diversified portfolio which our strategy has successfully created.

“In what has been a busy first full year as a public company, we have delivered on the near-term strategic targets set out at the time of the IPO, and our trading has met, or exceeded, expectations. In addition we have established a strong pipeline of potential new development projects and established important brand relationships across the business. Only in Merlin will you find a ‘line up’ encompassing Emmet, Shrek, Horrible Histories, CBeebies and Darth Vader. With this in mind, we look forward to 2015 and beyond with confidence.”

Outlook and current trading

2015 is expected to be another year of growth for Merlin, with positive underlying trading and a strong New Business Development pipeline. Like for like growth will however be tempered by the tough comparatives created following the Company’s strong performance in 2014, particularly in the first half of the year.

Whilst trading remains seasonally quiet at this point of the year, the attractions already open are performing in line with expectations, and planned investments and new developments are on track.

A presentation for analysts will be held this morning at 09:30 at:

Merlin Entertainments
Riverside Rooms, First Floor County Hall
Belvedere Road Main Entrance
London SE1 7PB

The meeting will also be webcast and can be accessed via Merlin’s corporate website, www.merlinentertainments.biz.

Contact details:

For further information please contact:

Investors

Alistair Windybank / Simon Whittington +44 (0)1202 440 082

**Media -
Tulchan Communications**

Susanna Voyle / Victoria Huxster +44 (0)20 7353 4200

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 now operates over 100 attractions, 11 hotels and 3 holiday villages in 23 countries and across 4 continents. The company aims to deliver memorable and rewarding experiences to its more than 60 million visitors worldwide, through its iconic global and local brands, and the commitment and passion of its circa 26,000 employees.

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 90 Midway attractions across 21 countries, with five main chainable brands: SEA LIFE, Madame Tussauds, The Eye (observation attractions), The Dungeons and LEGOLAND Discovery Centres. There is also new brand concept, 'Shrek's Adventure!', under development with DreamWorks Animation that is expected to open in Summer 2015 on London's iconic South Bank.

Theme Parks

Merlin's theme parks are larger multi-day outdoor destination venues, increasingly 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 (2016), Japan and South Korea (both 2017) .
- **Resort Theme Parks** – Six nationally recognised destination theme parks arranged around a central theme. The parks offering include Alton Towers, Thorpe Park, Chessington World of Adventures, Warwick Castle, Gardaland (Italy) and Heide Park (Northern Germany).

Attraction Numbers

Movement in attraction numbers between 28 December 2013 and 27 December 2014:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	28 Dec 2013	Mov't	27 Dec 2014	28 Dec 2013	Mov't	27 Dec 2014	28 Dec 2013	Mov't	27 Dec 2014	28 Dec 2013	Mov't	27 Dec 2014	28 Dec 2013	Mov't	27 Dec 2014
SEA LIFE	13	-	13	18	-	18	5	1	6	8	-	8	44	1	45
MT ⁽¹⁾	2	-	2	3	-	3	4	1	5	6	2	8	15	3	18
Dungeons	5	-	5	3	-	3	-	1	1	-	-	-	8	1	9
LDC ⁽²⁾	1	-	1	2	-	2	6	1	7	1	-	1	10	1	11
Eye	2	-	2	-	-	-	-	-	-	1	-	1	3	-	3
Other	-	-	-	-	-	-	-	-	-	6	-	6	6	-	6
Midway⁽³⁾	23	-	23	26	-	26	15	4	19	22	2	24	86	6	92
LLP⁽⁴⁾	1	-	1	2	-	2	2	-	2	1	-	1	6	-	6
RTP⁽⁵⁾	4	-	4	3	-	3	-	-	-	-	-	-	7	-	7
Group	28	-	28	31	-	31	17	4	21	23	2	25	99	6	105

The number of attractions did not change between the pre-close trading update on 2 December 2014 and the year end.

Note:

(1) Madame Tussauds

(2) LEGOLAND Discovery Centre

(3) Midway Attractions Operating Group

(4) LEGOLAND Parks Operating Group

(5) Resort Theme Parks Operating Group

Information regarding the proposed final dividend

The timetable for the final dividend of payment of 4.2 pence per share is as follows:

Ex-dividend Date	30 April 2015
Record Date	1 May 2015
Payment Date	5 June 2015

The Company will also provide a Dividend Re-Investment Plan (DRIP). The last day for electing for the DRIP will be 14 May 2015.

References to dividend per share are quoted gross of tax.

Chief Executive Officer's review

Introduction

Our first full financial year as a public company saw us deliver another strong performance in our operating businesses and further substantial progress on new developments. What is more, we gave over 60 million visitors memorable experiences and we remain well placed to capitalise on global growth in leisure spending and demand for branded, location based, entertainment.

Against what was a very strong 2013 we are pleased with the performance of our existing estate of attractions, with all three Operating Groups recording like for like revenue and profit growth. The 'stand out' performance was from the LEGOLAND Parks Operating Group, with 13.2% like for like revenue growth, contributing to an overall 7.1% like for like revenue growth at a Group level.

Earnings were further enhanced by the new openings, including six new Midway attractions and new hotels at several of our Theme Parks. Overall, the Group delivered 9.6% growth in revenue on a constant currency basis.

The trading performance converted into strong profit growth, with an 11.0% increase in underlying EBITDA on a constant currency basis. The reported results were impacted by the strength of sterling over the period with reported revenue growth reducing to 4.8% and underlying EBITDA growth to 5.3%.

Market overview

Our market continues to grow, driven by increasing leisure time and rising incomes particularly in fast growing countries such as China. Globally, leisure spending is forecast to increase by over 4% per annum over the next decade according to the Worldwide Travel & Tourism Council. We see the key relevant dynamics for Merlin within this growth trend as being:

- An increasing demand for strong brands and / or Intellectual Properties brought to life as part of quality, location based entertainment experiences.
- A continuing trend towards short breaks in preference to the traditional longer holiday.
- Strong tourism growth in 'gateway' cities, as emerging middle classes travel more internationally.
- The continued rise of the internet (and within this, mobile platforms) as the primary information and booking interface for customers.

The strength and diversification of the global Merlin portfolio leaves us well placed to benefit from these trends. This in turn will assist us as we continue to focus on building a geographically diversified company which will ultimately derive a third of its revenues from each of the Americas, Europe and Asia Pacific.

Operating Group Review

Midway Attractions

	52 weeks ended	52 weeks ended	Total growth at	Total growth at	Like for like
	27 December 2014	28 December 2013	Constant FX	Actual FX	Growth
Revenue	529	524	6.2%	1.1%	3.0%
EBITDA ⁽¹⁾	214	212	5.5%	1.0%	
Operating Profit ⁽¹⁾	167	164	6.2%	1.9%	

(1) Underlying basis, excluding exceptional items

Midway revenue grew by 3.0% on a like for like basis, which was slightly lower than that previously experienced as a result of a number of external factors and the later phasing or delay of several capital expenditure projects. Political unrest in Thailand had a significant impact on our two businesses in Bangkok (Madame Tussauds and SEA LIFE Bangkok Ocean World), while early in the year extreme cold weather brought disruption to our East Coast and Midwest North American attractions. Elsewhere our businesses in China continued to deliver good growth while the UK businesses also performed well.

In the year, we continued the international expansion of our Midway brands with six new openings across four separate brands in our North America and Asia Pacific regions. Of particular note is the San Francisco Dungeon, marking the first of this brand to be opened outside of Europe.

LEGOLAND Parks

	52 weeks ended	52 weeks ended	Total growth at	Total growth at	Like for like
	27 December 2014	28 December 2013	Constant FX	Actual FX	Growth
Revenue	386	352	15.7%	9.5%	13.2%
EBITDA ⁽¹⁾	142	127	19.2%	11.9%	
Operating Profit ⁽¹⁾	120	106	21.1%	13.2%	

(1) Underlying basis, excluding exceptional items

The year's 'stand out' performance was from LEGOLAND Parks where strong underlying momentum and the addition of the LEGO CHIMA water park in LEGOLAND California (LLC), were further boosted by the phenomenal success of 'The LEGO Movie'. Recognising the potential of this movie launch, our teams were able to put in place strong marketing plans including the launch of the film at LLC and a McDonald's Happy Meal promotion across North America and Europe.

During the year, we announced agreements to open new LEGOLAND parks in Japan and South Korea in 2017, whilst progress to open LEGOLAND Dubai in 2016, under a management contract, remains on track. Our theme park accommodation was further enhanced with a new King's Castle hotel as part of the Holiday Village at LEGOLAND Deutschland and a new themed wing to the LEGOLAND Billund hotel in Denmark.

Resort Theme Parks

	52 weeks ended	52 weeks ended	Total growth at	Total growth at	Like for like
	27 December 2014	28 December 2013	Constant FX	Actual FX	Growth
Revenue	331	314	8.4%	5.6%	7.2%
EBITDA ⁽¹⁾	87	81	11.6%	7.2%	
Operating Profit ⁽¹⁾	60	54	16.4%	11.0%	

(1) Underlying basis, excluding exceptional items

Resort Theme Parks delivered strong year-on-year growth, benefiting from good weather across the trading season, a major new ride 'Flight of the Demons' at Heide Park in Germany and the new 'CBeebies Land' at Alton Towers in the UK. It was also pleasing to see Gardaland continuing to recover after the sharp decline seen in 2012 as a result of the challenging economic conditions in southern Europe.

Our strategy of repositioning our theme parks as short break destinations continued, with the new THORPE SHARK hotel, and the new Azteca hotel at Chessington World of Adventures Resort.

Strategic developments

Merlin has six complementary strategic growth drivers. Our plans in each area for 2015 and beyond are outlined below.

Planned capital investment cycles

Adding new rides and features to our existing estate of attractions to drive customer satisfaction, increase capacity and provide a compelling new proposition to guests.

The pre-determined investment cycles in place for each of the Operating Groups are carefully managed so as to smooth capital expenditure across the portfolio of attractions; to ensure the investments are funded out of operating free cash flow; and to provide attractions with the visibility and autonomy to plan effectively. At a Group level the investment over the cycle is broadly in line with depreciation and follows a pre-set ratio to revenue (typically 8-10%).

In 2015 a major new ride, 'Oblivion', will be launched at Gardaland in Italy, while in the LEGOLAND Parks Operating Group three parks will introduce new LEGO Friends themed areas. All LEGOLAND Parks and Discovery Centres will benefit from a new short LEGO Movie 4D experience, with a completely new storyline that can only be seen at our venues.

Equally exciting are the product innovations planned in Midway; in particular major new 'Star Wars' features that will be opened at Madame Tussauds London and Berlin. As always all attractions in the Group will have something new to drive visitation across the year.

Strategic synergies

Leveraging the scale of the Group in key markets to exploit enhanced operational, marketing and buying power.

2015 will see us expand our dedicated US call centre, and continue with third party promotions. In addition, we will extend our CRM databases in the UK and Germany allowing for more targeted and efficient promotions, maximising Group synergies. Our UK database currently stands at three million records, whilst the German database, launched in 2014, has seen good initial results.

Resort positioning

Developing our theme parks into short break destinations: extending the catchment area, creating new revenue streams and improving guest satisfaction.

The key driver of this transformation is the presence of on-site themed accommodation. To date, all investments whether themed hotels or Holiday Villages have been highly successful; delivering against our investment criteria; driving multi-day stays; and significantly increasing the level of pre-booked business, hence providing an element of protection against the impact of adverse weather.

Following the success of the LEGOLAND Windsor and California hotels, 2015 will see the opening of a 152 bedroom hotel at LEGOLAND Florida. Within Resort Theme Parks an exciting 125 chalet development, 'The Enchanted Village', will be added to the Alton Towers Resort. Looking further ahead, plans are already progressing for a new hotel at the Gardaland Resort in Italy to be opened in 2016.

Midway roll out

Opening new Midway attractions under one of our chainable global brands.

We are able to open new Madame Tussauds, SEA LIFE Centres, Dungeons and LEGOLAND Discovery Centres, typically for £5-8 million each, always with a target of 20% ROIC. Increasingly, our focus is on opening multiple attractions in the same locations to form clusters from which we can derive operational, marketing and cross-selling advantages.

2015 is a significant year for our Midway roll out programme with seven new attractions due to open including the launch in London of a potential sixth brand, 'Shrek's Adventure!', in association with DreamWorks Animation. The other major development will be the Orlando cluster featuring the 400 foot Orlando Eye observation wheel (funded by our partner, Circle Entertainment) together with a Madame Tussauds and SEA LIFE Centre.

Completing the line-up are a SEA LIFE Centre in Michigan USA (opened in January 2015) and LEGOLAND Discovery Centres in Osaka, Japan and Istanbul, Turkey. We are already well advanced with planning for a further seven attractions in 2016.

New LEGOLAND Park developments

Opening new full scale LEGOLAND Parks.

Our aim is to open at least one new park every three years under one of three ownership models: operated and owned; operated and leased; and management contracts. Having opened LEGOLAND Florida (2011) and LEGOLAND Malaysia (2012), we are now engaged on three further projects: LEGOLAND Dubai (management contract) which will open in 2016; and LEGOLAND Japan and LEGOLAND Korea (both operated and leased) for 2017.

Looking further ahead we are in early discussions for new park developments in the USA and China. The Group's strong free cash generation leaves us in a favourable position to consider these projects.

Strategic acquisitions

Pursuing acquisition opportunities that complement our strategic objectives.

In 2011 and 2012 the acquisitions of Sydney Attractions Group and Living and Leisure Australia accelerated our expansion into Asia Pacific and have facilitated further new openings in this region.

Our primary focus for the future is on North America and Asia, where we target assets that can be rebranded to Merlin's brands (or provide new brand opportunities) and that complement our expansion strategy.

Merlin's future growth is not dependent on acquisitions but we are in the favourable position of having the free cash flow and borrowing facilities available to make them should suitable opportunities arise.

Merlin Magic Making

Merlin Magic Making (MMM) is the part of Merlin responsible for finding new sites; creating new attractions; producing our core product of wax figures, marine displays and LEGO models; and project managing all major capital expenditure projects to bring them in on time and on budget. What it gives Merlin, in a growing market, is the ability to cost-effectively and imaginatively exploit opportunities on a global scale.

Major progress was made in 2014 with regard to establishing and / or consolidating key partnerships with major Intellectual Property (IP) owners. MMM's engagement with Disney, DreamWorks Animation and BBC Worldwide, amongst others, have facilitated an exciting new stream of developments ranging from a potential new brand, Shrek's Adventure!, to significant new features in our existing attractions. When added to our long term close relationship with the LEGO Company, the world's biggest toy brand, and our own in-house IP development, Merlin is well placed to continue delivering compelling reasons for people to visit our attractions well into the future.

Memorable experiences and our teams

Merlin's central mission is to deliver memorable experiences to our millions of visitors, something we all do because of our love of fun.

Merlin's amazing team is at the heart of everything we do and consequently we dedicate a lot of energy and resource to recruitment, retention, training and development. We are privileged to have such an engaged workforce of almost 26,000 at peak season. Our annual 'Wizard Wants to Know' staff survey was sent out to nearly 21,000 employees on a phased basis during the summer months. A phenomenal 97% of them completed the survey and of those 95% said 'they enjoy working here'. Most importantly, since becoming a public company, almost 30% of worldwide staff have elected to take part in the Company's share save schemes. We are very pleased with this high level of participation.

Chief Financial Officer's review

Trading performance

Like for like revenue grew by 7.1% in 2014. When combined with the contribution from new attractions and accommodation, total revenue grew by 9.6% also on a constant currency basis. However, the reported revenue growth was suppressed by significant unfavourable movements in foreign exchange rates, resulting in 4.8% reported growth to £1,249 million. Further detail on the impact of foreign exchange movements is provided on the next page.

Visitor numbers grew by 4.9% during the year, reflecting a combination of underlying growth in the existing estate of attractions, as well as the addition of six new Midway attractions.

The existing estate benefited from good weather across all of the main trading periods in Europe; the phenomenal success of 'The LEGO Movie' with its consequent impact on LEGO brand awareness and our ability to successfully leverage specific promotional activities; and a strong performance across Resort Theme Parks. Our Midway businesses delivered a solid year with specific challenges in Bangkok, which suffered from political unrest; whilst our North American Midways were adversely impacted by the extremely cold weather early in the year which reduced visitation and had a knock-on effect on school holiday periods.

Revenue per capita (RPC) was £18.15, in line with the prior year (2013: £18.14). This was driven by general underlying increases and a positive mix impact with proportionally higher visitation in the LEGOLAND Parks which bring higher average spend levels. This was however offset by adverse foreign exchange impacts. The Company's focus continues to be on revenue maximisation rather than specific volume or RPC targets.

Over the past four years the Company has reported growth in revenue at a compound annual growth rate of 11.8% and average like for like revenue growth of 4.8%.

Underlying EBITDA grew by £21 million, or 5.3% to £411 million, despite the significant unfavourable foreign exchange movements. Underlying growth was 7.8% on a like for like basis, increasing to 11.0% with the contribution of new attractions and accommodation, on a constant currency basis. The reported compound annual growth rate in EBITDA over the past four years was 12.6%.

Merlin's operating model is such that increased revenues at existing attractions will flow through to operating profit, subject to expenditure on a number of incremental variable costs, such as direct cost of sales, incremental labour costs and variable rents. Operating margins are also impacted by the mix of revenues across attractions, including the impact of foreign exchange translation, as well as the nature of additional revenues generated by each site. In 2014, the growth in EBITDA as a percentage of revenues reflected a healthy conversion of revenue into profit, tempered by increases in variable trading costs, new share-based remuneration and corporate costs as a result of the IPO in 2013, along with certain remedial costs to the hotel at LEGOLAND Windsor.

Underlying operating profit growth of £21 million and 7.1% was driven by the growth in EBITDA. The reported depreciation and amortisation charge remained flat year on year at £100 million reflecting underlying increases offset by the impact of foreign exchange movements.

Finance costs

Net underlying finance costs of £62 million represented a reduction of £42 million (2013: £104 million). During 2013 facility amendments were made which reduced the margins payable on the Group's debt facilities; there was a restructuring of the interest rate swaps portfolio; and borrowings were repaid from the net proceeds of the IPO. During 2014 further debt repayments of £70 million were made.

Taxation

An underlying tax charge of £70 million is equivalent to an effective tax rate of 28.0% (2013: 12.7%) of underlying profit before tax. The difference between the reported effective tax rate and the UK standard weighted tax rate of 21.5% is mainly due to the different tax rates that apply in the various jurisdictions we operate in around the world.

The charge in 2013 reflected similar differences in tax rates offset by the recognition of deferred tax assets in the UK. This UK deferred tax asset recognition came as a result of the Group's financing changes in that year that resulted both in lower underlying interest charges and lower levels of debt, and hence greater certainty of tax becoming payable in the future.

Further detail is provided in note 2.3 to the financial statements.

Exceptional items

There were no exceptional costs impacting EBITDA or operating profit in 2014 (2013: £30 million in respect of costs associated with the IPO and acquisition related activities).

Exceptional finance costs before tax of £23 million were recorded to accelerate the expected amortisation rate of previous loan issuance costs. This arose as a result of the Board's assessment at the end of 2014 that a more reliable estimate of the timeframe for refinancing would be some time during 2015. Further details are provided in the financial statements on page 23.

In 2013 net exceptional finance income of £16 million before tax was recorded in relation to gains and losses on derivative financial instruments which were not hedge accounted.

Tax on exceptional items amounted to a credit of £6 million (2013: charge of £3 million).

Foreign exchange rate sensitivity

Merlin is exposed to fluctuations in foreign currency exchange rates principally on the translation of the results of our overseas operations. The table below shows the impact on 2013 revenues of re-translating them at 2014 foreign exchange (FX) rates. Operating profits would be similarly impacted.

Currency	2013 average FX rates	2014 average FX rates	%age movement in FX rates	Revenue impact £m
USD	1.55	1.66	(7.5%)	(17)
EUR	1.17	1.24	(6.5%)	(15)
AUD	1.62	1.82	(12.2%)	(10)
Other	-	-	-	(10)
Reduction in 2013 revenues at 2014 FX rates				(52)

Earnings per share (EPS)

Basic earnings per share was 16.0p (2013: 15.1p).

Adjusted earnings per share, which excludes the impact of exceptional items, was 17.7p. (2013: 16.9p). The 2013 EPS figures were affected by capital changes arising as part of the IPO in November 2013. Growth in the underlying profit after tax of the Group was 11.1%.

Reconciliation between basic and adjusted earnings

	2014 £m	2013 £m
Profit attributable to shareholders	162	145
Exceptional items after tax	17	17
Underlying profit for the year	179	162
Weighted average number of shares (million)	1,014	958
Basic earnings per share	16.0p	15.1p
Adjusted earnings per share	17.7p	16.9p

Dividend

As previously announced, the Company intends to adopt a progressive dividend policy within an initial target range of payout of 35-40% of underlying profit after tax, so as to maintain an appropriate level of dividend cover whilst retaining sufficient capital in the Group to fund continued investment across our six growth drivers.

In September 2014 we paid our first interim dividend of 2.0 pence per share and we are proposing a final dividend of 4.2 pence per share. This equates to a full year dividend of 6.2 pence per share.

Cash flow

	2014 £m	2013 £m
Underlying EBITDA	411	390
Exceptional items	-	(30)
Working capital and other movements	-	27
Tax paid	(54)	(22)
Net cash inflow from operating activities	357	365
Capital expenditure	(192)	(152)
Other investing activities	(3)	(11)
Net proceeds from IPO	-	194
Interest paid, net of interest received	(56)	(92)
Dividends paid	(20)	-
Net cash inflow before refinancing and repayment of borrowings	86	304
Refinancing and repayment of borrowings	(70)	(179)
Net cash inflow for the year	16	125

Merlin continues to be highly cash generative.

The Group generated a net operating cash flow after tax of £357 million (2013: £365 million). This primarily reflects underlying EBITDA, offset by tax payments of £54 million. These tax payments have increased in 2014 as a result of higher profits together with the impact of tax losses in certain territories having been fully utilised.

Capital expenditure and investing activities of £195 million in aggregate was incurred in order to invest in both the existing estate businesses (£107 million) and new attractions and accommodation (£88 million, including early stage spend on new LEGOLAND Park developments).

In line with our strategy, Merlin's capital investment programme creates new rides and features for the existing businesses, following the specific investment cycles laid down for each Operating Group. In addition, during 2014 we continued to invest significantly in new accommodation offerings across our theme park resorts. All major capital projects are appraised both operationally and financially and Merlin sets clear project return targets to assist in assessing the viability and prioritisation of capital investment projects.

Within the £88 million of new development capital expenditure noted above, the Group invested £49 million in expanding the Midway portfolio. Six new attractions were opened in 2014 and we are on track for a further seven in 2015.

Repayments of borrowings were made totalling £70 million.

Net interest paid of £56 million (2013: £92 million) has reduced reflecting all the factors referred to above in relation to the reduction in the Group's underlying net finance costs.

Dividends paid in the year of £20 million comprises the interim dividend for 2014 (2013: £nil).

Net debt

	2014	2013
	£m	£m
Bank loans and borrowings	1,136	1,185
Less: cash and cash equivalents	(285)	(264)
Net bank debt	851	921
Finance lease obligations	84	85
Net debt	935	1,006
Leverage on net debt to underlying EBITDA	2.3x	2.6x

Leverage on net debt at the year end equates to 2.3x underlying EBITDA (2013: 2.6x), recognising both the growth in EBITDA and the reduction in net debt as a result of the strong cash generation.

Loan facilities

Under the existing bank facilities, Merlin has a revolving facility of £150 million (2013: £150 million). This facility is in addition to the term debt and is available to finance working capital requirements and for general corporate purposes. As at 27 December 2014, £nil had been drawn down from the revolving facility (2013: £nil). Merlin is required to comply with certain financial and non-financial covenants, including a requirement to maintain certain ratios of EBITDA to both net interest payable and net debt. The existing facility is secured by fixed charges over the shares in certain Group companies and certain intra-Group receivables.

The Group's loan facilities remained unchanged throughout 2014 following the amendments made during 2013 that secured financing out to 2019. Following the IPO and reflecting the Group's subsequent progress, it is pleasing to note that we have now secured a new £1,300 million banking facility that, once drawn, will replace the existing debt facilities. The Company will continue to explore opportunities to diversify sources of funding and extend maturities.

The new senior unsecured facilities will comprise circa £1,000 million in floating rate term debt, with maturities in 2018 and 2020, along with an increased £300 million revolving credit facility. The reduction in drawn term debt will be funded through the use of circa £130 million of the Group's existing cash balance. The increased revolving credit line will ensure that the Group has adequate committed liquidity facilities to support our seasonality and strategic growth objectives. Under the new facilities we will be required to comply with certain financial and non-financial covenants.

Overall, the new financing arrangements are more suitable for a company of our size and profile. They will provide further flexibility for the Group and, through lower average margins, will reduce the cost of debt finance.

Net assets

Net assets increased by £119 million from £944 million in 2013 to £1,063 million in 2014.

This reflects £162 million profit for the year, offset by £27 million of other comprehensive income, primarily exchange losses arising on the retranslation of net assets denominated in foreign currencies, together with movements in the valuation of hedge accounted derivatives. In addition we incurred an expense of £4 million in respect of share-based payments and paid an interim dividend of £20 million.

The consolidated statement of financial position on page 17 shows an increase in property, plant and equipment of £89 million from £1,321 million to £1,410 million, primarily reflecting the capital additions referred to previously offset by depreciation charges, together with the retranslation of those assets at different foreign exchange rates. Foreign exchange translation differences also account for the majority of the reported reduction in intangible assets from £961 million to £942 million. Working capital has remained broadly flat and net debt has reduced as a result of the financing activities referred to previously. The net pensions liability remained broadly flat at £5 million (2013: £4 million).

In February 2014 we completed a capital reduction process, whereby £3,183 million of share premium was converted into profit and loss reserves. This conversion had no effect on the overall net asset position but increased distributable reserves by an equivalent amount.

Return on capital employed (ROCE)

The Board considers ROCE to be an important metric for appraising financial performance and uses it, along with EPS, in the remuneration of senior executives. The profit measure used in calculating ROCE is based on underlying operating profit after taking account of a normalised long term tax rate. The capital employed element of the calculation is based on net operating assets which include all net assets other than deferred tax, financial assets and liabilities, and net debt. ROCE in 2014 was 10.6% (2013: 10.2%).

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 27 December 2014

(2013: 52 weeks ended 28 December 2013)

	Note	2014			2013		
		Underlying trading £m	Exceptional items ⁽³⁾ £m	Total £m	Underlying trading £m	Exceptional items ⁽³⁾ £m	Total £m
Revenue	2.1	1,249	-	1,249	1,192	-	1,192
Cost of sales		(181)	-	(181)	(170)	-	(170)
Gross profit		1,068	-	1,068	1,022	-	1,022
Staff expenses	2.1	(312)	-	(312)	(297)	-	(297)
Marketing		(62)	-	(62)	(63)	-	(63)
Rent		(83)	-	(83)	(80)	-	(80)
Other operating expenses		(200)	-	(200)	(192)	(30)	(222)
EBITDA⁽¹⁾	2.1	411	-	411	390	(30)	360
Depreciation and amortisation	2.1	(100)	-	(100)	(100)	-	(100)
Operating profit		311	-	311	290	(30)	260
Finance income	4.2	2	-	2	1	20	21
Finance costs	4.2	(64)	(23)	(87)	(105)	(4)	(109)
Profit before tax		249	(23)	226	186	(14)	172
Taxation	2.3	(70)	6	(64)	(24)	(3)	(27)
Profit for the year⁽²⁾		179	(17)	162	162	(17)	145
Earnings per share							
Basic and diluted earnings per share (p)	2.4			16.0			15.1

(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 year for 2014 and 2013 is wholly attributable to the owners of the Company

(3) Details of exceptional items are provided in note 2.2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 27 December 2014

(2013: 52 weeks ended 28 December 2013)

	Note	2014 £m	2013 £m
Profit for the year		162	145
Other comprehensive income			
<i>Items that cannot be reclassified to profit and loss</i>			
Defined benefit plan remeasurement gains and losses		(1)	-
Recognition of the assets and liabilities of the defined contribution section of the defined benefit scheme		(1)	-
		(2)	-
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on the retranslation of net assets of foreign operations		(23)	(8)
Exchange differences relating to the net investment in foreign operations		7	(8)
Effective portion of changes in fair value of cash flow hedges		(9)	5
Income tax on items relating to components of other comprehensive income		-	(1)
		(25)	(12)
Other comprehensive income for the year net of income tax		(27)	(12)
Total comprehensive income for the year ⁽¹⁾		135	133

⁽¹⁾ Total comprehensive income for 2014 and 2013 is wholly attributable to the owners of the Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 27 December 2014

(2013: 28 December 2013)

	Note	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment	3.1	1,410	1,321
Goodwill and intangible assets	3.2	942	961
Investments		6	3
Other receivables		7	3
Deferred tax assets		49	56
		2,414	2,344
Current assets			
Inventories		26	24
Trade and other receivables		60	64
Other financial assets		1	6
Cash and cash equivalents	4.1	285	264
		372	358
Total assets		2,786	2,702
Current liabilities			
Interest-bearing loans and borrowings	4.1	5	6
Other financial liabilities		12	9
Trade and other payables		226	223
Tax payable		27	21
Provisions		4	11
		274	270
Non-current liabilities			
Interest-bearing loans and borrowings	4.1	1,131	1,179
Finance leases	4.1	84	85
Other payables		23	23
Provisions		50	37
Employee benefits		5	4
Deferred tax liabilities		156	160
		1,449	1,488
Total liabilities		1,723	1,758
Net assets		1,063	944
Issued capital and reserves attributable to owners of the Company		1,059	940
Non-controlling interest		4	4
Total equity		1,063	944

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 27 December 2014

(2013: 52 weeks ended 28 December 2013)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Trans- lation reserve £m	Hedging reserve £m	Retained earnings £m	Total parent equity £m	Non- control- ling interest £m	Total equity £m
At 30 December 2012		1	4	737	(68)	(7)	(54)	613	4	617
Profit for the year		-	-	-	-	-	145	145	-	145
Other comprehensive income for the year net of income tax		-	-	-	(17)	5	-	(12)	-	(12)
Total comprehensive income for the year		-	-	-	(17)	5	145	133	-	133
Bonus issue	4.3	8	2,979	(2,987)	-	-	-	-	-	-
Shares issued	4.3	1	200	-	-	-	(7)	194	-	194
At 28 December 2013		10	3,183	(2,250)	(85)	(2)	84	940	4	944
Profit for the year		-	-	-	-	-	162	162	-	162
Other comprehensive income for the year net of income tax		-	-	-	(16)	(9)	(2)	(27)	-	(27)
Total comprehensive income for the year		-	-	-	(16)	(9)	160	135	-	135
Equity dividends		-	-	-	-	-	(20)	(20)	-	(20)
Capital restructure	4.3	-	(3,183)	2,250	-	-	933	-	-	-
Equity-settled share-based transactions	4.4	-	-	-	-	-	4	4	-	4
At 27 December 2014		10	-	-	(101)	(11)	1,161	1,059	4	1,063

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 weeks ended 27 December 2014

(2013: 52 weeks ended 28 December 2013)

	Note	2014 £m	2013 £m
Cash flows from operating activities			
Profit for the year		162	145
<i>Adjustments for:</i>			
Depreciation and amortisation	2.1	100	100
Finance income	4.2	(2)	(21)
Finance costs	4.2	87	109
Taxation	2.3	64	27
		411	360
Working capital changes		(4)	30
Changes in provisions and other non-current liabilities		4	(3)
		411	387
Tax paid		(54)	(22)
Net cash inflow from operating activities		357	365
Cash flows from investing activities			
Interest received		2	1
Acquisition of subsidiaries		-	(6)
Acquisition of investments		(3)	-
Acquisition of property, plant and equipment		(192)	(152)
Net cash outflow from investing activities		(193)	(157)
Cash flows from financing activities			
Proceeds from issue of share capital		-	194
Equity dividends paid		(20)	-
Proceeds from bank loans		-	102
Financing costs		-	(11)
Interest paid		(58)	(93)
Settlement of interest rate swaps and foreign exchange contracts		-	(39)
Repayment of borrowings		(70)	(236)
Net cash outflow from financing activities		(148)	(83)
Net increase in cash and cash equivalents		16	125
Cash and cash equivalents at beginning of year		264	142
Effect of movements in foreign exchange		5	(3)
Cash and cash equivalents at end of year	4.1	285	264

SECTION I BASIS OF PREPARATION

52 weeks ended 27 December 2014

I.1 Basis of preparation

Merlin Entertainments plc (the Company) is a company incorporated in the United Kingdom and its registered office is 3 Market Close, Poole, Dorset, BH15 1NQ.

The consolidated financial statements for the 52 weeks ended 27 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They were approved by the Directors on 25 February 2015 along with this preliminary announcement.

The accounting policies set out in the sections below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries and joint ventures.

The Group prepares its annual consolidated financial statements on a 52 or 53 week basis. These consolidated financial statements have been prepared for the 52 weeks ended 27 December 2014 (2013: 52 weeks ended 28 December 2013). The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and certain investments measured at their fair value.

Additional analysis of other operating expenses has been provided in the consolidated income statement. This has not resulted in any restatement of the 2013 consolidated income statement.

The consolidated financial statements are presented in Sterling.

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

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the 52 weeks ended 27 December 2014 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 52 weeks ended 27 December 2014 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have consented to the publication of the preliminary announcement as required by Listing Rule 9.7a having completed their procedures under APB bulletin 2008/2.

Going concern

The Group continues to trade profitably reporting a profit for the year of £162 million (2013: £145 million) and continues to generate cash with operating cash inflows of £357 million (2013: £365 million). The Group is funded by a bank loan facility, due for renewal in 2019. Subsequent to the year end, the Group has secured a new £1,300 million banking facility that, once drawn, will replace the existing debt facilities (see note 5.2). The Group's forecasts show that it is expected to be able to operate within the terms of both the existing and proposed facilities.

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 that it will generate sufficient cash to meet its borrowing requirements for the next twelve months. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Significant accounting policies

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

On an ongoing basis the following area involves a higher degree of judgement or complexity:

- Impairment testing (note 3.3).

During the year the following specific item also involved a higher degree of judgement or complexity:

- Treasury accounting - consideration of the likelihood of refinancing the Group's debt before the contractual end date of the Group's existing lending facility (note 4.2).

SECTION 2 RESULTS FOR THE YEAR

52 weeks ended 27 December 2014

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
2014				
Segment revenue	529	386	331	1,246
Segment profit, being segment EBITDA	214	142	87	443
Segment depreciation and amortisation	(47)	(22)	(27)	(96)
Segment operating profit	167	120	60	347

	Midway Attractions £m	LEGOLAND Parks £m	Resort Theme Parks £m	Segment results £m
2013				
Segment revenue	524	352	314	1,190
Segment profit, being segment EBITDA	212	127	81	420
Segment depreciation and amortisation	(48)	(21)	(27)	(96)
Segment operating profit	164	106	54	324

Reconciliation to statutory items included in the consolidated income statement

	Revenue £m	EBITDA £m	Depreciation and Amortisation £m	Operating profit £m
2014				
Segment results	1,246	443	(96)	347
Other items ⁽¹⁾	3	(32)	(4)	(36)
Exceptional items (note 2.2)	-	-	-	-
Total per consolidated income statement	1,249	411	(100)	311

	Revenue £m	EBITDA £m	Depreciation and Amortisation £m	Operating profit £m
2013				
Segment results	1,190	420	(96)	324
Other items ⁽¹⁾	2	(30)	(4)	(34)
Exceptional items (note 2.2)	-	(30)	-	(30)
Total per consolidated income statement	1,192	360	(100)	260

⁽¹⁾ Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributable to the reportable segments.

SECTION 2 RESULTS FOR THE YEAR (continued)

52 weeks ended 27 December 2014

2.1 Profit before tax (continued)

Geographical areas

While each Operating Group is managed on a worldwide basis, part of our strategy is to diversify geographically across the four regions shown below. The information presented is based on the geographical locations of the visitor attractions concerned.

Geographical information

	Revenues 2014 £m	Non- current assets 2014 £m	Revenues 2013 £m	Non- current assets 2013 £m
United Kingdom	490	811	466	778
Continental Europe	318	794	307	829
North America	274	429	247	373
Asia Pacific	167	325	172	305
	1,249	2,359	1,192	2,285
Deferred tax		49		56
Investments		6		3
		2,414		2,344

Operating expenses

Staff numbers and costs

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

	2014	2013
Operations	15,567	14,573
Attractions management and central administration	1,760	1,712
	17,327	16,285

The aggregate payroll costs of these persons were as follows:

	2014 £m	2013 £m
Wages and salaries	266	255
Share-based payments	4	-
Social security costs	32	32
Other pension costs	10	10
	312	297

SECTION 2 RESULTS FOR THE YEAR (continued)

52 weeks ended 27 December 2014

2.2 Exceptional items

Accounting policy

Due to their nature, certain one-off and non-trading items have been classified separately as exceptional items in order to draw them to the attention of the reader. In the judgement of the Directors this presentation shows the underlying business performance of the Group more accurately.

Exceptional items

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

	2014 £m	2013 £m
<i>Within other operating expenses:</i>		
Costs in respect of IPO ⁽¹⁾	-	28
Acquisition costs ⁽²⁾	-	2
Exceptional items included within EBITDA and operating profit	-	30
<i>Within finance income and costs:</i>		
Unrealised gain on re-measurement of financial derivatives at fair value ⁽³⁾	-	(20)
Unrealised loss on re-measurement of financial derivatives at fair value ⁽³⁾	-	4
Loss on re-measurement of financial liabilities measured at amortised cost ⁽⁴⁾	23	-
	23	(16)
Exceptional items before income tax	23	14
Exceptional items income tax (credit)/charge ⁽⁵⁾	(6)	3
Exceptional items for the year	17	17

- (1) Certain professional and advisory fees were incurred in 2013 as part of the process of listing shares in the Group through an Initial Public Offering. They are separately presented as they are not part of the Group's underlying operating expenses. In addition, £7 million was recognised directly in equity.
- (2) Directly attributable acquisition and subsequent integration costs were incurred in respect of the acquisitions in 2013. These are separately presented as they are not part of the Group's underlying operating expenses.
- (3) The Group has separately presented gains and losses on derivative financial instruments, where the items are not hedge accounted, in order to better present the underlying finance cost for the Group.
- (4) The loss on re-measurement of financial liabilities at amortised cost has been separately presented as this item represents an adjustment to the expected amortisation period of previous loan issuance costs and therefore is not part of the Group's underlying finance cost.
- (5) The exceptional items income tax charge reflects the tax effect of the exceptional items above.

SECTION 2 RESULTS FOR THE YEAR (continued)

52 weeks ended 27 December 2014

2.3 Taxation

Recognised in the income statement

	2014 £m	2013 £m
<i>Current tax expense</i>		
Current year	56	26
Adjustment for prior periods	3	(1)
Total current income tax	59	25
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	4	4
Changes in tax rate	(1)	-
Adjustment for prior periods	2	(2)
Total deferred tax	5	2
Total tax expense in income statement	64	27

Reconciliation of effective tax rate

	2014 %	2014 £m	2013 %	2013 £m
Profit before tax		226		172
Income tax using the domestic corporation tax rate	21.5%	48	23.0%	40
Non-deductible expenses	2.5%	6	9.8%	16
Income not subject to tax	(1.9%)	(4)	(9.9%)	(17)
Effect of tax rates in foreign jurisdictions	7.1%	16	10.6%	18
Effect of changes in tax rate	(0.4%)	(1)	0.1%	-
Unrecognised temporary differences	(0.5%)	(1)	1.0%	2
Effect of recognising deferred tax assets previously unrecognised	(2.0%)	(5)	(16.9%)	(29)
Adjustment for prior periods	2.1%	5	(2.0%)	(3)
Total tax expense in income statement	28.4%	64	15.7%	27

The effective tax rate (ETR) in 2014 and in particular 2013 was affected by the recognition of deferred tax assets, referred to above. Excluding the effect of this recognition, the ETR would be 30.4% (2013: 32.6%). This ETR has reduced from 2013 to 2014 due to a reduction in tax due in overseas jurisdictions. The ETR based on underlying trading, excluding exceptional items, was 28.0% in 2014 (2013: 12.7%).

SECTION 2 RESULTS FOR THE YEAR (continued)

52 weeks ended 27 December 2014

2.4 Earnings per share

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

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares 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:

	2014 £m	2013 £m
Profit attributable to ordinary shareholders	162	145
Exceptional items net of tax (see note 2.2)	17	17
Adjusted profit attributable to ordinary shareholders	179	162

	2014	2013
Basic weighted average number of shares	1,013,746,032	957,880,691
Dilutive potential ordinary shares	434,077	-
Diluted weighted average number of shares	1,014,180,109	957,880,691

Share incentive schemes (see note 4.4) are treated as dilutive to earnings per share when, at the balance sheet date, the awards are both 'in the money' and would be issuable had the performance period ended at that date. Accordingly, the PSP has a dilutive effect as the performance measures have been partially achieved, whereas the DBP is not dilutive as the awards have not yet been issued, and the CSOP is not dilutive as the options are 'out of the money' after accounting for the value of services rendered in addition to the option price.

For 2013, the PSP performance period had not commenced and the CSOP was 'out of the money', therefore no awards were treated as dilutive.

Earnings per share

	2014 Pence	2013 Pence
Basic and diluted earnings per share on profit for the year	16.0	15.1
Exceptional items net of tax	1.7	1.8
Adjusted and diluted earnings per share on adjusted profit for the year	17.7	16.9

SECTION 3 OPERATING ASSETS AND LIABILITIES

52 weeks ended 27 December 2014

3.1 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Balance at 28 December 2013	701	558	62	1,321
Additions	29	46	123	198
Movements in asset retirement provisions	3	2	-	5
Transfers	37	57	(94)	-
Depreciation for year - owned assets	(26)	(69)	-	(95)
Depreciation for year - leased assets	(1)	(3)	-	(4)
Effect of movements in foreign exchange	(11)	(4)	-	(15)
Balance at 27 December 2014	732	587	91	1,410

Capital commitments

At the year end the Group has a number of outstanding capital commitments amounting to £50 million (2013: £35 million), for which no provision has been made. These commitments are expected to be settled within two financial years of the reporting date.

In addition to the contractual commitments disclosed above, the Group intends to invest £53 million in LEGOLAND Japan and £57 million in LEGOLAND Korea over the period from 2014 to 2017, as previously announced.

3.2 Goodwill and intangible assets

	Goodwill £m	Intangible assets Brands £m	Other £m	Total £m
Balance at 28 December 2013	768	179	14	961
Additions	-	-	1	1
Amortisation for the year	-	-	(1)	(1)
Effect of movements in foreign exchange	(14)	(5)	-	(19)
Balance at 27 December 2014	754	174	14	942

3.3 Impairment testing

The carrying amounts of the Group's goodwill, intangible assets and property, plant and equipment were tested for impairment in accordance with the Group's accounting policy. As a result of these tests, no impairment losses were recorded in 2014 or 2013.

The Directors consider that no reasonably foreseeable change in any of the key assumptions, in particular the discount rate and growth rate assumptions used, would significantly alter the outcome of the Group's impairment testing.

SECTION 4 CAPITAL STRUCTURE AND FINANCING

52 weeks ended 27 December 2014

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.

	2014 £m	2013 £m
Cash and cash equivalents	285	264
Interest-bearing loans and borrowings	(1,136)	(1,185)
Net bank debt	(851)	(921)
Current finance leases	-	-
Non-current finance leases	(84)	(85)
Net debt	(935)	(1,006)

4.2 Finance income and costs

Finance income

	2014 £m	2013 £m
<i>In respect of assets not held at fair value</i>		
Interest income	2	1
<i>In respect of liabilities held at fair value</i>		
Unrealised gain on re-measurement of financial derivatives at fair value - Interest rate swaps and foreign exchange contracts	-	20
	2	21

Finance costs

	2014 £m	2013 £m
<i>In respect of liabilities not held at fair value</i>		
Interest expense on financial liabilities measured at amortised cost	62	102
Loss on re-measurement of financial liabilities measured at amortised cost (note 2.2)	23	-
Other interest expense	2	1
<i>In respect of liabilities held at fair value</i>		
Unrealised loss on re-measurement of financial derivatives at fair value - Interest rate swaps and foreign exchange contracts	-	4
<i>Other</i>		
Net foreign exchange loss	-	2
	87	109

The Group determined at 27 December 2014 that a more reliable estimate could be formed of the likelihood and timeframe for an earlier refinancing than the contractual date of repayment of July 2019. This was determined following reviews undertaken by management and external advisors of refinancing options. As a result the Group has accelerated the amortisation of financing costs and the resulting adjustment has been recognised as a loss on re-measurement and separately presented in the income statement as an exceptional charge of £23 million (see note 2.2).

SECTION 4 CAPITAL STRUCTURE AND FINANCING (continued)

52 weeks ended 27 December 2014

4.3 Equity

Share capital

	2014 Number	2013 Number	2014 £m	2013 £m
Ordinary shares of £0.01 each				
On issue and fully paid at beginning of year	1,013,746,032	156,767,050	10	1
Cancelled in the year	-	(10,868,759)	-	-
Bonus issue	-	804,101,709	-	8
Issued in the year	-	63,746,032	-	1
On issue and fully paid at end of year	1,013,746,032	1,013,746,032	10	10

Reserves

On 26 February 2014 the Company reduced its share capital by means of a court sanctioned reduction of capital, which resulted in an increase in available reserves for distribution by way of dividends to shareholders in the amount of £3,183 million.

4.4 Share-based payment transactions

Equity-settled schemes

The Group operates four employee share incentive schemes: the Performance Share Plan (PSP), the Company Share Option Plan (CSOP), the All Employee Sharesave Plan (AESP) and the Deferred Bonus Plan (DBP) as set out in the tables below.

	PSP		CSOP		AESP	
	Number	WAEP (£)	Number	WAEP (£)	Number	WAEP (£)
Granted during the year	3,633,489	-	2,298,375	3.15	-	n/a
At 28 December 2013	3,633,489	-	2,298,375	3.15	-	n/a
Granted during the year	120,577	-	206,850	3.64	3,555,062	2.98
Forfeited during the year	(142,857)	-	(199,973)	3.17	(374,100)	2.99
At 27 December 2014	3,611,209	-	2,305,252	3.19	3,180,962	2.98

The fair value per award granted and the assumptions used in the calculations for the significant grants in 2013 and 2014 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	12 November 2013	-	3.15	3.15	n/a	n/a	3.4	1.1%
CSOP	12 November 2013	3.15	3.15	0.97	0.8%	30%	4.9	1.7%
AESP	13 January 2014	3.17	3.73	0.70	0.7%	20%	2.2	0.8%
	7 February 2014	2.96	3.54	0.84	0.7%	22%	3.3	1.2%

The total charge for the period relating to employee share-based payment plans was £4 million (2013: £nil) which was charged to staff expenses.

The charge in respect of the DBP is £nil (2013: £nil). Awards over shares worth £2 million (2013: £nil) will be made under the DBP in March 2015 based on the share price prevailing at that time. The awards will vest in March 2018.

SECTION 5 OTHER NOTES

52 weeks ended 27 December 2014

5.1 Related party transactions

Identity of related parties

The Group has related party relationships with its pre-IPO major shareholders, 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 year the Group entered into transactions with, or is partly funded by, the pre-IPO major shareholders, KIRKBI Invest A/S, Blackstone Capital Partners and funds advised by CVC Capital Partners (via Lancelot Holdings S.à r.l.). The Group also entered into transactions with CVC Capital Partners 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 27 December 2014, are as follows:

	Goods and services		Purchases £m	Amounts owed to related party £m
	Sales £m	Amounts owed by related party £m		
2014				
KIRKBI Invest A/S	1	-	7	2
Blackstone Capital Partners	-	-	-	-
CVC Capital Partners	-	-	-	-
LEGO Group	1	-	37	2
	2	-	44	4
2013				
KIRKBI Invest A/S	-	-	7	1
Blackstone Capital Partners	-	-	1	-
CVC Capital Partners	-	-	1	-
LEGO Group	1	1	37	1
	1	1	46	2

As members of a banking syndicate, certain shareholders (or other parties related to those shareholders) are owners of elements of the Group's bank loan portfolio. Balances outstanding at 27 December 2014 are; parties related to KIRKBI Invest A/S £49 million (2013: £56 million), funds advised by parties related to Blackstone Capital Partners £33 million (2013: £36 million) and funds advised by parties related to CVC Capital Partners £10 million (2013: £31 million).

Interest is paid and accrued on the same terms as the rest of the banking syndicate.

Transactions with other related parties

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group is committed to subscribing 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 27 December 2014 and 28 December 2013 the Group had subscribed for 16,350,300 shares in IDR.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 27 December 2014, are as follows:

	2014 £m	2013 £m
Sales to related party	5	2
Amounts owed by related party	3	3

SECTION 5 OTHER NOTES

52 weeks ended 27 December 2014

5.2 Subsequent events

Subsequent to the year end, the Group has secured a new £1,300 million banking facility that, once drawn, will replace the existing debt facilities.

The new senior unsecured facilities will comprise circa £1,000 million in floating rate term debt, with maturities in 2018 and 2020, along with an increased £300 million revolving credit facility and lower average margins. The reduction in drawn term debt will be funded through the use of circa £130 million of the Group's existing cash balance. The increased revolving credit line will ensure that the Group has adequate committed liquidity facilities to support our seasonality and strategic growth objectives. Under the new facilities we will be required to comply with certain financial and non-financial covenants.