



Merlin Entertainments plc results for the 26 weeks ended 28 June 2014

- Further growth in visitors, revenues and profits
- Maiden interim dividend announced of two pence per share
- Full year expectations reiterated

Financial Highlights⁽¹⁾

	26 weeks ended 28 June 2014	26 weeks ended 29 June 2013	Reported growth	Constant FX growth ⁽²⁾	Like for like growth ⁽³⁾
Visitors ⁽⁴⁾ (m)	27.5	25.8	6.6%		
Revenue (£m)	513	483	6.1%	11.2%	8.1%
EBITDA ⁽¹⁾ (£m)	120	111	7.5%	14.3%	
Operating Profit ⁽¹⁾ (£m)	71	64	10.0%	18.0%	
Profit / (loss) before tax ⁽¹⁾ (£m)	40	(11)			
Adjusted earnings per share ⁽¹⁾ (p)	2.8p	(1.2)p			
Dividend per share (p)	2.0p	n/a			

⁽¹⁾ All figures are presented on an underlying basis, excluding exceptional and non-trading items which are detailed on page 20. These items were £nil in the 26 weeks ended 28 June 2014.

⁽²⁾ Throughout the document, constant FX growth is based on the 2014 and 2013 figures, on a constant currency basis using 2014 exchange rates.

⁽³⁾ Throughout the document, like for like growth is based on the 2014 and 2013 figures and includes all businesses owned and opened before 2013, on a constant currency basis using 2014 exchange rates.

⁽⁴⁾ Visitors represents all visitors to Merlin owned or operated attractions.

Merlin Entertainments, Europe's leading and the world's second-largest visitor attraction operator reports a strong first half of 2014, delivering further growth from the existing estate, along with the continued international roll out of its brands. The performance benefited from more favourable weather in Northern Europe and the increased LEGO® brand awareness and promotional activity related to the launch of 'The LEGO Movie' in the first quarter.

Delivering on the strategy

The Group has made good progress against its strategic growth drivers in the first half of 2014.

- **Growing the existing estate through planned investment cycles**
 - Successful launch of 'CBeebies Land' at Alton Towers Resort, widening the demographic and further improving the pre-school audience offering, providing opportunities for increased trading in off-peak periods;
 - Launch of 'Legends of Chima' waterpark at LEGOLAND California driving further growth in the high capex year, following the opening of the hotel in April 2013;
 - 'Flight of the Demons', a new winged coaster, at Heide Park has been well received and is a key driver of growth for the park in 2014;
 - A further eight high year capex investments across the estate for 2014 including, in the Midway Attractions Operating Group, Penguin Ice Adventure at SEA LIFE Centre Birmingham.
- **Exploiting strategic synergies**
 - UK Merlin Annual Pass successfully relaunched and launch of the VIP Pass in the UK;
 - Continued progress in next-generation ticketing trials at Thorpe Park; potential roll out to the wider estate in future years.

- **Transforming our theme parks into destination resorts**
 - First full year of LEGOLAND California hotel which continues to trade ahead of expectations;
 - New 68 room King's Castle hotel in LEGOLAND Deutschland and hotel extension in LEGOLAND Billund have been well received;
 - New Azteca hotel on track to open at Chessington World of Adventures in August 2014;
 - Construction work has begun on 152 room LEGOLAND Florida hotel, to open in 2015.
- **Rolling out new midway attractions**
 - Five attractions successfully opened to date in 2014: a SEA LIFE Centre in Charlotte; a Madame Tussauds and Dungeon in San Francisco; a Madame Tussauds in Beijing; and a LEGOLAND Discovery Centre in Boston;
 - Madame Tussauds Singapore to open at the end of the year;
 - Eight attractions planned for 2015;
 - New strategic alliance with DreamWorks announced, launching a new chainable midway brand, 'Shrek's Far Far Away Adventure', in London's County Hall in summer 2015.
- **Developing new LEGOLAND parks**
 - LEGOLAND Dubai remains on track to open in 2016;
 - LEGOLAND Japan formally announced on the 30 June and expected to open late in the second quarter of 2017;
 - Discussions ongoing with a number of parties over future LEGOLAND park developments, primarily in South Korea, USA and China.

Merlin Magic Making

- Close collaboration between the Merlin Magic Making team and DreamWorks continues with the development of detailed scripts, layouts and content for 'Shrek's Far Far Away Adventure'. Initial attraction on schedule to open in the summer of 2015;
- Good progress has been made on our 'in-house' new midway brand concepts and our relationships with intellectual property owners, supporting our product development across the estate;
- Continued development of our in-house production capacity across the brand and product portfolio.

Current trading

July trading has been consistent with our full year expectations. We will update the market on our overall summer trading period performance on 18 September.

Nick Varney, Merlin Entertainments Chief Executive Officer, said:

"Merlin Entertainments continued to make significant progress through the first half of 2014. Against a backdrop of ongoing currency headwinds, we have delivered further growth in visitor numbers, revenues and profits, with continued delivery from our existing estate, underpinned by the ongoing roll out of our unique portfolio of international leisure brands. The first half performance was supported by the more favourable weather in Northern Europe and a particularly strong LEGOLAND performance, which was fuelled partly by effective marketing around the internationally successful LEGO® movie. This offset a relatively weaker performance by the Midway Attractions Operating Group which was affected by a number of external events.

"The business is well placed as we approach the main summer trading period, with the recently opened attractions such as 'CBeebies Land' at Alton Towers and 'Flight of the Demons' in Heide Park, already proving hugely popular. While, as previously highlighted, year-on-year comparatives become considerably more difficult in Q3 as a result of the strong summer trading period in 2013, our expectations for the full year remain unchanged. I am also pleased that we are announcing a maiden interim dividend of two pence per share.

"Merlin continues to execute on its strategic growth drivers and we anticipate delivering further progress across the Group over the balance of the year. As demonstrated by the opening of the first Dungeon in North America and the recently announced plans for LEGOLAND Japan, we will continue to grow and diversify the business by both geography and brand, focusing on delivering memorable experiences for our 60 million visitors."

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An audio webcast will be held today at 08:30 and can be accessed via Merlin's corporate website, www.merlinentertainments.biz. Dial in details are as follows:

Participant Dial-in

From the UK:

020 3059 8125

All other locations:

+44 (0)20 3059 8125

Participants must quote 'Merlin' to the operator in order to gain access to the conference.

Replay (available for 7 days)

From the UK:

0121 260 4861

All other locations:

+ 44 (0)121 260 4861

7817444 followed by #

This should be entered when prompted by the system.

Chief Executive Officer's review

Introduction

I am pleased to report that the success of 2013 has continued into 2014. Already this year, we have opened five new midway attractions, a brand new hotel in LEGOLAND Deutschland, and announced an agreement to open a new LEGOLAND park in Japan in 2017.

Allied to this New Business Development (NBD) activity, we have continued to grow our existing estate, reporting like for like revenue growth of 8.1%. By Operating Group, there has been some divergence from our long term average, driven partly by one-off factors, and partly by the easy comparatives in the same period in 2013. However, part of Merlin's strength lies in the diversified portfolio of attractions which we have created since 1999 - by customer demographic, attraction type and by geography. This gives me, and the rest of the Board, confidence that Merlin is well placed to maintain its track record of growth.

Operating Group review

Midway Attractions

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m	Reported growth	Constant FX growth	Like for like growth
Revenue	233	235	(0.6)%	5.6%	1.9%
EBITDA ⁽¹⁾	85	86	(1.1)%	3.7%	

⁽¹⁾ Underlying basis, excluding exceptional and non-trading items

The Midway Attractions Operating Group grew revenues by 5.6% on a constant currency basis, driven by 1.9% like for like growth, the full period impact of the six attractions opened in 2013, and a part period contribution from the five new attractions opened to date in 2014. Total revenues however fell by 0.6% due to the adverse impact of the strengthening of Sterling, most notably against our three main foreign trading currencies: the US Dollar, Australian Dollar and the Euro.

Like for like revenue growth of 1.9% should be seen in the context of the 9.3% like for like growth reported in the first half of 2013. Trading has been affected by a range of factors. Firstly, political disruption in Bangkok has had a significant impact on the Siam Ocean World aquarium and Madame Tussauds situated in the city. Whilst the situation does not appear to be deteriorating, trading shows little sign of improvement, and we therefore expect revenue from these attractions to remain suppressed for the remainder of the year. Secondly, the business was impacted by severe cold weather in North America in the earlier part of the period. This not only impacted the trading performance at the time but subsequently schools have had to reduce planned holidays to meet federal laws requiring minimum school opening days. These two factors in combination have negatively impacted Midway like for like revenue growth by approximately two percentage points.

Elsewhere across the portfolio, underlying trading has been strong, with the exception of a small number of attractions which saw capex projects open later in the season than typical, and the postponement of two high year capex projects due to landlord and planning issues. Both the London cluster and the rest of the UK have performed well, with continued good like for like growth, albeit at lower levels than those experienced in 2013 which benefited from the 'bounceback' after the 2012 Olympics. The LEGOLAND Discovery Centres have delivered strong growth, both from existing attractions and the new opening in the period.

EBITDA grew by 3.7% on a constant currency basis, impacted to a degree by more subdued levels of revenue growth than typical, and the inclusion of share-based compensation costs which were not in the comparative period (see note on Underlying profit in the Chief Financial Officer's Review). The overall growth was also impacted by the strengthening of Sterling, such that the reported figures showed a decline of 1.1%.

LEGOLAND Parks

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m	Reported growth	Constant FX growth	Like for like growth
Revenue	162	139	16.5%	22.8%	19.0%
EBITDA ⁽¹⁾	50	38	31.7%	41.0%	

⁽¹⁾ Underlying basis, excluding exceptional and non-trading items

The LEGOLAND Parks Operating Group grew revenues by 22.8% on a constant currency basis. Like for like growth of 19.0% was augmented by a 3.8% contribution from growth in NBD, primarily the LEGOLAND California hotel which opened in April 2013. The reported result was adversely impacted by the strength of Sterling, with reported total revenue growth of 16.5%.

Like for like revenue growth of 19.0% was driven by a number of factors. Firstly, and most significantly, by the launch of 'The LEGO Movie'. LEGOLAND California hosted the launch party in February and visitors to the park can now view the set used in the film. Capitalising on the launch, we participated in a successful promotion with McDonald's, providing an offer inside every Happy Meal cup. Secondly, the weather in Northern Europe was more favourable than in the comparative period of 2013, when the operation of certain parks was impacted due to severe cold weather at the start of the season.

The LEGOLAND Parks Operating Group has shown strong operational gearing in the period, with constant currency EBITDA growth of 41.0% (31.7% as reported). This was driven primarily by revenue outperformance, as this level of operational gearing would not be anticipated under more normalised trading conditions. EBITDA growth was partially offset by the inclusion of share-based compensation costs which were not in the comparative period (see note on Underlying profit in the Chief Financial Officer's Review).

Resort Theme Parks

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m	Reported growth	Constant FX growth	Like for like growth
Revenue	117	109	7.0%	8.4%	7.7%
EBITDA ⁽¹⁾	2	0	-	-	

⁽¹⁾ Underlying basis, excluding exceptional and non-trading items

The Resort Theme Parks (RTP) Operating Group grew revenues by 8.4% on a constant currency basis, and 7.0% on a reported basis.

Like for like revenue growth for the period was 7.7%, driven by more favourable weather in Northern Europe (compared to the extremely cold start to the season in 2013) and the new roller coaster, 'Flight of the Demons' at Heide Park which has been well received by park guests.

NBD had little impact in the period, with a minor contribution from the new accommodation offering at Warwick Castle. The new Azteca hotel at Chessington World of Adventures is scheduled to open in August 2014.

EBITDA of £2 million was delivered in the period, following a break-even performance in 2013. This performance reflects the seasonality of the business, with most parks not fully open until the middle of March. EBITDA growth was partially offset by the inclusion of share-based compensation costs which were not in the comparative period (see note on Underlying profit in the Chief Financial Officer's Review).

Strategic developments

Merlin has six highly complementary strategic growth drivers.

Growing the existing estate through planned investment cycles

Capital expenditure is a key driver of like for like growth and all of our attractions have pre-set capital investment cycles comprising three or four low years followed by a high year. Overall, Merlin aims to invest broadly in line with depreciation, representing approximately 8-10% of revenues, into existing estate capex to drive mid-single digit like for like EBITDA growth.

In the first half of 2014, Merlin has invested £61 million into the existing estate, including early spend on projects for 2015. Major, high year projects for 2014 have included: 'Flight of the Demons', a new winged roller coaster at Heide Park; 'Legends of Chima' waterpark at LEGOLAND California, Penguin Ice Adventure at SEA LIFE Birmingham, and a new interactive show, 'Murder on the Zeedijk', in the Amsterdam Dungeon.

In addition to this, Alton Towers Resort launched the new 'CBeebies Land', a combination of rides, attractions and live entertainment based on the BBC's 'CBeebies' television shows. This intellectual property appeals to the pre-school market in the UK with national favourites such as 'In the Night Garden', 'Postman Pat' and 'Charlie and Lola'. Early customer feedback has been positive, and the concept is strategically important for Alton Towers, broadening the demographic and increasing visitation outside of peak trading periods.

Exploiting strategic synergies

As the Group expands and achieves critical mass in key markets, we are able to leverage economies of scale and marketing leverage through third party national promotions and the Merlin Annual Pass loyalty programme.

In the first half of 2014, there have been a number of areas of focus for the Group.

In the UK, the Merlin Annual Pass was successfully relaunched, delivering further yield growth in what is a relatively well-penetrated market. There are now approximately 260,000 passholders in the UK with an increasing proportion opting for the Premium pass. In June, the VIP pass was launched in the UK, allowing Fastrack access at every attraction and a number of other exclusive experiences. The number of passes will be limited but the success of the product demonstrates the increasing demand for premium experiences.

The trial of the next-generation ticketing solution continues at Thorpe Park with the aim of improving the online customer booking journey, and creating opportunities for yield enhancement. We are also trialling 'Reserve 'n' Ride', a smart phone driven application that allows guests to reserve ride times on the major coasters at Thorpe Park. Early results have been encouraging with positive feedback from guests. If successful, both these solutions could be rolled out to other attractions in future years.

Transforming our theme parks into destination resorts

By moving our theme parks from day trip venues to two or three day short break destinations we can expand market catchment and revenue opportunities. The key driver of this is the presence of on-site themed accommodation.

In the first half of 2014, we opened a new King's Castle hotel in LEGOLAND Deutschland, and extended the hotel at LEGOLAND Billund. Both of these projects were opened on time and on budget, and have been well received by guests.

In August, we will open the new Azteca hotel at Chessington World of Adventures. This is the latest in a series of measures taken by Merlin to significantly improve and re-position the resort's offering, following the acquisition of the park and hotel as part of the Tussauds Group in 2007.

Rolling out new midway attractions

A key element of Merlin's NBD programme is the roll out of our midway brands. We aim to open six to seven new midway attractions each year from our portfolio of five chainable brands: Madame Tussauds, SEA LIFE Centres, Dungeons, the Eye brand and LEGOLAND Discovery Centres (LDC). The attraction pipeline is increasingly focused upon opening multiple attractions in the same location to form clusters from which we can derive operating cost, marketing and cross-selling advantages. In summer 2015 we will open the new 'Shrek's Far Far Away Adventure' brand in London which may lead to the creation of a sixth global midway brand.

So far in 2014, we have opened five new midway attractions. These include Madame Tussauds attractions in San Francisco and Beijing, an LDC in Boston, a SEA LIFE in Charlotte and a Dungeon in San Francisco, which is the first of its kind outside of Europe. Our sixth attraction planned for 2014, Madame Tussauds Singapore, will open towards the end of the year.

Looking ahead, a strong pipeline for 2015 has already been announced, with new attractions including the Orlando I-Drive cluster of the SEA LIFE Centre, Madame Tussauds and Orlando Eye; LDC Istanbul; SEA LIFE Michigan; Shrek's Far Far Away Adventure in London; and LDC Osaka.

Developing new LEGOLAND parks

On 30 June, we announced an agreement to open a new LEGOLAND park in the city of Nagoya, Japan, late in the second quarter of 2017. Japan is the world's second largest theme park market (estimated value of £4 billion) and the site is attractively located in the centre of the country, an hour from Osaka, and two hours from Tokyo.

The park will be opened under Merlin's 'operated and leased' model, whereby Merlin will directly invest c£53 million in the park over the next 3 years and lease the balance of the assets from a company owned by KIRKBI Invest A/S (which is a subsidiary of KIRKBI A/S ('KIRKBI') a privately held investment and holding company with a 75% ownership share in the LEGO Group and a 29.9% shareholding in Merlin). Merlin will lease the park and associated assets from KIRKBI on arm's length commercial terms, paying a turnover-based rent, on a 50 year fully repairing and insuring lease.

Elsewhere, LEGOLAND Dubai remains on track to open in 2016 under a management contract, and there are a number of further potential LEGOLAND projects which remain under development, primarily in South Korea, the USA and China.

Strategic acquisitions

Merlin continues to consider further acquisitions in the fragmented visitor attraction market.

Chief Financial Officer's review

Trading performance

Revenue

Revenue grew by £30 million or 6.1%, in the period. Like for like growth of 8.1% was augmented by NBD, to give total constant currency growth of 11.2%. The strengthening of Sterling, most notably against the Australian Dollar, US Dollar and Euro, has reduced reported growth significantly. Further detail on the impact of foreign exchange movements is provided below.

Visitor numbers grew by 6.6% in the period to 27.5 million.

Group like for like revenue growth of 8.1% reflects a range of trading performances across the three Operating Groups. LEGOLAND Parks has benefited from the continued strength of the LEGO® brand, successful promotion and marketing around the launch of 'The LEGO Movie' and, along with Resort Theme Parks, more favourable weather in Northern Europe. Midway Attractions like for like revenue growth by contrast was softer than our long term historic trajectory, caused predominantly by political disruption in Bangkok and the extended impact of the 'Polar Vortex' on the North American attractions.

Revenue per capita (RPC) was £17.09, up 5.1% on a constant currency basis driven primarily as a result of the stronger LEGOLAND Park and Resort Theme Park performance. The headline Group RPC for the first half of the year is typically lower than the full year figure due to the mix impact, 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 profit

Reported underlying EBITDA grew by £9 million, or 7.5%, to £120 million. On a constant currency basis, EBITDA grew by 14.3%. This reflects good conversion of revenue to profit growth, with the trading outperformance in LEGOLAND Parks partially offset by a softer performance in Midway Attractions.

The reported EBITDA growth of the Group and each of the Operating Groups was also impacted by the accounting for share-based compensation costs which were not present in the comparative period. Approximately half of the total share-based compensation costs were allocated to central costs and half to the Operating Groups.

Operating profit growth of £7 million, representing 10.0% growth on a reported basis and 18.0% on a constant currency basis, was driven primarily by the growth in EBITDA.

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m	Growth +/- £m	Change %
Revenue	513	483	30	6.1%
EBITDA ⁽¹⁾	120	111	9	7.5%
Operating profit ^{(1), (2)}	71	64	7	10.0%
Net finance costs ⁽¹⁾	(31)	(75)	44	59.0%
Profit before tax ⁽¹⁾	40	(11)	51	
Taxation ⁽¹⁾	(11)	-	(11)	
Net income ⁽¹⁾	29	(11)	40	

⁽¹⁾ References to EBITDA, net finance costs, taxation and all other profit measures in the table above and the following commentary are stated on an underlying basis, before exceptional and non-trading items unless otherwise stated.

⁽²⁾ Operating profit is defined as EBITDA less depreciation and amortisation.

Finance costs

Net finance costs of £31 million were £44 million lower than the prior year, reflecting the refinancing which took place in June 2013, the restructuring of the interest rate swaps in August 2013 and the reduction in net debt following equity issuance as part of the IPO.

Taxation

A tax charge of £11 million has been booked for the period, representing an effective tax rate of 28.3% and is consistent with the expected effective tax rate. A tax rate of 28% is now expected for the full year reflecting the change in the mix of profits, most notably the increased earnings in the US attractions.

Post-tax exceptional and non-trading items

No exceptional or non-trading items were booked during the period.

Foreign exchange rate sensitivity

Merlin is exposed to fluctuations in foreign currency exchange rates. The table below shows the impact on revenue of movements in various currencies relative to Sterling.

Currency	HI 2013 average FX rates	HI 2014 average FX rates	%age movement in FX rates	Revenue impact £m
EUR	1.18	1.21	(3.3)%	(3)
USD	1.54	1.66	(8.2)%	(9)
AUD	1.52	1.84	(21.3)%	(6)
Other				(4)
Total				(22)

Earnings per share

Basic and adjusted earnings per share was 2.8 pence.

Dividend

An interim dividend of 2.0 pence per share has been declared. This will be paid on 25 September 2014 to shareholders on the register on 29 August 2014.

Cash flow

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
Net cash inflow from operating activities	140	147
Capital expenditure	(101)	(85)
Acquisitions (2013: Ski retail outlet)	-	(1)
Repayment of borrowings	(2)	(1)
Interest paid, net of interest received	(30)	(56)
Other	(3)	-
Net cash inflow for the period	4	4

During the period, Merlin generated a net operating cash flow after tax of £140 million.

Capital expenditure of £101 million was incurred in order to invest in both the existing estate businesses (£61 million) and NBD (£40 million). The Group invested £23 million in expanding the midway portfolio in the period, and £17 million on the ongoing resort repositioning of theme parks. There was no significant capex incurred on LEGOLAND Parks NBD in the period, although an amount of between £5 million to £10 million is expected for the full year, related to the recently announced plans for LEGOLAND Japan.

No acquisitions were made in the first half of 2014. In the corresponding period of 2013, £1 million was spent acquiring a ski retail outlet in Victoria, Australia, complementing the Hotham and Falls Creek ski-resorts.

Net debt

	28 June 2014 £m	29 June 2013 £m
Bank loans and borrowings	1,161	1,370
Less: cash and cash equivalents	(268)	(147)
Net bank debt	893	1,223
Finance lease obligations	84	86
Net debt	977	1,309
Maturity of bank borrowing facilities	July 2019	July 2019

Net debt reduced by £29 million in the 26 week period, primarily reflecting the movements in FX rates as the term debt is borrowed in Sterling, Euros, US Dollars and Australian Dollars, broadly in proportion to EBITDA earnings.

Merlin has a revolving facility of £150 million (June 2013: £138 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 28 June 2014, £nil had been drawn down from the revolving facility (June 2013: £nil).

Following a review of the Group's cash position, a decision has been made to prepay £65 million of term debt in the third quarter of 2014. This prepayment reflects strong cash flow generation across the group and was already factored into expectations for full year financing costs.

Risks and uncertainties

The principal risks and uncertainties affecting the Group are detailed on pages 34 and 35 of the 2013 Annual Report and Accounts. These are summarised as:

- Health, safety and security risks;
- Operational and strategic risks including those over brands and offerings, competition, the general economic environment, information technologies, key personnel, legal and regulatory, new site and attraction developments, property and the environment, and seasonality and weather; and
- Financial risks including those over credit risk, foreign currency risk, interest rate risk and liquidity risk.

The Directors consider that these risks have not substantially changed over the 26 week period ending 28 June 2014, and will continue to be relevant for the Group for the remainder of the financial year.

Summary Operating Group Financials

	Midway Attractions			LEGOLAND Parks			Resort Theme Parks			Group		
	2014	2013	%	2014	2013	%	2014	2013	%	2014	2013	%
Visitors ⁽¹⁾ (m)	17.4	17.0	2.8%	4.6	3.9	16.6%	4.4	4.0	8.8%	26.4	24.9	5.9%
Revenue per cap (£)	12.82	13.14	(2.4)%	29.44	29.65	(0.7)%	21.22	21.43	(1.0)%	17.09	17.07	0.1%
Visitor revenue (£m)	224	223	0.3%	134	116	15.8%	93	86	7.7%	451	425	6.0%
Other revenue (£m)	9	12	(18.4)%	28	23	19.9%	24	23	4.7%	62	58	6.9%
Total revenue (£m)	233	235	(0.6)%	162	139	16.5%	117	109	7.0%	513	483	6.1%
LFL revenue growth ⁽²⁾	1.9%	9.3%	-	19.0%	1.2%	-	7.7%	0.0%	-	8.1%	4.3%	-
EBITDA ⁽³⁾ (£m)	85	86	(1.1)%	50	38	31.7%	2	-	-	120	111	7.5%
Op. profit ⁽³⁾ (£m)	61	62	(1.7)%	39	27	42.4%	(12)	(12)	(0.1)%	71	64	10.0%
EE. Capex ⁽⁴⁾ (£m)	18	15	18.7%	18	18	0.2%	20	18	13.7%	61	52	18.6%

Note:

All figures based on interim results

⁽¹⁾ Statutory Visitors exclude LEGOLAND Malaysia and joint ventures

⁽²⁾ 2014 like for like growth is based on the 2014 and 2013 figures and includes all businesses owned and opened before 2013, on a constant currency basis using 2014 exchange rates

⁽³⁾ EBITDA and Operating Profit are presented on an underlying basis, excluding exceptional and non-trading items

⁽⁴⁾ Existing Estate Capex

Number of attractions

Movement in attraction numbers since 3 May 2014:

	UK			Cont. Europe			North America			Asia Pacific			Total		
	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014	3 May 2014	Mov't	28 June 2014
SEA LIFE	13	-	13	18	-	18	6	-	6	8	-	8	45	-	45
Madame Tussauds	2	-	2	3	-	3	4	1	5	6	1	7	15	2	17
Dungeons	5	-	5	3	-	3	-	1	1	-	-	-	8	1	9
LDC ⁽¹⁾	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⁽²⁾	23	-	23	26	-	26	16	3	19	22	1	23	87	4	91
LLP⁽³⁾	1	-	1	2	-	2	2	-	2	1	-	1	6	-	6
RTP⁽⁴⁾	4	-	4	3	-	3	-	-	-	-	-	-	7	-	7
Group	28	-	28	31	-	31	18	3	21	23	1	24	100	4	104

Note:

⁽¹⁾ LEGOLAND Discovery Centre

⁽²⁾ Midway Attractions Operating Group

⁽³⁾ LEGOLAND Parks Operating Group

⁽⁴⁾ Resort Theme Parks Operating Group

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 28 June 2014

(2013: 26 weeks ended 29 June 2013)

	Note	26 weeks ended 28 June 2014			26 weeks ended 29 June 2013		
		Underlying trading £m	Exceptional and non-trading items ⁽²⁾ £m	Total £m	Underlying trading £m	Exceptional and non-trading items ⁽²⁾ £m	Total £m
Revenue	2.1	513	-	513	483	-	483
Cost of sales		(75)	-	(75)	(68)	-	(68)
Gross profit		438	-	438	415	-	415
Staff expenses	2.1	(147)	-	(147)	(137)	-	(137)
Other operating expenses		(171)	-	(171)	(167)	(3)	(170)
EBITDA⁽¹⁾	2.1	120	-	120	111	(3)	108
Depreciation, amortisation and impairment	3.1, 3.2	(49)	-	(49)	(47)	-	(47)
Operating profit		71	-	71	64	(3)	61
Finance income	4.2	1	-	1	-	17	17
Finance costs	4.2	(32)	-	(32)	(75)	(4)	(79)
Profit/(loss) before tax		40	-	40	(11)	10	(1)
Taxation	2.3	(11)	-	(11)	-	(1)	(1)
Profit/(loss) for the period⁽³⁾		29	-	29	(11)	9	(2)
Earnings per share							
Basic and diluted earnings per share (p)	2.4			2.8			(0.2)

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

⁽²⁾ Details of exceptional and non-trading items are provided in note 2.2.

⁽³⁾ All profits and losses for the periods are attributable to the owners of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 28 June 2014

(2013: 26 weeks ended 29 June 2013)

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
Profit/(loss) for the period	29	(2)
Other comprehensive income		
<i>Items that may be reclassified to profit and loss</i>		
Exchange differences on the retranslation of net assets of foreign operations	(23)	37
Exchange differences relating to the net investment in foreign operations	12	(14)
Effective portion of changes in fair value of cash flow hedges	(4)	2
Other comprehensive income for the period net of income tax	(15)	25
Total comprehensive income for the period ⁽¹⁾	14	23

⁽¹⁾ Total comprehensive income for the periods is attributable to the owners of the Company.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 June 2014

(2013: 28 December 2013, 29 June 2013)

	Note	28 June 2014 £m	28 December 2013 £m	29 June 2013 £m
Non-current assets				
Property, plant and equipment	3.1	1,345	1,321	1,354
Intangible assets	3.2	945	961	988
Investments		6	3	-
Other receivables		4	3	3
Deferred tax assets		56	56	40
		2,356	2,344	2,385
Current assets				
Inventories		36	24	36
Trade and other receivables		89	64	70
Other financial assets		4	6	1
Cash and cash equivalents	4.1	268	264	147
		397	358	254
Total assets		2,753	2,702	2,639
Current liabilities				
Interest-bearing loans and borrowings	4.1	5	6	1
Other financial liabilities		11	9	50
Trade and other payables		301	223	260
Tax payable		-	21	10
Provisions		5	11	12
		322	270	333
Non-current liabilities				
Interest-bearing loans and borrowings	4.1	1,156	1,179	1,369
Finance leases	4.1	84	85	86
Other payables		24	23	23
Provisions		45	37	39
Employee benefits		4	4	4
Deferred tax liabilities		158	160	145
		1,471	1,488	1,666
Total liabilities		1,793	1,758	1,999
Net assets		960	944	640
Issued capital and reserves attributable to owners of the Company		956	940	636
Non-controlling interest		4	4	4
Total equity		960	944	640

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 28 June 2014

(2013: 26 weeks ended 29 June 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
Loss for the period		-	-	-	-	-	(2)	(2)	-	(2)
Other comprehensive income for the period net of income tax		-	-	-	23	2	-	25	-	25
Total comprehensive income for the period		-	-	-	23	2	(2)	23	-	23
At 29 June 2013		1	4	737	(45)	(5)	(56)	636	4	640
Profit for the period		-	-	-	-	-	147	147	-	147
Other comprehensive income for the period net of income tax		-	-	-	(40)	3	-	(37)	-	(37)
Total comprehensive income for the period		-	-	-	(40)	3	147	110	-	110
Bonus issue		8	2,979	(2,987)	-	-	-	-	-	-
Shares issued		1	200	-	-	-	(7)	194	-	194
At 28 December 2013		10	3,183	(2,250)	(85)	(2)	84	940	4	944
Profit for the period		-	-	-	-	-	29	29	-	29
Other comprehensive income for the period net of income tax		-	-	-	(11)	(4)	-	(15)	-	(15)
Total comprehensive income for the period		-	-	-	(11)	(4)	29	14	-	14
Capital restructure	4.3	-	(3,183)	2,250	-	-	933	-	-	-
Equity-settled share-based transactions	4.4	-	-	-	-	-	2	2	-	2
At 28 June 2014		10	-	-	(96)	(6)	1,048	956	4	960

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 28 June 2014

(2013: 26 weeks ended 29 June 2013)

	Note	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
Cash flows from operating activities			
Profit/(loss) for the period		29	(2)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	3.1, 3.2	49	47
Finance income	4.2	(1)	(17)
Finance costs	4.2	32	79
Taxation	2.3	11	1
		120	108
Working capital changes		38	52
Increase/(decrease) in provisions and other non-current liabilities		2	(3)
		160	157
Tax paid		(20)	(10)
Net cash inflow from operating activities		140	147
Cash flows from investing activities			
Interest received		-	1
Acquisition of subsidiaries		-	(1)
Acquisition of investments		(3)	-
Acquisition of property, plant and equipment		(101)	(85)
Net cash outflow from investing activities		(104)	(85)
Cash flows from financing activities			
Interest paid		(30)	(57)
Repayment of borrowings		(2)	(1)
Net cash outflow from financing activities		(32)	(58)
Net increase in cash and cash equivalents		4	4
Cash and cash equivalents at beginning of period		264	142
Effect of movements in foreign exchange		-	1
Cash and cash equivalents at end of period	4.1	268	147

SECTION I BASIS OF PREPARATION

26 weeks ended 28 June 2014

I.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 28 June 2014 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 28 December 2013 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 Services 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 28 December 2013.

These interim financial statements are not statutory accounts. The statutory accounts for the 52 weeks ended 28 December 2013 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 £29 million (*52 weeks ended 28 December 2013: £145 million*) and continues to generate cash with operating cash inflows of £140 million. In the equivalent period for 2013, the Group generated operating cash inflows of £147 million, and went on to generate £365 million for the full year. The Group is funded by a bank loan facility, due for renewal in 2019. The Group's forecasts show that it is expected to be able to operate within the terms of that facility.

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 condensed consolidated financial statements.

Significant accounting policies

The accounting policies adopted in preparation of these condensed consolidated interim financial statements to 28 June 2014 are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 52 weeks ended 28 December 2013.

The following standards and interpretations, issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, have been adopted by the Group with no significant impact on its consolidated financial statements.

- IFRS 10 'Consolidated financial statements'.
- IFRS 11 'Joint arrangements'.
- IFRS 12 'Disclosure of interests in other entities'.
- IAS 27 'Separate financial statements'.
- IAS 28 'Investments in associates and joint ventures'.
- IAS 32 (Amendment) 'Financial instruments: presentation – offsetting financial assets and financial liabilities'.

SECTION 2 RESULTS FOR THE PERIOD

26 weeks ended 28 June 2014

2.1 Profit before tax

Segmental information

A segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group delivers two different types of visitor experiences through its portfolio of midway attractions and theme parks. Midway attractions are predominantly indoor attractions located in city centres or resorts providing visits of shorter duration (typically up to two hours). The theme parks portfolio consists of 'LEGOLAND Parks' which are aimed at families with younger children and which have the LEGO® product as their central theme; and 'Resort Theme Parks' which are standalone national brands generally aimed at families, teenagers and young adults. The management of the Merlin business is aligned directly to these two attraction types and organised into three Operating Groups, being Midway Attractions, LEGOLAND Parks and Resort Theme Parks, which form the segments on which the information shown below is prepared.

The Group determines and presents segments based on the information that is provided internally to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker. A segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Performance is measured based on segment EBITDA, as included in internal management reports, which is before exceptional and non-trading items.

Information regarding the results of each segment is included below:

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
Midway Attractions	233	235
LEGOLAND Parks	162	139
Resort Theme Parks	117	109
Segment revenue	512	483
Central and other revenue	1	-
Revenue	513	483

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
Midway Attractions	85	86
LEGOLAND Parks	50	38
Resort Theme Parks	2	-
Segment profit, being segment EBITDA	137	124
Central costs	(17)	(13)
EBITDA before exceptional and non-trading items	120	111
Exceptional and non-trading items within EBITDA (note 2.2)	-	(3)
EBITDA	120	108
Depreciation, amortisation and impairment	(49)	(47)
Net finance costs	(31)	(62)
Consolidated profit/(loss) before tax	40	(1)

SECTION 2 RESULTS FOR THE PERIOD (continued)

26 weeks ended 28 June 2014

2.1 Profit before tax (continued)

Operating costs

Staff costs

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

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
Wages and salaries	125	117
Share-based payments	2	-
Social security costs	16	15
Other pension costs	4	5
	147	137

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. These attractions are also biased towards vacation periods, normally around June to September.

Information regarding the results for the 52 weeks to 28 June 2014 is included below:

	52 weeks ended 28 June 2014 £m	52 weeks ended 29 June 2013 £m
Revenue	1,222	1,112
Underlying EBITDA	399	363
Profit before tax	213	99

SECTION 2 RESULTS FOR THE PERIOD (continued)

26 weeks ended 28 June 2014

2.2 Exceptional and non-trading items

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

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
<i>Within other operating expenses:</i>		
Costs in respect of IPO ⁽¹⁾	-	3
Exceptional and non-trading items included within EBITDA and operating profit	-	3
<i>Within finance income and costs:</i>		
Unrealised gain on re-measurement of financial derivatives at fair value ⁽²⁾	-	(17)
Unrealised loss on re-measurement of financial derivatives at fair value ⁽²⁾	-	4
	-	(13)
Exceptional and non-trading items before income tax	-	(10)
Exceptional and non-trading items income tax charge	-	1
Exceptional and non-trading items for the period	-	(9)

(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 (IPO). They are separately presented as they were not part of the Group's underlying operating expenses.

(2) 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 (note 4.2).

2.3 Taxation

Recognised in the income statement

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
<i>Current tax expense</i>		
Current period	8	2
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	3	-
Adjustment for prior periods	-	(1)
Total deferred tax	3	(1)
Total tax expense in income statement	11	1

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The group's consolidated effective tax rate in respect of continuing operations for the 26 weeks ended 28 June 2014 was 28.3% (26 weeks ended 29 June 2013: (394.3)%; 52 weeks ended 28 December 2013: 15.7%). The primary factor for the change in effective tax rate from that arising in the 52 weeks ended 28 December 2013 was the stock exchange listing in 2013. Changes associated with the IPO led to the recognition of deferred tax assets in 2013 that were previously unrecognised and to a reduction in income not subject to tax in 2014. In addition, non-deductible expenses associated with the IPO were incurred in 2013.

SECTION 2 RESULTS FOR THE PERIOD (continued)

26 weeks ended 28 June 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 outstanding during the period.

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

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

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

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
Profit/(loss) attributable to ordinary shareholders	29	(2)
Exceptional and non-trading items net of tax (see note 2.2)	-	(9)
Adjusted profit/(loss) attributable to ordinary shareholders	29	(11)

	26 weeks ended 28 June 2014	26 weeks ended 29 June 2013
Basic weighted average number of shares	1,013,746,032	950,000,000
Dilutive potential ordinary shares	-	-
Diluted weighted average number of shares	1,013,746,032	950,000,000

Awards issued under the share incentive schemes described in note 4.4 are not dilutive for the 26 weeks ended 28 June 2014 and 29 June 2013, as the performance conditions attached to the PSP have not been achieved at the reporting date and the average market price of the ordinary shares subject to the CSOP and All Employee Sharesave Plan schemes did not exceed the sum of the exercise price and the fair value of services to be provided for these awards.

Earnings per share

	26 weeks ended 28 June 2014 Pence	26 weeks ended 29 June 2013 Pence
Basic and diluted earnings per share on profit/(loss) for the period	2.8	(0.2)
Exceptional and non-trading items net of tax	-	(1.0)
Adjusted and diluted earnings per share on adjusted profit/(loss) for the period	2.8	(1.2)

2.5 Dividends

On 30 July 2014 the directors declared an interim dividend of two pence per share, amounting to £20 million, which will be paid on 25 September 2014 to ordinary shareholders on the register at the close of business on 29 August 2014.

SECTION 3 OPERATING ASSETS AND LIABILITIES

26 weeks ended 28 June 2014

3.1 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Balance at 29 December 2013	701	558	62	1,321
Additions	14	29	57	100
Movements in asset retirement provisions	1	-	-	1
Transfers	28	31	(59)	-
Depreciation for period - owned assets	(13)	(33)	-	(46)
Depreciation for period - leased assets	(1)	(1)	-	(2)
Effect of movements in foreign exchange	(19)	(8)	(2)	(29)
Balance at 28 June 2014	711	576	58	1,345

Capital commitments

At the period end the Group has a number of outstanding capital commitments amounting to £59 million (29 June 2013: £20 million and 28 December 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.

3.2 Goodwill and intangible assets

	Goodwill £m	Intangible assets Brands £m	Other £m	Total £m
Balance at 29 December 2013	768	179	14	961
Additions	-	-	1	1
Amortisation for the period	-	-	(1)	(1)
Effect of movements in foreign exchange	(12)	(4)	-	(16)
Balance at 28 June 2014	756	175	14	945

SECTION 4 CAPITAL STRUCTURE AND FINANCING

26 weeks ended 28 June 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.

	Cash and cash equivalents £m	Interest-bearing loans and borrowings £m	Finance leases £m	Total £m
Net debt at 29 December 2013	264	(1,185)	(85)	(1,006)
Cash flows	4	29	3	36
Non-cash movement	-	(29)	(3)	(32)
Effect of movements in foreign exchange	-	24	1	25
Net debt at 28 June 2014	268	(1,161)	(84)	(977)

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.

4.2 Finance income and costs

Finance income

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
<i>In respect of assets not held at fair value</i>		
Interest income	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	-	17
	1	17

Finance costs

	26 weeks ended 28 June 2014 £m	26 weeks ended 29 June 2013 £m
<i>In respect of liabilities not held at fair value</i>		
Interest expense on financial liabilities measured at amortised cost	31	60
Other interest expense	1	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	-	14
	32	79

SECTION 4 CAPITAL STRUCTURE AND FINANCING (continued)

26 weeks ended 28 June 2014

4.3 Equity

Share capital and 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 three employee share incentive schemes: the Performance Share Plan (PSP), the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan as set out in the tables below.

During the 26 weeks ended 28 June 2014 there was an annual grant under the All Employee Sharesave Plan and further minor awards under the PSP and CSOP.

	PSP		CSOP		All Employee Sharesave Plan	
	Number	WAEP (£)	Number	WAEP (£)	Number	WAEP (£)
Granted during the period	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 period	78,177	-	100,250	3.77	3,555,062	2.98
Forfeited during the period	-	-	(9,532)	3.15	(78,868)	2.99
At 28 June 2014	3,711,666	-	2,389,093	3.18	3,476,194	2.98

The fair value of the awards granted under the All Employee Sharesave Plan and the assumptions used in the calculations are as follows:

Date of grant	Number of awards	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
13 January 2014	285,247	3.17	3.73	0.70	0.7%	20%	3.3	0.8%
7 February 2014	3,269,815	2.96	3.54	0.84	0.7%	22%	2.2	1.2%

The total charge for the period relating to employee share-based payment plans was £2 million (2013: £nil) which was charged to staff expenses.

SECTION 5 OTHER NOTES

26 weeks ended 28 June 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 period the Group either 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 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 28 June 2014, are as follows:

	Sales £m	Amounts owed by related party £m	Purchases £m	Amounts owed to related party £m
28 June 2014				
KIRKBI Invest A/S	1	1	3	2
LEGO Group	-	1	16	3
	1	2	19	5
29 June 2013				
KIRKBI Invest A/S	-	-	3	2
LEGO Group	1	1	20	3
	1	1	23	5

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 28 June 2014 are: parties related to KIRKBI Invest A/S £52 million (29 June 2013: £62 million), funds advised by parties related to Blackstone Capital Partners £38 million (29 June 2013: £42 million) and funds advised by parties related to CVC Capital Partners £24 million (29 June 2013: £41 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 28 June 2014 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 28 June 2014, are as follows:

	28 June 2014 £m	29 June 2013 £m
Sales	1	2
Amounts owed by related party	4	5

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM 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 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 26 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 that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

Fru Hazlitt was appointed as a Non-executive Director to the Board of Merlin Entertainments plc on 1 April 2014. There have been no further appointments or resignations in the period and the remaining Directors are listed in the Merlin Entertainments plc 2013 Annual Report.

By order of the Board

Nick Varney
Chief Executive Officer
30 July 2014

Andrew Carr
Chief Financial Officer
30 July 2014

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 28 June 2014, 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 28 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mark Summerfield
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Dukes Keep, Marsh Lane,
Southampton
SO14 3EX

30 July 2014