Merlin Entertainments plc – 2019 Interim Results

Performance to date broadly in line with Board expectations

1 August 2019

Merlin Entertainments, Europe's leading and the world's second-largest visitor attraction operator, today reports results for the 26 weeks ended 29 June 2019.

Key highlights

	26 weeks ended 29 June 2019	26 weeks ended 30 June 2018 (restated)	Organic growth (constant currency)[2]	Reported growth (actual currency)
Visitors[1] (m)	**30.8**	29.9		3.0%
Revenue (£m)	**763**	706	6.5%	8.1%
Underlying EBITDA (£m)	**191**	188	(0.8)%	1.4%
Underlying operating profit (£m)	**79**	88	(14.2)%	(10.8)%
Underlying profit before tax (£m)	**34**	43		(21.6)%
Underlying profit for the period (£m)	**25**	33		(24.4)%
Adjusted earnings per share (p)	**2.5**	3.3		(24.7)%
Dividend per share (p)	**-**	2.5		n/a
Operating free cash flow (£m)	**110**	107		2.4%

- *During the period the Group adopted IFRS 16, the new accounting standard for leasing. The 2018 results have therefore been restated compared to previously reported figures to be on an IFRS 16 basis.*
- *During the period the Group disposed of its two Australian ski resorts. These have been accounted for as discontinued operations in both periods and accordingly the results above relate to the continuing operations of the Group excluding the ski fields.*
- *To aid understanding of these items, a reconciliation to previously reported numbers is shown on page 12.*

Summary

- Group organic revenue grew by 6.5%, driven by like for like revenue growth of 2.3% as Midway Attractions and Resort Theme Parks return to growth, and the continued roll out of new attractions and accommodation;
- Midway Attractions organic revenue grew by 8.1%, with a steady recovery in London trading and growth elsewhere;
- Resort Theme Parks organic revenue growth of 4.1% driven by product investment, accommodation openings and favourable trading at Easter;
- LEGOLAND Parks organic revenue increased by 4.6% with continued accommodation openings offsetting challenging trading in the existing estate;
- Accommodation revenue grew by 14.5% on a constant currency basis and now represents 24% of theme park revenue;
- Significant cost pressures, partially mitigated by the Productivity Agenda, have limited EBITDA growth;
- Increased depreciation charge relating to the significant investment in the business, and an increased tax charge due to US legislation, combined with the operating performance, resulted in a 24.7% decline in adjusted earnings per share;
- Improved cash generation, with operating free cash flow of £110 million, representing growth of 2.4%;
- No dividend proposed, following the 28 June announcement regarding the Recommended Offer;
- Continued focus upon long term investment opportunities, with progress against the opening of new LEGOLAND parks and roll out of new brands.

Nick Varney, Chief Executive Officer, said:

"Group performance year to date has been broadly in line with our expectations in the seasonally quieter first half of the year, with 6.5% organic revenue growth driven by a combination of like for like growth, continued contribution from new openings and the benefit of a diversified portfolio.

After a number of years of headwinds, it is pleasing to see both Midway and Resort Theme Parks (RTP) returning to better levels of like for like revenue growth, with improved cash generation. In Midway, we have seen an improvement in London trading and a generally solid performance elsewhere driving 4.5% like for like revenue growth, whilst RTP has delivered like for like growth of 3.0% despite difficult comparatives. Trading in LEGOLAND Parks has however been more disappointing. Although we enjoyed a strong Easter and Spring Break performance, trading since then has been affected by poor weather in May and June, difficult market conditions in a number of countries and limited momentum from 'The LEGO Movie 2'.

With eight new Midway attractions opened in the period, 372 new accommodation rooms, and the ongoing development of new LEGOLAND parks, we continue to build on our position as a unique, multi-format international operator of strongly branded and IP-led location based entertainment."

Delivering on the strategy

The Group has made further progress against its strategic growth drivers so far in 2019, and has also expanded and diversified its portfolio:

Growing the existing estate through planned investment cycles

- Compelling new propositions opened across the estate, including:
  - Midway Attractions – 'Broadway' experience at Madame Tussauds New York and 'Penguin Ice Adventure' at SEA LIFE Bangkok Ocean World
  - LEGOLAND Parks – 'The LEGO Movie World' at LEGOLAND Florida and 'The Haunted House Monster Party' at LEGOLAND Windsor
  - Resort Theme Parks – 'Colossos' roller coaster at Heide Park.

Exploiting strategic synergies

- Productivity Agenda on track to deliver £35 million of efficiency savings by 2022
  - UK-based finance Shared Service Centre to open next month
  - A number of central functions rationalised
  - Continued pilot of 'lean' practices in our theme parks
- Successful launch of Merlin Monthly Membership programme, now accounting for approximately 30% of all UK-wide Pass sales.

Transforming our theme parks into destination resorts

- Total of 372 new rooms planned for 2019 now open, comprising:
  - 142 room Castle Hotel at LEGOLAND Billund Resort
  - 128 room Magic Hotel at Gardaland Resort
  - 102 'Stargazing Pods' at Alton Towers Resort.

Rolling out new Midway attractions

- Eight new Midway attractions opened to date, including two pilots of the new Peppa Pig World of Play in the US, and a Dungeon within Alton Towers Resort
- SEA LIFE San Antonio scheduled to open towards the end of 2019.

New LEGOLAND park developments

- Continue to target a 2020 opening for LEGOLAND New York, although timetable and cost are under pressure given the scale and complexity of the project
  - Accommodation is now expected to open in 2021

- Construction contracts now awarded in South Korea, scheduled to open by 2022
- Discussions ongoing regarding development agreements in China.

Recommended Offer

Merlin announced on 28 June a Recommended Offer for the Company. Documents related to the shareholder and court meetings, which are expected to take place on 3 September, will be published today on the Company's corporate website.

Dividend

Following the announcement made on 28 June regarding the Recommended Offer for the Company, the Board is not recommending an interim dividend payment.

Footnotes to key highlights table:

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

(2) Growth from like for like businesses and new business development at constant currency and excluding growth from acquisitions.

Audio webcast

An audio webcast for analysts, hosted by Anne-Francoise Nesmes, will be held this morning at 09:30 and can be accessed via Merlin's corporate website, www.merlinentertainments.biz.

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About Merlin Entertainments plc

Merlin Entertainments plc is a global leader in location based, family entertainment. As Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin now operates over 130 attractions, 20 hotels and 6 holiday villages in 25 countries and across 4 continents. Merlin's purpose is to deliver memorable experiences to 67 million guests around the world, through its iconic global and local brands, and the commitment and passion of its c.28,000 employees (peak season). The Company invests in the development of outstanding visitor experiences across multiple formats, and consistently achieves above 90% guest satisfaction levels.

It is headquartered in Poole, Dorset, UK and is listed on the London Stock Exchange (MERL.L). In 2018, Merlin had revenues of £1.7 billion and underlying EBITDA of £494 million. Reflecting its longstanding strategy of diversification and global expansion, Merlin generates over 70% of profits from outside of the UK.

Merlin's strategy since its inception in 1999 has been to create a high growth, high return family entertainment company based upon strong brands and a global portfolio that is naturally balanced against the impact of external factors. It operates two distinct products – Midway attractions and theme parks.

'Midway' attractions are high quality, branded, indoor attractions, with a typical 1-2 hour dwell time, located in city centres, shopping malls or resorts. There are approximately 120 Midway attractions across 22 countries, with chainable brands including SEA LIFE, Madame Tussauds, The Eye (observation attractions), The Dungeons and LEGOLAND Discovery Centres. Midway also incorporates the Little BIG City brand which has attractions in Berlin and Beijing, and two new brand concepts: The Bear Grylls Adventure which opened its first attraction last year in Birmingham, UK, and Peppa Pig World of Play, a pre-school play experience with initial roll out in China and the US.

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

- LEGOLAND Parks – Eight LEGO themed interactive theme parks appealing to younger families with children aged 2-12. The LEGOLAND Parks estate spans seven countries across three continents, with plans already announced for further parks in New York, US and South Korea and discussions ongoing regarding parks in China.

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

The trend towards shorter, more frequent breaks has supported the growth of Merlin's themed on-site accommodation within its theme parks. Merlin has c.4,500 rooms across a variety of accommodation formats and price points, including four-star hotels, lodges and glamping.

Merlin delivers safe, memorable experiences every day for its guests through its own brands or, increasingly, through exclusive partnerships with Intellectual Property owners. It is supported by its unique internal department – Merlin Magic Making – providing development, creative, production and project management expertise.

Merlin is committed to being a force for good, aiming to make a difference to the communities linked to its business. Merlin's Magic Wand (www.merlinsmagicwand.org) is a charity which supports children facing challenges of serious illness, disability or adversity to experience the magic of Merlin's attractions, and SEA LIFE Trust (www.sealifetrust.org), promotes and contributes to marine conservation around the world.

See Merlin Backstage (www.backstage.merlinentertainments.biz or www.facebook.com/merlinbackstage) for an insight into how Merlin delivers memorable experiences to its many millions of visitors to its attractions.

Visit www.merlinentertainments.biz for more information and follow on Twitter @MerlinEntsNews.

Number of attractions

Movement in the number of attractions between 29 December 2018 and 29 June 2019:

	UK			Cont. Europe			Americas			Asia Pacific			Total		
	29 Dec 2018	Mov't	29 Jun 2019	29 Dec 2018	Mov't	29 Jun 2019	29 Dec 2018	Mov't	29 Jun 2019	29 Dec 2018	Mov't	29 Jun 2019	29 Dec 2018	Mov't	29 Jun 2019
SEA LIFE	11	-	11	18	-	18	8	-	8	9	2	11	46	2	48
MT[(1)]	2	-	2	4	-	4	7	-	7	10	-	10	23	-	23
Dungeons	5	1	6	3	-	3	1	-	1	1	-	1	10	1	11
LDC[(2)]	2	-	2	3	-	3	11	1	12	4	2	6	20	3	23
Eye	2	-	2	-	-	-	-	-	-	1	-	1	3	-	3
Other	2	-	2	1	-	1	-	2	2	8	(2)	6	11	-	11
Midway[(3)]	**24**	**1**	**25**	**29**	**-**	**29**	**27**	**3**	**30**	**33**	**2**	**35**	**113**	**6**	**119**
LLP[(4)]	**1**	**-**	**1**	**2**	**-**	**2**	**2**	**-**	**2**	**3**	**-**	**3**	**8**	**-**	**8**
RTP[(5)]	**4**	**-**	**4**	**2**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**6**
Group	**29**	**1**	**30**	**33**	**-**	**33**	**29**	**3**	**32**	**36**	**2**	**38**	**127**	**6**	**133**

Note:
(1) Madame Tussauds
(2) LEGOLAND Discovery Centre
(3) Midway Attractions Operating Group
(4) LEGOLAND Parks Operating Group
(5) Resort Theme Parks Operating Group

Attractions opened to date in 2019 comprise Alton Towers Dungeon; LDC Beijing, San Antonio and Shenyang; SLC Malaysia and Shenyang and Peppa Pig World of Play in Dallas and Michigan.
Attractions sold in the period comprise the two ski fields in Australia.

Number of rooms

Movement in the number of accommodation rooms between 29 December 2018 and 29 June 2019:

	29-Dec-18	Rooms opened	Other movements	29-Jun-19
Billund (Denmark)	436	142	-	578
Windsor (UK)	209	-	-	209
California	500	-	-	500
Deutschland	461	-	-	461
Florida	318	-	-	318
Malaysia	263	-	-	263
Dubai	-	-	-	-
Japan	252	-	-	252
LEGOLAND Parks	**2,439**	**142**	**-**	**2,581**
Alton Towers (UK)	592	102	-	694
Chessington World of Adventures (UK)	254	-	-	254
Gardaland (Italy)	347	128	-	475
Heide Park (Germany)	329	-	-	329
THORPE PARK (UK)	90	-	-	90
Warwick Castle (UK)	67	-	-	67
Resort Theme Parks	**1,679**	**230**	**-**	**1,909**
Group	**4,118**	**372**	**-**	**4,490**

Note: Excludes campsite pitches at LEGOLAND Deutschland and LEGOLAND Billund.

Chief Executive Officer's review

Group performance summary

Group performance year to date has been broadly in line with Board expectations, with organic revenue growth of 6.5% driven by a combination of like for like growth, the continued contribution from the opening of new Midway attractions and the expansion of the accommodation offering at our theme parks. We've seen growth in the number of visitors and continue to achieve strong levels of guest satisfaction. Organic revenue growth has been offset by cost pressures resulting in limited EBITDA growth.

Like for like revenue growth of 2.3% has been driven by a better performance in our Midway and Resort Theme Parks Operating Groups, both of which have experienced headwinds in recent years. In Midway, we have seen an improvement in London visitation and trading elsewhere has also been generally solid, whilst in Resort Theme Parks, we have shown continued revenue growth, despite the difficult comparatives. Offsetting this, trading in LEGOLAND Parks has however been more challenging. Although we enjoyed a strong Easter and Spring Break performance, trading since then has been affected by poor weather, difficult conditions in a number of markets and limited momentum from 'The LEGO Movie 2'.

The opening of eight new Midway attractions has contributed positively to the growth in revenue, and includes two pilots of Peppa Pig World of Play – our first in the US. We continue to invest in the three new brands – Peppa Pig World of Play, Little BIG City and The Bear Grylls Adventure - and will assess their commercial performance and refine the propositions over the coming months.

We continue to implement our strategy to develop our theme parks into resorts with the opening of 372 rooms across three parks, including two hotels and an innovative extension to the holiday village at Alton Towers, where we now have six types of accommodation ranging from luxury treehouses to the excellent value 'Stargazing Pods'. The guest feedback on our investment in accommodation remains strong, and Merlin is a global leader in themed accommodation. Developing our theme parks for short breaks is not limited to expanding our accommodation offering but developing the full park experience through investments in features and second gates. The opening of a Dungeon at Alton Towers has received positive guest feedback and we recently announced that we will be opening a LEGOLAND Waterpark at Gardaland in 2020, further supporting the development of what is already a fantastic resort. Our long-standing discipline around investment returns remains an area of focus, and we continue to take a long term view, accepting where appropriate a temporary reduction in reported returns.

Given the backdrop of ongoing, significant cost pressures – in particular related to staff – and investment in Midway openings, EBITDA grew by 1.4% at reported foreign exchange rates. We continue to seek opportunities to improve the operating efficiency of the business, refusing to compromise the guest experience for short term gain. To this end, our Productivity Agenda is well underway and we remain on track to deliver £35 million of savings by 2022. In the period, we have rationalised a number of our central functions, continued to invest in kiosk technology and we will shortly launch our Shared Service Centre in Basingstoke, UK which will help facilitate efficiency improvements within our back office finance functions. Operationally, we seek to further simplify and streamline the operations of our smaller Midway attractions, and in the parks, we are expanding our 'lean' pilots – applying principles of continuous improvement.

Beluga Whale Sanctuary

In June, the SEA LIFE Trust, together with expert support from partner Cargolux Airlines International, successfully transferred the two beluga whales, Little Grey and Little White, from Shanghai to their new home on the island of Heimaey on the southern coast of Iceland. The ground-breaking journey saw the whales transported over 6,000 miles via air, land and sea to a purpose-built care pool ahead of their introduction to the Beluga Whale Sanctuary in Klettsvik Bay later in the year. We have been pleased to see such positive social media response in China to our project, and we hope the establishment of this world-first facility will encourage other entertainment operators to review their policies towards keeping cetaceans in captivity.

Operating Group Review

Midway Attractions

£million	26 weeks ended 29 June 2019	26 weeks ended 30 June 2018 (restated)	Organic growth (constant currency)	Reported growth (actual currency)	Like for like growth
Revenue	324	297	8.1%	8.9%	4.5%
Underlying EBITDA	108	107	(0.1)%	0.6%	
Underlying operating profit	56	62	(9.7)%	(9.2)%	

Organic revenue grew by 8.1% in the Midway Attractions Operating Group reflecting like for like growth of 4.5% and the positive contribution from New Business Development.

Trading in London, the largest of our five regional Divisions has, as anticipated, continued to improve. The business has grown steadily in the first half of 2019, benefiting from stronger inbound tourism as it recovers following the terrorist attacks of 2017, and as a result of the weaker Sterling. The Operating Group's like for like performance was also impacted by the re-opening of the LEGOLAND Discovery Centre in Shanghai, following its temporary closure last year. Finally, the adverse effect on visitation of the removal of the beluga whales from Chang Feng Ocean World in Shanghai has been significant for the site, but consistent with previous expectations. Elsewhere across the Midway portfolio, revenue growth has been solid.

Our Midway roll out programme contributed an additional £14 million revenue in the period (of which £1 million related to SEA LIFE Nagoya which is included in the LEGOLAND Parks result), with new brands or openings in new markets representing approximately half of this.

Underlying EBITDA was broadly flat on a constant currency basis. The margin declined however from 36.0% to 33.2% partly as a result of the ongoing cost pressures in the existing estate, but primarily due to the significant investment in openings of new brands or attractions in new markets. These attractions typically have lower rates of return at the outset as they establish themselves, contributing revenue, but limited profit.

The small increase in EBITDA, combined with growth in depreciation driven by continued investment in the existing estate, Productivity Agenda and New Business Development, resulted in a decline in operating profit of £6 million (9.7% at constant currency).

LEGOLAND Parks

£million	26 weeks ended 29 June 2019	26 weeks ended 30 June 2018 (restated)	Organic growth (constant currency)	Reported growth (actual currency)	Like for like growth
Revenue	296	274	4.6%	7.9%	(0.7)%
Underlying EBITDA	91	89	(2.5)%	1.3%	
Underlying operating profit	62	65	(9.5)%	(5.6)%	

Organic revenue grew by 4.6% in the LEGOLAND Parks Operating Group, driven by the continued roll out of new accommodation offsetting a decline in like for like revenue.

142 accommodation rooms have been added to the LEGOLAND estate with the opening of the Castle Hotel at LEGOLAND Billund Resort. Total accommodation revenue grew by 19.6% on a constant currency basis to represent 25% of LEGOLAND Parks revenue *(2018: 22%)*.

Like for like revenue declined by 0.7%. Although the Operating Group delivered a strong Easter and Spring Break performance, trading since then has been more challenging due to poor weather and difficult trading conditions in a number of markets. Additionally, whilst our new 'The LEGO Movie World' land at LEGOLAND Florida has enjoyed favourable guest

feedback, there has otherwise been limited trading momentum as a result of the film itself. Nevertheless, we continue to enjoy levels of Guest Satisfaction in excess of 90%, and have further improved our 'Top Box' measure.

Underlying EBITDA declined by 2.5% on a constant currency basis, representing a margin decline from 32.7% to 30.7%. This is the result of the decline in like for like revenue, continued cost pressures and, to a lesser extent, increasing pre-opening costs related to LEGOLAND New York.

Operating profit declined by 9.5% on a constant currency basis due to the decline in EBITDA and increased depreciation associated primarily with the continued investment in accommodation.

Resort Theme Parks

£million	**26 weeks ended 29 June 2019**	**26 weeks ended 30 June 2018 (restated)**	**Organic growth (constant currency)**	**Reported growth (actual currency)**	**Like for like growth**
Revenue	137	133	4.1%	3.6%	3.0%
Underlying EBITDA	16	15	9.7%	9.8%	
Underlying operating profit	(9)	(10)	5.9%	7.0%	

Organic revenue grew by 4.1% in the Resort Theme Parks Operating Group, reflecting like for like revenue growth of 3.0% and the contribution from new accommodation.

230 rooms were opened during the period comprising the 128 room Magic Hotel at Gardaland Resort, and 102 'Stargazing Pods' at Alton Towers Resort. Total accommodation revenue grew by 3.8% on a constant currency basis to represent 21% of revenue *(2018: 21%).*

The good like for like performance, despite challenging comparatives, is a result of product initiatives such as 'Room on the Broom' at Chessington World of Adventures and the relaunch of 'Colossos' at Heide Park together with favourable Easter weather in the UK.

As a result of the revenue growth, underlying EBITDA improved slightly and the seasonal operating loss narrowed to £9 million.

Chief Financial Officer's review

	26 weeks ended 29 June 2019 £m	26 weeks ended 30 June 2018 (restated) £m	Organic growth (constant currency)	Reported growth (actual currency)
Revenue	**763**	706	6.5%	8.1%
Underlying EBITDA	**191**	188	(0.8)%	1.4%
Margin	**25.0%**	26.7%		
Depreciation and amortisation	**(112)**	(100)	(10.9)%	(12.1)%
Underlying operating profit	**79**	88	(14.2)%	(10.8)%
Net finance costs	**(45)**	(45)		0.4%
Underlying profit before tax	**34**	43		(21.6)%
Taxation	**(9)**	(10)		12.3%
Underlying profit for the period	**25**	33		(24.4)%
Adjusted earnings per share (p)	**2.5**	3.3		(24.7)%
Operating free cash flow	**110**	107		2.4%

Revenue

Reported revenue was £763 million and grew 6.5% on an organic basis.

On a like for like basis, revenues grew by 2.3%, or £16 million, reflecting growth in the Midway Attractions and Resort Theme Parks Operating Groups, and a decline in LEGOLAND Parks.

New Business Development added a total of £33 million to growth, including £15 million from the roll out of accommodation and £14 million from new Midway attractions.

EBITDA

Underlying EBITDA grew by 1.4% on a reported basis, but declined by 0.8% at constant currency. The margin decline from 26.7% to 25.0% is driven primarily by the continued significant investment in Midway attractions where openings of new brands or attractions in new markets typically have lower rates of short term return, and the decline in like for like revenue in LEGOLAND Parks. Additionally, whilst our Productivity Agenda remains on track to deliver £35 million of savings by 2022, there continue to be underlying cost pressures across the Group, most significantly in staff costs, with like for like growth in operating expenses of 4.5% (excluding costs related to the Recommended Offer announced on 28 June).

Operating profit

Depreciation and amortisation grew by 12.1% (10.9% on a constant currency basis) to £112 million as a result of the continued investment in the existing estate, and the roll out of new attractions and accommodation.

Reflecting the seasonality of the business, with the expectation of growth in EBITDA to be weighted towards the second half of 2019, and as a result of the growth in depreciation, operating profit declined by 10.8%, or 14.2% on a constant currency basis.

Interest

Net finance costs of £45 million decreased slightly on the prior period. Our full year expectations are unchanged from those provided at preliminary results in February.

Taxation

The underlying tax charge on profit before taxation for the 26 weeks ended 29 June 2019 is based on management's best estimate of the full year effective tax rate for continuing operations of 25.5% *(26 weeks ended 30 June 2018: 22.8%; 52 weeks ended 29 December 2018: 18.4%)*. The 2018 full year ETR of 18.4% reflected the one-off impact of prior year adjustments following changes to US tax legislation. Without that impact, the rate would have been 23.0%. The increase for the 26 weeks ended 29 June 2019 is primarily due to further refinement of US legislative changes.

Significant factors which may impact the Group's future effective tax rate include the USA tax reforms, the ability to continue with our current financing arrangements and changes to local or international tax laws.

Foreign exchange rate sensitivity

Merlin's income statement is exposed to fluctuations in foreign currency exchange rates principally on the translation of our non-Sterling earnings. The tables below show the impact on 2019 revenues and EBITDA of re-translating them at 2018 foreign exchange (FX) rates. The seasonality of the Group results in a bias towards non-European earnings in the first half of the year.

Currency	**H1 2019 average FX rates**	**H1 2018 average FX rates**	**%age movement in FX rates**	**Revenue impact £m**
USD	1.30	1.37	(5.2)%	(13)
EUR	1.15	1.14	1.3%	2
AUD	1.84	1.77	3.6%	1
Other				(1)
Change in 2019 revenues at 2018 FX rates				**(11)**

Note: Weighted-average FX rates

Currency	**H1 2019 average FX rates**	**H1 2018 average FX rates**	**%age movement in FX rates**	**EBITDA impact £m**
USD	1.30	1.37	(5.0)%	(4)
EUR	1.16	1.14	1.2%	-
AUD	1.83	1.74	5.4%	-
Other				-
Change in 2019 EBITDA at 2018 FX rates				**(4)**

Note: Weighted-average FX rates

Earnings per share (EPS)

Basic earnings per share was 2.4p (*2018: 3.3p)*.

Adjusted earnings per share, which excludes the impact of exceptional items, was 2.5p (*2018: 3.3p)*.

	26 weeks ended 29 June 2019 £m	**26 weeks ended 30 June 2018 (restated) £m**
Underlying profit attributable to shareholders from continuing operations	25	33
Weighted average number of shares (million)	1,023	1,020
Adjusted earnings per share (p)	2.5p	3.3p

Dividend

Following the announcement made on 28 June regarding the Recommended Offer for the Company, the Board is not recommending an interim dividend payment.

Cash flow

	26 weeks ended 29 June 2019 £m	26 weeks ended 30 June 2018 (restated) £m
EBITDA	191	188
Exceptional items	(2)	-
Working capital and other movements	52	76
Tax paid	(33)	(22)
Cash flow from operating activities	**208**	**242**
Capital expenditure	(162)	(190)
Disposal of subsidiaries	92	-
Net proceeds from/(repayment of) borrowings	20	(125)
Capital repayment of lease liabilities	(22)	(18)
Interest paid, net of interest received	(51)	(49)
Refinancing and other costs	(1)	(1)
Dividend paid	(56)	(51)
Other	2	3
Net cash inflow/(outflow) for the period	**30**	**(189)**

Merlin continues to be cash generative, delivering operating free cash flow (being EBITDA less existing estate capital expenditure) of £110 million in the period *(2018: £107 million).*

The Group invested £162 million *(2018: £190 million)* in capital projects during the period, including £81 million in the existing estate and £81 million on New Business Development. 2019 capex is now likely to be slightly below that previously guided, in part due to accommodation at LEGOLAND New York which is now expected to open in 2021. Disposals of subsidiaries totalled £92 million in respect of the Australian ski fields transaction that completed in April.

The Group's proceeds from borrowings of £20 million *(2018: £125 million outflow)* reflect net drawdowns in the period under the Group's revolving credit facility. In 2018 the outflow included repayments of term loans as part of the refinancing in April of that year.

Net debt

	June 2019 £m	Dec 2018 (restated) £m	June 2018 (restated) £m
Interest-bearing loans and borrowings	1,120	1,100	1,157
Less: cash and cash equivalents	(134)	(110)	(117)
Lease liabilities	1,177	1,183	1,150
Net debt	**2,163**	**2,173**	**2,190**

Net debt decreased by £10 million from the year end as a result of the cash generation in the period, partly offset by the adverse impact of foreign exchange movements and movements in lease liabilities. Following the refinancing that took place in 2018, in April we extended the maturity of the Revolving Credit Facility by a further year to 2024.

Risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material effect on the Group's performance in the remaining 26 weeks of 2019 are the same as described on pages 34-40 of the 2018 Annual Report and Accounts. These are summarised as:

- Health, safety and security risks including those related to international terrorism; and

- Commercial and strategic risks including those over innovation; brand development and customer satisfaction; people availability and expertise; competition and Intellectual Property (IP); commercial impact of external threats to city centres leading to displacement of tourists; availability and delivery of new sites and attractions; animal welfare; IT robustness; technological developments, cyber security including GDPR; and

- Financial process risks including those over anti-bribery and corruption; liquidity and cash flow risk; and foreign exchange translation risk.

While not captured within the Group's ongoing principal risk assessments, the Board continues to keep the potential implications of Brexit for the Group's operations under review. Further details can be found on page 36 of the 2018 Annual Report and Accounts.

Reconciliation from H1 2018 as reported to H1 2018 as restated

The transition to IFRS 16 and the presentation of discontinued operations resulted in the restatement of the June 2018 income statement as follows:

£ millions (unless stated)	**H1 2018 (reported)**	**IFRS 16**	**Discontinued operations**	**H1 2018 (restated)**	**H1 2019 (underlying)**
Revenue	**709**	-	(3)	**706**	**763**
EBITDA	**143**	41	4	**188**	**191**
Operating profit	**63**	19	6	**88**	**79**
Profit before tax	**43**	(6)	6	**43**	**34**
Profit for the period	**33**	(5)	5	**33**	**25**
EPS (p)	**3.3**	(0.5)	0.5	**3.3**	**2.5**
DPS (p)	**2.5**	-	-	**2.5**	**-**
Operating free cash flow	**58**	41	8	**107**	**110**

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£ millions (unless stated)	**H1 2018 (reported)**	**IFRS 16**	**Discontinued operations**	**H1 2018 (restated)**	**H1 2019 (underlying)**
Midway Attractions	**79**	24	4	**107**	**108**
LEGOLAND Parks	**87**	2	-	**89**	**91**
Resort Theme Parks	**1**	14	-	**15**	**16**
Central	**(24)**	1	-	**(23)**	**(24)**
Group EBITDA	**143**	**41**	**4**	**188**	**191**
Midway Attractions	**45**	11	6	**62**	**56**
LEGOLAND Parks	**64**	1	-	**65**	**62**
Resort Theme Parks	**(17)**	7	-	**(10)**	**(9)**
Central	**(29)**	-	-	**(29)**	**(30)**
Group Operating Profit	**63**	**19**	**6**	**88**	**79**

Restatement of 2018 full year results

The transition to IFRS 16 and the presentation of discontinued operations resulted in the restatement of the income statement for the 52 weeks ended 29 December 2018 as follows:

£ millions (unless stated)	December 2018 (reported)	IFRS 16	Discontinued operations	December 2018 (restated)
Revenue	**1,688**	-	(35)	**1,653**
Underlying EBITDA	**494**	84	(12)	**566**
Underlying operating profit	**327**	39	(9)	**357**
Underlying profit before tax	**289**	(13)	(8)	**268**
Underlying profit for the period	**234**	(10)	(5)	**219**
Adjusted EPS (p)	**22.9**	(1.0)	(0.5)	**21.4**
Operating free cash flow	**345**	84	(7)	**422**

£ millions (unless stated)	December 2018 (reported)	IFRS 16	Discontinued operations	December 2018 (restated)
Midway Attractions	**210**	48	(12)	**246**
LEGOLAND Parks	**242**	6	-	**248**
Resort Theme Parks	**88**	29	-	**117**
Central	**(46)**	1	-	**(45)**
Group EBITDA	**494**	**84**	**(12)**	**566**
Midway Attractions	**139**	22	(9)	**152**
LEGOLAND Parks	**194**	2	-	**196**
Resort Theme Parks	**51**	15	-	**66**
Central	**(57)**	-	-	**(57)**
Group Operating Profit	**327**	**39**	**(9)**	**357**

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 29 June 2019 *(2018: 26 weeks ended 30 June 2018)*

		26 weeks ended 29 June 2019			**26 weeks ended 30 June 2018** ***Restated*** [(1)]		
	Note	**Underlying trading £m**	**Exceptional items** [(5)] **£m**	**Total £m**	**Underlying trading £m**	**Exceptional items** [(5)] **£m**	**Total £m**
Continuing operations							
Revenue	2.1	763	-	763	706	-	706
Cost of sales		(139)	-	(139)	(126)	-	(126)
Gross profit		624	-	624	580	-	580
Staff expenses	2.1	(223)	-	(223)	(208)	-	(208)
Marketing		(51)	-	(51)	(47)	-	(47)
Rent		(11)	-	(11)	(10)	-	(10)
Other operating expenses		(148)	(2)	(150)	(127)	-	(127)
EBITDA [(2)]	2.1	191	(2)	189	188	-	188
Depreciation and amortisation	3.1, 3.2, 3.3	(112)	-	(112)	(100)	-	(100)
Operating profit/(loss)		79	(2)	77	88	-	88
Finance income	2.3	5	-	5	5	-	5
Finance costs	2.3	(50)	-	(50)	(50)	-	(50)
Profit/(loss) before tax		34	(2)	32	43	-	43
Taxation	2.4	(9)	1	(8)	(10)	-	(10)
Profit/(loss) for the period from continuing operations		25	(1)	24	33	-	33
Discontinued operations							
Profit/(loss) for the period from discontinued operations	2.5	-	42	42	(5)	-	(5)
Profit for the period [(3)]		**25**	**41**	**66**	**28**	**-**	**28**
Earnings per share from continuing and discontinued operations							
Basic (p)	2.6			6.5			2.8
Diluted (p)	2.6			6.5			2.8
Earnings per share from continuing operations							
Basic (p)	2.6			2.4			3.3
Diluted (p)	2.6			2.4			3.3
Dividend per share [(4)] **(p)**	4.2			-			2.5

[(1)] *Restated for the adoption of IFRS 16 as explained in note 1.1 and the presentation of discontinued operations (note 2.5).*

[(2)] *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 jointly controlled entities.*

[(3)] *Profit for the 26 weeks ended 29 June 2019 and the 26 weeks ended 30 June 2018 is wholly attributable to the owners of the Company.*

[(4)] *Dividend per share represents the interim proposed dividend for the year.*

[(5)] *Details of exceptional items are provided in note 2.2.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 29 June 2019 *(2018: 26 weeks ended 30 June 2018)*

		26 weeks ended 29 June 2019 £m	26 weeks ended 30 June 2018 Restated [(1)] £m
Profit for the period		66	28
Other comprehensive income			
Items that cannot be reclassified to the income statement			
Equity investments at FVOCI – net change in fair value	5.1	3	-
		3	-
Items that may be reclassified to the income statement			
Exchange differences on the retranslation of net assets of foreign operations		(6)	(7)
Exchange differences relating to the net investment in foreign operations		3	2
Cash flow hedges - effective portion of changes in fair value		-	4
Cash flow hedges - reclassified to profit and loss	2.3	(1)	(3)
		(4)	(4)
Other comprehensive income for the period net of income tax		(1)	(4)
Total comprehensive income for the period [(2)]		**65**	**24**
Total comprehensive income attributable to owners of the parent arising from:			
Continuing operations		22	30
Discontinued operations		43	(6)
		65	**24**

[(1)] *Restated for the adoption of IFRS 16 as explained in note 1.1 and the presentation of discontinued operations (note 2.5).*

[(2)] *Total comprehensive income for the 26 weeks ended 29 June 2019 and the 26 weeks ended 30 June 2018 is wholly attributable to the owners of the Company.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 29 June 2019 *(2018: 29 December 2018, 30 June 2018)*

	Note	29 June 2019 £m	29 December 2018 *Restated [1]* £m	30 June 2018 *Restated [1]* £m	30 December 2017 *Restated [1]* £m
Non-current assets					
Property, plant and equipment	3.1	2,206	2,169	2,046	1,923
Right-of-use assets	3.2	987	993	968	966
Goodwill and intangible assets	3.3	1,024	1,028	1,017	1,018
Investments	5.1	65	61	60	59
Derivative financial assets		8	-	-	-
Other receivables		13	14	13	11
Deferred tax assets		65	68	63	63
		4,368	4,333	4,167	4,040
Current assets					
Inventories		61	47	52	37
Trade and other receivables		167	122	139	97
Derivative financial assets		3	3	2	5
Cash and cash equivalents	4.1	134	110	117	309
		365	282	310	448
Total assets		4,733	4,615	4,477	4,488
Current liabilities					
Interest-bearing loans and borrowings	4.1	8	8	9	7
Lease liabilities	4.1	38	38	38	33
Derivative financial liabilities		1	4	-	3
Trade and other payables		442	345	411	298
Tax payable		39	43	25	37
Provisions		7	7	5	5
		535	445	488	383
Non-current liabilities					
Interest-bearing loans and borrowings	4.1	1,112	1,092	1,148	1,271
Lease liabilities	4.1	1,139	1,145	1,112	1,105
Other payables		25	26	27	9
Provisions		84	80	72	71
Employee benefits		5	6	6	6
Deferred tax liabilities		178	182	171	171
		2,543	2,531	2,536	2,633
Total liabilities		3,078	2,976	3,024	3,016
Net assets		**1,655**	**1,639**	**1,453**	**1,472**
Issued capital and reserves attributable to owners of the Company		1,650	1,634	1,449	1,468
Non-controlling interest		5	5	4	4
Total equity		**1,655**	**1,639**	**1,453**	**1,472**

[1] *Restated for the adoption of IFRS 16 as explained in note 1.1.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 29 June 2019 *(2018: 26 weeks ended 30 June 2018)*

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interest £m	Total equity £m
At 31 December 2017 *(as previously reported)*		10	10	(18)	1	1,560	**1,563**	4	**1,567**
Adjustment on initial application of IFRS 16 (net of tax)		-	-	(2)	-	(93)	**(95)**	-	**(95)**
At 31 December 2017 *(restated)*		10	10	(20)	1	1,467	**1,468**	4	**1,472**
Profit for the period		-	-	-	-	28	**28**	-	**28**
Other comprehensive income for the period net of income tax		-	-	(5)	1	-	**(4)**	-	**(4)**
Total comprehensive income for the period		-	-	(5)	1	28	**24**	-	**24**
Shares issued		-	3	-	-	-	**3**	-	**3**
Equity dividends	4.2	-	-	-	-	(51)	**(51)**	-	**(51)**
Equity-settled share-based payments	4.3	-	-	-	-	5	**5**	-	**5**
At 30 June 2018		**10**	**13**	**(25)**	**2**	**1,449**	**1,449**	**4**	**1,453**
Profit for the period		-	-	-	-	192	**192**	-	**192**
Other comprehensive income for the period net of income tax		-	-	13	-	(1)	**12**	1	**13**
Total comprehensive income for the period		-	-	13	-	191	**204**	1	**205**
Shares issued		-	3	-	-	-	**3**	-	**3**
Equity dividends		-	-	-	-	(25)	**(25)**	-	**(25)**
Equity-settled share-based payments		-	-	-	-	3	**3**	-	**3**
At 29 December 2018		**10**	**16**	**(12)**	**2**	**1,618**	**1,634**	**5**	**1,639**
Profit for the period		-	-	-	-	66	**66**	-	**66**
Other comprehensive income for the period net of income tax		-	-	(3)	(1)	3	**(1)**	-	**(1)**
Total comprehensive income for the period		-	-	(3)	(1)	69	**65**	-	**65**
Shares issued	4.2	-	2	-	-	-	**2**	-	**2**
Equity dividends	4.2	-	-	-	-	(56)	**(56)**	-	**(56)**
Equity-settled share-based payments	4.3	-	-	-	-	5	**5**	-	**5**
At 29 June 2019		**10**	**18**	**(15)**	**1**	**1,636**	**1,650**	**5**	**1,655**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 29 June 2019 *(2018: 26 weeks ended 30 June 2018)*

	Note	**26 weeks ended 29 June 2019**	**26 weeks ended 30 June 2018 *Restated* [(1)]**
		£m	**£m**
Cash flows from operating activities			
Profit for the period		66	28
Adjustments for:			
Depreciation and amortisation	3.1, 3.2, 3.3	112	100
Finance income	2.3	(5)	(5)
Finance costs	2.3	50	50
Taxation	2.4	8	10
Profit/(loss) for the period from discontinued operations, net of tax	2.5	(42)	5
		189	188
Working capital changes		48	54
Changes in provisions and other non-current liabilities		4	22
		241	264
Tax paid		(33)	(22)
Net cash inflow from operating activities		208	242
Cash flows from investing activities			
Acquisition of property, plant and equipment		(162)	(190)
Disposal of discontinued operations, net of cash disposed of		92	-
Net cash outflow from investing activities		(70)	(190)
Cash flows from financing activities			
Proceeds from issue of share capital	4.2	2	3
Equity dividends paid	4.2	(56)	(51)
Proceeds from borrowings		20	613
Repayment of borrowings		-	(738)
Capital repayment of lease liabilities		(22)	(18)
Interest paid		(51)	(49)
Financing costs		(1)	(6)
Settlement of interest rate swaps		-	5
Net cash outflow from financing activities		(108)	(241)
Net increase/(decrease) in cash and cash equivalents		30	(189)
Cash and cash equivalents at beginning of period	4.1	110	309
Effect of movements in foreign exchange		(6)	(3)
Cash and cash equivalents at end of period	4.1	**134**	**117**

[(1)] *Restated for the adoption of IFRS 16 as explained in note 1.1.*

SECTION 1
BASIS OF PREPARATION

26 weeks ended 29 June 2019

1.1 BASIS OF PREPARATION

Merlin Entertainments plc (the Company) is a company incorporated in the United Kingdom. The condensed consolidated interim financial statements as at and for the 26 weeks ended 29 June 2019 *(2018: 26 weeks ended 30 June 2018)* 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 29 December 2018 are available on request from the Company's registered office at Link House, 25 West Street, Poole, Dorset, BH15 1LD.

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

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 weeks ended 29 December 2018.

These interim financial statements are not statutory accounts. The statutory accounts for the 52 weeks ended 29 December 2018 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 on continuing operations of £24 million *(26 weeks ended 30 June 2018: £33 million)* and continues to generate cash with net operating cash inflows of £208 million *(26 weeks ended 30 June 2018: £242 million)*.

The Group is funded by senior unsecured notes due for repayment in 2022 and 2026 and a multi-currency revolving credit facility maturing in April 2024. The Group's forecasts show that it is expected to be able to operate within the terms of these facilities. Further details of these facilities are provided in note 4.1.

After reviewing the Group's statement of financial position, available facilities, cash flow forecasts and trading budgets, the Directors believe the Group to be operationally and financially sound and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months.

The Directors note that the Group is currently the subject of an offer for a cash acquisition by Motion Acquisition Limited, which, if approved by shareholders and subsequently completed, will be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006. The Board intends to recommend this offer be accepted (with the exception of Søren Thorup Sørensen who has not participated in the decision because he is the Chief Executive Officer of KIRKBI Invest A/S, a member of the acquisition consortium).

Having considered the Board's recommendation to shareholders in relation to the acquisition offer, the Directors have not identified any information which impacted their assessment of going concern. Accordingly, the Group continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 52 weeks ended 29 December 2018, except for the adoption as of 30 December 2018 of IFRS 16 'Leases'.

SECTION 1
BASIS OF PREPARATION CONTINUED

26 weeks ended 29 June 2019

1.1 BASIS OF PREPARATION CONTINUED

IFRS 16 'Leases'

IFRS 16 'Leases' became effective for 2019 reporting periods onwards and introduces a single, on-balance sheet lease accounting model for lessees.

The Group has considered its entire lease portfolio which substantially relates to land, buildings and infrastructure assets, as follows:

- For leases previously classified as operating leases, the Group has recognised a new asset in the form of a right-of-use (ROU) asset, together with an associated lease liability. The income statement now includes a depreciation charge for the ROU asset and an interest expense on the lease liability. This replaces the previous accounting for operating leases that were expensed within operating expenses on a straight-line basis over the term of the lease. Where the Group's lease expense is linked to turnover or other performance criteria, this element continues to be recorded as rent within operating expenses.
- Existing finance leases have also been reviewed against the new standard. As a result a number of leases entered into under historic sale and leaseback transactions have been re-assessed due to differences in the accounting treatment between IAS 17 and IFRS 16 of unguaranteed residual values. This has required re-assessment of the values of leased assets at inception and their treatment under IFRS 16 in subsequent periods. Regarding classification, these assets were accounted for as PPE under IAS 17 but are treated as ROU assets under IFRS 16.
- The Group has elected to take recognition exemptions for short term leases and leases of low-value items. Leases that fall within the Group's defined parameters for these exemptions have been excluded from the IFRS 16 lease accounting requirements and will be expensed on a straight-line basis over the life of the lease.

Judgements and estimates

IFRS 16 requires certain judgements and estimates to be made. The most significant of these relate to the following:

- The discount rate used in the calculation of the lease liability, which involves estimation. Discount rates are calculated on a lease by lease basis. For the property leases that make up substantially all of the Group's lease portfolio this results in two approaches. For a small volume of high value leases, the rate implicit in the lease can be calculated and is therefore adopted. Otherwise, for the majority of leases the rate used is based on estimates of incremental borrowing costs. These will depend on the territory of the relevant lease and hence the currency used; the date of lease inception; and the lease term. As a result, reflecting the breadth of the Group's lease portfolio; the transition approach adopted which has required estimation of historic discount rates; and estimations as to lease lives, there are a large number of discount rates within a wide range.
- IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; current trading; future trading forecasts as to the ongoing profitability of the attraction; and the level and type of planned future capital investment. A small number of large leases held by the Group came into effect as part of a sale and leaseback transaction that occurred in 2007. These leases have an initial lease period of 35 years, with an option to extend for two further periods of 35 years, subject to an adjustment to market rates at that time. At this point it is not reasonably certain that these leases will be renewed, taking into account the factors noted above. This judgement is reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Transition approach and impact

The Group has applied IFRS 16 from 30 December 2018, using the fully retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 has been recognised, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors', by restating the 52 week period ended 29 December 2018 and making an opening equity adjustment as at 31 December 2017. The Group is not required to make any adjustment for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease. The Group has applied the practical expedient to grandfather the definition of a lease on transition. This means that IFRS 16 has been applied to all contracts entered into before 30 December 2018 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group's leverage threshold loan covenants are under 'frozen-GAAP' and as such the adoption of IFRS 16 does not impact the ability to comply with them.

SECTION 1
BASIS OF PREPARATION CONTINUED

26 weeks ended 29 June 2019

1.1 BASIS OF PREPARATION CONTINUED

The impact on transition can be summarised as follows:

	30 December 2017		
	as reported £m	IFRS 16 adjustment £m	as restated £m
Property, plant and equipment	2,092	(169)	1,923
Right-of-use assets	-	966	966
Deferred tax assets	33	30	63
Trade and other receivables (current)	100	(3)	97
Lease liabilities (current and non-current)	(191)	(947)	(1,138)
Provisions (current and non-current)	(77)	1	(76)
Trade and other payables (current and non-current)	(334)	27	(307)
Net impact to equity		**(95)**	

	30 June 2018			29 December 2018		
	as reported £m	IFRS 16 adjustment £m	as restated £m	as reported £m	IFRS 16 adjustment £m	as restated £m
Property, plant and equipment	2,215	(169)	2,046	2,344	(175)	2,169
Right-of-use assets	-	968	968	-	993	993
Deferred tax assets	32	31	63	35	33	68
Trade and other receivables (current)	142	(3)	139	125	(3)	122
Lease liabilities (current and non-current)	(195)	(955)	(1,150)	(200)	(983)	(1,183)
Provisions (current and non-current)	(77)	-	(77)	(88)	1	(87)
Trade and other payables (current and non-current)	(466)	28	(438)	(400)	29	(371)
Net impact to equity		**(100)**			**(105)**	

The ROU assets above include balances relating to leases previously accounted for as finance leases, as well as asset retirement provisions on leased properties. Both of these items were previously classified under property, plant and equipment.

The Group has recognised total lease liabilities of £1,183 million at 29 December 2018. This included existing finance lease liabilities of £200 million so the impact of adopting IFRS 16 was therefore £983 million. Under IAS 17, at the same date the Group reported future minimum lease payments under non-cancellable operating leases on an undiscounted basis totalling £1,852 million.

SECTION 1
BASIS OF PREPARATION CONTINUED

26 weeks ended 29 June 2019

1.1 BASIS OF PREPARATION CONTINUED

The transition to IFRS 16 resulted in the restatement of the June 2018 income statement as follows:

Continuing operations	30 June 2018 as reported £m	IFRS 16 adjustment £m	Discontinued operations (note 2.5) £m	30 June 2018 as restated £m
Gross profit	582	-	(2)	580
Staff expenses, marketing and other operating expenses	(389)	1	6	(382)
Rent	(50)	40	-	(10)
Underlying EBITDA	143	41	4	188
Depreciation and amortisation	(80)	(22)	2	(100)
Underlying operating profit	63	19	6	88
Finance income	5	-	-	5
Finance costs	(25)	(25)	-	(50)
Profit before tax	**43**	**(6)**	**6**	**43**

The transition to IFRS 16 resulted in the restatement of the June 2018 cash flow statement as follows:

	30 June 2018 as reported £m	IFRS 16 adjustment £m	30 June 2018 as restated £m
Net cash inflow from operating activities	199	43	242
Net cash outflow from investing activities	(190)	-	(190)
Net cash outflow from financing activities	(198)	(43)	(241)
Net decrease in cash and cash equivalents	(189)	-	(189)

The adjustment to the net cash inflow from operating activities includes the impact to profit for the period, being a reduction in profit of £5 million. Adjustments are then made to add back additional depreciation of £22 million and finance costs of £25 million, offset by a tax adjustment of £1 million as a result of IFRS 16. Working capital movements increase by £2 million.

Net cash outflow from financing activities is increased by £17 million in relation to capital repayment of lease liabilities recognised as a result of the transition and £26 million of interest paid.

SECTION 1
BASIS OF PREPARATION CONTINUED

26 weeks ended 29 June 2019

1.1 BASIS OF PREPARATION CONTINUED

Accounting policy

Where a contract provides the right to control the use of an asset for a period of time in exchange for consideration, the contract is accounted for as a lease. In order for lease accounting to apply, an assessment is made at the inception of the contract that considers whether;

- the Group has the use of an identified asset, which entitles it to the right to obtain substantially all of the economic benefits that arise from the use of the asset, and;
- the right to direct the use of the asset, either through the right to operate the asset or by predetermining how the asset is used.

Measurement at lease inception

At the lease commencement date the Group, as the lessee, will recognise;

- a lease liability representing its obligation to make lease payments, and:
- an asset representing its right to use the underlying leased asset (ROU asset).

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease, or if not available an incremental borrowing rate. Future lease payments will include fixed payments, variable lease payments that depend on an index or rate (initially measured at the rate at the commencement date) and amounts expected to be payable by the lessee under residual value guarantees.

The ROU asset is initially measured at cost, which comprises the amount initially recognised as the lease liability, lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred, and the estimated costs to be incurred at the end of the lease to restore the site to the required condition stipulated in the lease.

Depreciation (and any subsequent impairment) on the ROU asset, interest on the lease liability and any variable lease payments are all recognised in the income statement.

Ongoing measurement

The lease liability is adjusted for interest on the liability, adjustments to the lease payments and any reassessment of the lease as a result of a contract modification.

After the commencement date the Group measures the ROU asset using a cost model, reducing the cost through depreciation and any impairment losses. Adjustments will be made to the ROU asset to reflect the changes in the lease liability as a result of changes to lease payments or modifications to the lease.

Short term and low-value leases

The Group has taken the recognition exemptions for short-term leases and leases of low-value items. Leases which fall within the Group's defined parameters for these exemptions are excluded from the IFRS 16 lease accounting requirements and are accounted for on a straight-line basis over the lease term.

Other standards

The following new standards and interpretations have been adopted by the Group with no significant impact on its consolidated financial statements:

- IFRIC Interpretation 23 'Uncertainty over income tax treatment'
- Amendments to IFRS 9 'Prepayment features with negative compensation'
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'
- Amendments to IAS 19 'Plan amendment, curtailment or settlement'
- Amendments to IAS 28 'Long-term interests in associates and joint ventures'
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued in December 2017)

SECTION 2
RESULTS FOR THE PERIOD

26 weeks ended 29 June 2019

2.1 PROFIT BEFORE TAX

Segmental information

An operating segment, as defined by IFRS 8 'Operating segments' 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, and the Board. 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.

Continuing operations [1]	Midway Attractions £m	LEGOLAND Parks £m	Resort Theme Parks £m	Segment results £m	Other items [4] £m	Exceptional items [5] £m	Total £m
26 weeks ended 29 June 2019							
Visitor revenue	315	209	105	629	-	-	629
Accommodation revenue	-	75	29	104	-	-	104
Other revenue	9	12	3	24	6	-	30
Revenue	**324**	**296**	**137**	**757**	**6**	**-**	**763**
EBITDA [2]	**108**	**91**	**16**	**215**	**(24)**	**(2)**	**189**
Depreciation and amortisation	(52)	(29)	(25)	(106)	(6)	-	(112)
Operating profit/(loss) [2]	56	62	(9)	109	(30)	(2)	77
26 weeks ended 30 June 2018 *Restated* [3]							
Visitor revenue	286	203	101	590	-	-	590
Accommodation revenue	-	61	28	89	-	-	89
Other revenue	11	10	4	25	2	-	27
Revenue	**297**	**274**	**133**	**704**	**2**	**-**	**706**
EBITDA [2]	**107**	**89**	**15**	**211**	**(23)**	**-**	**188**
Depreciation and amortisation	(45)	(24)	(25)	(94)	(6)	-	(100)
Operating profit/(loss) [2]	62	65	(10)	117	(29)	-	88

(1) *The segmental information excludes the activities of the Australian ski resorts which have been classified as discontinued operations (note 2.5).*
(2) *Performance is measured based on segment EBITDA, as included in internal management reports. Segment operating profit is included for information purposes.*
(3) *Restated for the adoption of IFRS 16 as explained in note 1.1 and the presentation of discontinued operations (note 2.5).*
(4) *Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributable to the reportable segments.*
(5) *Details of exceptional items are provided in note 2.2.*

Staff expenses

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

Continuing operations	26 weeks 2019 £m	26 weeks 2018 *Restated* £m
Wages and salaries	187	175
Share-based payments (note 4.3)	5	5
Social security costs	25	23
Other pension costs	6	5
	223	208

SECTION 2
RESULTS FOR THE PERIOD CONTINUED

26 weeks ended 29 June 2019

2.1 PROFIT BEFORE TAX CONTINUED

Seasonality of operations

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

Information regarding the results for the 52 weeks to 29 June 2019 is included below:

Continuing operations	52 weeks ended 29 June 2019 £m	52 weeks ended 30 June 2018 *Restated* £m
Revenue	1,710	1,584
Underlying EBITDA	569	543
Underlying operating profit	348	343
Profit before tax	253	244

2.2 EXCEPTIONAL ITEMS

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

	26 weeks 2019 £m	26 weeks 2018 £m
Within other operating expenses		
Productivity Agenda activities [(1)]	2	-
Exceptional items included within EBITDA and operating profit	2	-
Income tax credit on exceptional items above	(1)	-
Exceptional items included within continuing operations	1	-
Exceptional items within discontinued operations (note 2.5)	(42)	-
Exceptional items for the period	(41)	-

[(1)] *Certain one-off operational costs have been incurred in 2019 as part of the Group's Productivity Agenda initiatives that are expected to continue through to 2021. They are separately presented as they are not part of the Group's underlying operating expenses.*

SECTION 2
RESULTS FOR THE PERIOD CONTINUED

26 weeks ended 29 June 2019

2.3 FINANCE INCOME AND COSTS

Finance income

Continuing operations	26 weeks 2019 £m	26 weeks 2018 £m
In respect of assets held at fair value		
Unrealised gain on re-measurement of financial derivatives at fair value	1	-
Cash flow hedges – reclassified to profit and loss	1	3
Other		
Net foreign exchange gain	3	2
	5	5

Finance costs

Continuing operations	26 weeks 2019 £m	26 weeks 2018 *Restated* £m
In respect of liabilities not held at fair value		
Interest expense on lease liabilities	30	30
Interest expense on other financial liabilities measured at amortised cost	19	19
Other interest expense	1	1
	50	50

2.4 TAXATION

The underlying tax charge on profit before taxation for the 26 weeks ended 29 June 2019 is based on management's best estimate of the full year effective tax rate for continuing operations of 25.5% *(26 weeks ended 30 June 2018: 22.8%; 52 weeks ended 29 December 2018: 18.4%)*. The increase is primarily due to further refinement of US legislative changes.

Significant factors that could impact the Group's future effective tax rate include the USA tax reforms, the ability to continue current financing arrangements and changes to local or international tax laws.

In April 2019 the European Commission (EC) announced its final decision that certain elements of the UK's Controlled Foreign Company rules partially represent State Aid. The UK Government has made an annulment application against this decision. Merlin is considering whether to make its own appeal. If the application and/or appeal is ultimately unsuccessful then this could result in an increase in the Group's future effective tax rate. The Group considers the maximum potential liability, excluding penalties and interest, to be up to £36 million, depending on the basis of calculation.

2.5 DISCONTINUED OPERATIONS

At the start of the year the Company progressed negotiations to sell its Australian ski resorts at Mount Hotham and Falls Creek to Vail Resorts Inc. (Vail). As at 29 December 2018 the potential sale process was at an early stage and in line with IFRS 5 the ski resorts were not classified as held-for-sale or as discontinued operations. On 21 February 2019 the Company entered into an agreement to sell the resorts to Vail for a cash consideration of A$174 million.

The transaction was subject to the completion of relevant regulatory filings and completed on 5 April 2019.

The comparative condensed consolidated income statement and statement of comprehensive income have been re-presented to show the discontinued operations separately from continuing operations. The tables below show the results of the discontinued operations which are included in the Group income statement and Group cash flow statement respectively.

Income statement

	26 weeks 2019 £m	26 weeks 2018 £m
Revenue	-	3
Expenses	-	(9)
Loss before tax before exceptional items	-	(6)
Taxation	-	1
Loss after tax before exceptional items	-	(5)
Costs to sell	(1)	-
Profit after tax on disposal of Australian ski resorts	43	-
Total profit/(loss) after tax of discontinued operations	**42**	**(5)**

The profit after tax on disposal of the Group's Australian ski resorts is made up as follows:

	£m
Property, plant and equipment	(35)
Right-of-use assets	(6)
Goodwill and intangible assets	(1)
Inventories	(1)
Trade and other payables	4
Lease liabilities	8
Provisions	1
Deferred tax liabilities	1
Net book value of assets disposed	(29)
Consideration received in cash	93
Taxation	(21)
Profit after tax on disposal of Australian ski resorts	**43**

2.5 DISCONTINUED OPERATIONS CONTINUED

Earnings per share impact from discontinued operations

	26 weeks 2019 Pence	26 weeks 2018 Pence
Basic	4.1	(0.5)
Diluted	4.1	(0.5)

Cash flow statement

	26 weeks 2019 £m	26 weeks 2018 £m
Net cash flow from investing activities	92	(3)

2.6 EARNINGS PER SHARE

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

	26 weeks ended 29 June 2019			26 weeks ended 30 June 2018 *Restated*		
	Basic	Dilutive potential ordinary shares	Diluted	Basic	Dilutive potential ordinary shares	Diluted
Profit attributable to ordinary shareholders (£m)						
Continuing operations	24	-	24	33	-	33
Discontinued operations	42	-	42	(5)	-	(5)
Total	66	-	66	28	-	28
Weighted average number of shares (millions)	1,023	1	1,024	1,020	1	1,021
Earnings per share [1] (pence)						
Continuing operations	2.4	-	2.4	3.3	-	3.3
Discontinued operations	4.1	-	4.1	(0.5)	-	(0.5)
Total	6.5	-	6.5	2.8	-	2.8

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

For the 26 week periods ended 29 June 2019 and 30 June 2018, the PSP is not dilutive as the performance measures have not been achieved, whereas the DBP, CSOP and AESP are marginally dilutive as certain option tranches are 'in the money', after accounting for the value of services rendered in addition to the option price.

SECTION 2
RESULTS FOR THE PERIOD CONTINUED

26 weeks ended 29 June 2019

2.6 EARNINGS PER SHARE CONTINUED

Adjusted earnings per share

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

	26 weeks ended 29 June 2019			26 weeks ended 30 June 2018 *Restated*		
	Adjusted	Dilutive potential ordinary shares	Diluted	Adjusted	Dilutive potential ordinary shares	Diluted
Profit attributable to ordinary shareholders from continuing operations	24	-	24	33	-	33
Exceptional items net of tax (note 2.2)	1	-	1	-	-	-
Adjusted profit attributable to ordinary shareholders from continuing operations (£m)	25	-	25	33	-	33
Weighted average number of shares (millions)	1,023	1	1,024	1,020	1	1,021
Earnings per share [(1)] (pence)	2.5	-	2.5	3.3	-	3.3

(1) *Earnings per share is calculated based on figures before rounding and is then rounded to one decimal place.*

SECTION 3
OPERATING ASSETS AND LIABILITIES

26 weeks ended 29 June 2019

3.1 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Balance at 30 December 2018 *(restated)*	1,087	857	225	2,169
Disposal of subsidiary undertakings (note 2.5)	(13)	(21)	(1)	(35)
Additions	12	24	122	158
Transfers	56	58	(114)	-
Depreciation for the period	(23)	(61)	-	(84)
Effect of movements in foreign exchange	(1)	-	(1)	(2)
Balance at 29 June 2019	1,118	857	231	2,206

Capital commitments

At the period end the Group has a number of outstanding capital commitments in respect of capital expenditure at its existing attractions (including accommodation), as well as for Midway attractions and LEGOLAND parks that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £138 million *(30 June 2018: £68 million and 29 December 2018: £142 million)* for which no provision has been made.

At period end foreign exchange rates, the Group is intending to invest £142 million in LEGOLAND Korea *(30 June 2018: £72 million and 29 December 2018: £148 million)*, net of funding from LL Developments (note 5.2).

3.2 RIGHT-OF-USE ASSETS

	Land and buildings £m	Plant and equipment £m	Total £m
Balance at 30 December 2018 *(restated)*	946	47	993
Disposal of subsidiary undertakings (note 2.5)	(6)	-	(6)
Additions	21	-	21
Movements in asset retirement provisions	3	-	3
Depreciation for the period	(25)	(2)	(27)
Effect of movements in foreign exchange	3	-	3
Balance at 29 June 2019	942	45	987

3.3 GOODWILL AND INTANGIBLE ASSETS

		Intangible assets		
	Goodwill £m	Brands £m	Other £m	Total £m
Balance at 30 December 2018	823	187	18	1,028
Disposal of subsidiary undertakings (note 2.5)	(1)	-	-	(1)
Additions	-	-	1	1
Amortisation for the period	-	-	(1)	(1)
Effect of movements in foreign exchange	(2)	(1)	-	(3)
Balance at 29 June 2019	820	186	18	1,024

SECTION 4
CAPITAL STRUCTURE AND FINANCING

26 weeks ended 29 June 2019

4.1 NET DEBT

Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings and 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.

	30 December 2018 *Restated* £m	Net cash flows [(1)] £m	Non-cash movements [(2)] £m	Disposal of subsidiary undertakings (note 2.5) £m	Effect of movements in foreign exchange £m	29 June 2019 £m
Cash and cash equivalents	110	30	-	-	(6)	134
Interest-bearing loans and borrowings	(1,100)	2	(26)	-	4	(1,120)
Lease liabilities	(1,183)	52	(51)	8	(3)	(1,177)
Net debt	(2,173)	84	(77)	8	(5)	(2,163)

[(1)] *Net cash flows include the net drawdown of loans and borrowings and cash interest paid relating to loans and borrowings.*
[(2)] *Non-cash movements include the finance costs relating to loans and borrowings from the income statement, together with the fair value movement in relation to the hedged debt.*

Interest-bearing loans and borrowings

The Group's facilities are:

- A £600 million multi-currency revolving credit facility of which £168 million had been drawn down at 29 June 2019 *(29 December 2018: £148 million)*. The margin on this facility is dependent on the Group's adjusted leverage ratio and at 29 June 2019 was at a margin of 1.25% *(29 December 2018: 1.25%)* over the floating interest rates when drawn. The relevant floating interest rates are LIBOR and the USD benchmark rate, which were 0.72% *(29 December 2018: 0.73%)*, and 2.52% *(29 December 2018: 2.64%)* respectively at 29 June 2019. In April we extended the maturity of the revolving credit facility by a further year to 2024.
- A bond in the form of €700 million seven year notes with a coupon rate of 2.75% to mature in March 2022.
- A bond in the form of $400 million eight year notes with a coupon rate of 5.75% to mature in June 2026.

Interest-bearing loans and borrowings are initially recognised at fair value, net of transaction costs and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is amortised through the income statement over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates, are measured at amortised cost adjusted for changes in the value attributable to the hedged risk arising from the changes in underlying market interest rates.

The interest-bearing loans and borrowing are unsecured but guaranteed by the Company and certain of its subsidiaries.

4.2 EQUITY

Share capital

	Ordinary shares of £0.01 each Number	£m
On issue and fully paid at 30 December 2018	1,022,072,449	10
Issued in the period	2,000,000	-
On issue and fully paid at 29 June 2019	1,024,072,449	10

During the period the Company issued 2,000,000 ordinary shares at par in connection with the Group's employee share incentive schemes (note 4.3).

4.2 EQUITY CONTINUED

The Company also received £2 million in relation to the exercise of options under the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP). This was taken to the share premium account.

Dividends
The following dividends were declared and paid by the Company:

	26 weeks 2019 £m	26 weeks 2018 £m
Final dividend for the 52 weeks ended 30 December 2017 of 5.0 pence per share	-	51
Final dividend for the 52 weeks ended 29 December 2018 of 5.5 pence per share	56	-
	56	51

The Directors have declared their intention not to pay an interim dividend for 2019 *(2018: 2.5 pence per share, amounting to £26 million)*.

4.3 SHARE-BASED PAYMENT TRANSACTIONS

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

	PSP [1]	DBP [1]	CSOP		AESP	
	Number	Number	Number	WAEP (£)	Number	WAEP (£)
At 30 December 2018	8,152,506	34,296	5,808,839	4.00	6,615,393	3.10
Granted during the period	4,019,605	51,781	2,038,750	3.43	2,939,071	2.88
Forfeited during the period	(336,500)	(804)	(401,664)	3.97	(849,502)	3.26
Exercised during the period	(740,769)	(28,916)	(113,584)	3.33	(599,577)	3.15
Lapsed during the period	(1,421,937)	-	-	-	-	-
Expired during the period	-	-	-	-	(68,359)	3.95
At 29 June 2019	9,672,905	56,357	7,332,341	3.86	8,037,026	2.99

(1) *Nil cost options*

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

Scheme	Date of grant	Exercise price (£)	Share price at grant date (£)	Fair value per award (£)	Expected dividend yield	Expected volatility	Award life (years)	Risk free rate
PSP	9 April 2019	-	3.41	3.41	n/a	n/a	3.0	n/a
CSOP	9 April 2019	3.43	3.41	0.66	2.3%	24%	4.4	0.8%
AESP	9 April 2019	2.88	3.41	0.71	2.3%	24%	3.2	0.8%
AESP	9 April 2019	3.07	3.41	0.59	2.3%	26%	2.1	0.7%

The total charge for the period relating to employee share-based payment plans was £5 million *(26 weeks ended 30 June 2018: £5 million)* which was charged to staff expenses.

SECTION 5
OTHER NOTES

26 weeks ended 29 June 2019

5.1 INVESTMENTS

	LEGOLAND Malaysia £m	LEGOLAND Korea £m	Big Bus Tours £m	LEGOLAND Dubai Hotel £m	Total £m
Balance at 30 December 2018	9	3	37	12	61
Net change in fair value – included in OCI	-	-	3	-	3
Effect of movements in foreign exchange	-	-	1	-	1
Balance at 29 June 2019	9	3	41	12	65

Big Bus Tours

The Group has an investment in Big Bus Tours Group Holdings Limited, held substantially all in the form of loan notes. The investment is valued adopting a market-based approach (based on EBITDA multiples), and resulted in an increase of £3 million in the period.

5.2 RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has related party relationships with a major shareholder, key management personnel, joint ventures and other co-investors. The defined benefit pension scheme for certain former UK employees of The Tussauds Group is also a related party.

All dealings with related parties are conducted on an arm's length basis.

Transactions with shareholders

During the period the Group entered into transactions with a major shareholder, KIRKBI Invest A/S; the LEGO Group, a related party of KIRKBI Invest A/S; and LLJ Investco K.K., a subsidiary of KIRKBI A/S.

Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, lease payments and trading balances outstanding at 29 June 2019 and 30 June 2018, were as follows:

	Goods and services			
	Sales £m	Amounts owed by related party £m	Purchases, royalties and lease payments £m	Amounts owed to related party £m
29 June 2019				
KIRKBI Invest A/S	-	-	6	3
LEGO Group	-	1	30	4
LLJ Investco K.K.	-	-	4	-
	-	1	40	7
30 June 2018				
KIRKBI Invest A/S	-	-	6	4
LEGO Group	1	1	28	4
LLJ Investco K.K.	-	-	6	-
	1	1	40	8

5.2 RELATED PARTY TRANSACTIONS CONTINUED

In 2017 the Group entered into a 50 year lease with LLJ Investco K.K.. The Group's obligations come in the form of fixed rental payments in addition to turnover rent and ongoing repair obligations under the terms of the lease. The amount in the table above represents the rental payment incurred during the period.

Transactions with other related parties

LEGOLAND Malaysia

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group has subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park. On this basis, IDR and its subsidiaries are deemed to be related parties.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 29 June 2019 and 30 June 2018, are as follows:

	29 June 2019 £m	30 June 2018 £m
Sales to related party	2	1
Amounts owed by related party	4	3

LEGOLAND Korea

The Group has a minority equity investment in and has entered into transactions with LL Developments, a Korean company which acts under the direction of the Gangwon Province and is providing funding and infrastructure support of KRW 80 billion to the development of LEGOLAND Korea. LL Developments has provided KRW 20 billion (£14 million) to the Group as the first tranche of this support, which the Group has committed to spend on costs associated with the project. This has been recorded within deferred income. The funding and infrastructure support will be accounted for as a capital grant and offset against the total project costs within property, plant and equipment. The conditions of the funding require that Merlin completes the park's construction and operates the park for a period of time post-opening.

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

We confirm that to the best of our knowledge:

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

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

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the current financial period and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining 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 and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

The Directors of Merlin Entertainments plc are listed in the Annual Report and Accounts 2018. There have been no changes since the date of publication. A list of current Directors is maintained on the website (www.merlinentertainments.biz).

By order of the Board

Nick Varney
Chief Executive Officer
31 July 2019

Anne-Francoise Nesmes
Chief Financial Officer
31 July 2019

INDEPENDENT REVIEW REPORT TO MERLIN ENTERTAINMENTS PLC

Conclusion

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 29 June 2019 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.

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 29 June 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Hugh Green
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House, Tollgate
Chandlers Ford
SO53 3TG

31 July 2019