Final Results for 2013

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Merlin Entertainments plc results for the 52 weeks ended 28 December 2013

Click on, or paste the following link into your web browser, to view the associated PDF document.
http://www.rns-pdf.londonstockexchange.com/rns/0446B_-2014-2-26.pdf

- **Landmark year for Merlin Entertainments - Successful flotation on the London Stock Exchange**
- **Continued growth in visitor numbers, revenue and profits**
- **Strong cash flow generation and reinvestment in the estate**
- **Strategic alliance with DreamWorks Animation to develop sixth midway brand**

Financial Highlights[1]

	52 weeks ended 28 December 2013	52 weeks ended 29 December 2012	Reported annual growth	Like for like growth[5]	5 year CAGR[6]
Visitors[2]	**59.8**	54.0	10.7%		11.6%
Revenue (£m)	**1,192**	1,074	10.9%	6.7%	11.6%
EBITDA[1] (£m)	**390**	346	12.8%		13.4%
Operating Profit[1] (£m)	**290**	258	12.3%		13.2%
Profit before tax[1, 3] (£m)	**186**	140			
Adjusted earnings per share[1,4] (p)	**16.9**				
ROCE	**10.2%**				

[1] All figures are presented on an underlying basis, excluding exceptional and non-trading items which are detailed on page 20 (note 3) .
[2] Visitors represents all visitors to Merlin owned or operated attractions.
[3] Profit before tax on a statutory basis is £172 million.
[4] Basic earnings per share is 15.1p. The Adjusted earnings per share calculated using the post-IPO share count of 1013.7 milllion would be 16.0p.
[5] Like for like growth is based on the 2013 and 2012 figures and includes all businesses owned and opened before 2012, on a constant currency basis using 2013 exchange rates.
[6] The compound annual growth rate over the period 2009 to 2013.

Merlin Entertainments, Europe's leading and the world's second-largest visitor attraction operator reports another strong year, delivering continued growth from the existing estate along with the increasing international roll out of our brands.

Delivering on the strategy
The Group has made good progress against its six strategic growth drivers.

- **Growing the existing estate through planned investment cycles**
  - Significant investment in new rides and attractions with £95 million spent across the estate, contributing to 6.7% like for like revenue growth and 6.3% like for like EBITDA growth. New features included 'The Smiler' at Alton Towers, 'Zufari: Ride into Africa!' at Chessington World of Adventures and 'Land of Chima' at LEGOLAND Florida
  - 2014 will see the launch of a new 'winged' roller coaster at Heide Park, CBeebies land at Alton Towers, 'Chima' themed water park at LEGOLAND California, and Penguin Ice Adventure at SEA LIFE Birmingham

- **Exploiting strategic synergies**
  - New strategic partnership with Kellogg's and relaunch of UK Merlin Annual Pass
  - Next-generation ticketing trials at Thorpe Park with potential roll out to the wider estate

- **Transforming our theme parks into destination resorts**
  - New 250 bed hotel at LEGOLAND California and Knight's Castle hotel at LEGOLAND Deutschland
  - New premium accommodation planned for Chessington World of Adventures, LEGOLAND Billund and LEGOLAND Deutschland in 2014

- **Rolling out new midway attractions**
  - Six new midway attractions opened across North America, Asia and Europe and the successful relocation of the London Dungeon to the South Bank cluster with London Eye and SEA LIFE London Aquarium
  - Exciting pipeline for 2014, with the opening of SEA LIFE Centre in Charlotte; a new cluster in San Francisco with a Madame Tussauds and our first Dungeon outside of Europe; Madame Tussauds in Beijing and Singapore; and a LEGOLAND Discovery Centre ('LDC') in Boston
  - Recent announcement of strategic alliance with DreamWorks to launch a new midway brand, Shrek's Far Far Away Adventure. This landmark attraction will see an initial roll out programme of six attractions over nine years in international city locations, with the first opening in London in summer 2015

- **Developing new LEGOLAND parks**
  - Strong first full year of trading at LEGOLAND Malaysia

- LEGOLAND Dubaiunder development for an expected opening in 2016 under a management contract
- Continued development of the park pipeline with potential projects under negotiation in Japan and South Korea, and preliminary discussions ongoing in China and the USA

- **Strategic acquisitions**
  - Relaunch of several of the Living and Leisure Australia attractions following the acquisition in 2012
  - Acquisition of the Turkuazoo aquarium in Istanbul for relaunch in 2015 and providing the foundation for a future cluster city through further midway roll out

Merlin Magic Making

- A unique creative team supporting the Operating Groups. 2013 saw the introduction of a dedicated creative research and development team
- Delivering 35 major projects in ten countries, representing more than £190 million of capital investment
- More than 200 new Madame Tussauds waxwork models produced; highest output ever. SEA LIFE team brought over 6,200 new creatures into the world; first ever squid breeding programme. LEGO model shops used more than 16.4 million bricks to make nearly 9,500 new models

Nick Varney, Merlin Entertainments Chief Executive Officer, said:

"Merlin Entertainments made further substantial progress in 2013. We delivered our fourteenth year of strong growth, with continued delivery from our existing estate, underpinned by the ongoing roll out of our unique portfolio of leisure brands internationally. With seven new attractions in 2013 we are making good progress towards our stated long term aim of a geographically diversified business generating revenues equally across Europe, the Americas and Asia Pacific. At the same time, we delivered on our long-standing objective of becoming a publicly quoted company. The flotation of Merlin has given us the platform for the next stage of our development and we are now better placed than ever before to continue to build this robust, diversified business, based on our iconic attractions and our determination to deliver memorable days out for our many millions of visitors in 22 countries, across four continents.

"The recent announcement of our agreement with DreamWorks to launch a new midway brand, Shrek's Far Far Away Adventure, is a hugely exciting development and the start of what we hope will become a wider strategic partnership. Shrek is the most successful animated franchise of all time and we are delighted that we are going to add it to our portfolio of iconic international entertainment brands.

"Looking forwards, we are confident that our portfolio of attractions is well placed to take advantage of the world of opportunity ahead of us, with our pipeline of new business developments remaining as full as ever. We have multiple levers to drive growth and the right team in place to ensure continued delivery. Stand by for more Merlin magic ahead!"

Outlook and current trading

2014 is expected to be another year of continued progress for Merlin. We are again driving future growth via further significant product investment planned for the existing estate. Accommodation will be added or extended at four of the theme parks and a further six new midway attractions will be added to the portfolio, with openings weighted towards the second half of the year. 2014 should see another year of good underlying revenue and profit growth although the current strength of Sterling may result in an adverse translational impact. We expect our application of the six growth drivers, continued tight cost control and a focus on customer satisfaction to deliver continued sustainable returns and create significant value for our shareholders.

At this early stage of the season, trading is driven by Midway and the year-round LEGOLAND parks in California and Florida. These attractions are currently trading in line with expectations and investment plans across the business are on track.

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A presentation for analysts will be held today at Nomura, One Angel Lane, London EC4R 3AB. The presentation will start at 9:30am with a live webcast available at: www.merlinentertainments.biz

Chief Executive Officer's review

Introduction

2013 was a landmark year for Merlin Entertainments, with a successful listing on the London Stock Exchange and continued strong operating and financial performance.

All three Operating Groups performed well following specific challenges in 2012 with the London Olympics and record wet weather in northern Europe. Overall, Group revenues rose over 10% to £1,192 million, converting to underlying EBITDA, up over 12%, at £390 million. The strong operating performance, combined with further improvement in the balance sheet resulted in underlying profit before tax of £186 million.

The financial performance was underpinned by continuing strong customer satisfaction scores, over 90% 'satisfied' and 'very satisfied', and employee engagement consistently in excess of 80%.

Market trends

Merlin operates in an attractive and growing marketplace.

Globally, leisure spending is expected to grow by approximately 5% per annum from 2011-2016, driven by rising incomes and increasing leisure time. The Company considers this to be a fundamental driver of its business.

A key focus for Merlin has been on developing its footprint in emerging markets, where a growing middle class, enjoying improving wealth and living standards, expands the market opportunity. Not only can Merlin reap this benefit in these local economies, but increasing wealth is driving international tourism, particularly in key 'gateway' cities such as London, New York and Hong Kong. Merlin currently operates in twelve of the cities listed in the world's top 30 cities by tourist arrivals.

The Company believes that there is a significant shift in demand away from the typical two week family holiday, towards short breaks or 'staycations'. This has informed the strategy of repositioning the theme park businesses as short break resorts, which has the effect of increasing the catchment area, and increasing visitor spend and satisfaction.

The marketplace remains highly fragmented with a significant proportion of independent, or non-natural owners of assets. The estimated global market share held between Merlin and its largest competitor is less than 5%.

The strength of the Merlin brands and the diversification of our portfolio leaves the Company well placed to benefit from these attractive market trends and opportunities.

Given our long term vision to ultimately derive a third of our revenue from each of Europe, the Americas and Asia Pacific, the predominant focus of our New Business Development will continue to be in North America and increasingly Asia Pacific, currently representing 21% and 14% of revenue respectively.

Operating Group review

Midway Attractions

	52 weeks ended	52 weeks ended	Like for like	Reported
	28 December 2013	29 December 2012	growth	growth
Revenue	524	458	9.3%	14.3%
EBITDA[1]	**212**	**179**		**18.7%**

[1] Underlying basis, excluding exceptional and non-trading items

2013 was another successful year for the Midway Attractions Operating Group. Revenues grew 14.3% underpinned by like for like revenue growth of 9.3%. The strong underlying performance was driven by continued market growth in Asia and more normalised trading conditions in the UK following the London Olympics in 2012. In addition, the Group opened a further six new attractions and acquired a seventh across four brands and three continents, and benefited from the first full year contribution of the Living and Leisure Australia acquisition. However, this was somewhat tempered by disappointing snowfall in the Australian ski fields after a strong season in 2012.

LEGOLAND Parks

	52 weeks ended	52 weeks ended	Like for like	Reported
	28 December 2013	29 December 2012	growth	growth
Revenue	352	308	5.3%	14.2%
EBITDA[1]	127	113		12.8%

[1] Underlying basis, excluding exceptional and non-trading items

The LEGOLAND business continues to grow, supported by the ongoing popularity of the LEGO brand and significant further investment in the LEGOLAND resort estate. Overall revenue grew by 14.2%, supported by a strong first year performance from the new 250 room LEGOLAND California hotel. This total growth was underpinned by 5.3% like for like revenue growth across the Operating Group and benefited from favourable movements in foreign exchange rates. LEGOLAND Windsor delivered another strong performance driven by the launch of the DUPLO Valley waterpark and continuing success of the hotel opened in 2012.

Both LEGOLAND Florida and Malaysia continue to trade well, although the exceptionally strong opening year for LEGOLAND Florida in 2012 provided a slight drag on the Operating Group's like for like performance in 2013.

Resort Theme Parks

	52 weeks ended	52 weeks ended	Like for like	Reported
	28 December 2013	29 December 2012	growth	growth
Revenue	314	290	5.2%	8.4%
EBITDA[1]	81	73		11.2%

[1] Underlying basis, excluding exceptional and non-trading items

Resort Theme Parks saw total revenue grow 8.4% in 2013, driven by like for like revenue growth of 5.2% and supported by favourable movements in foreign exchange rates. Continued investment in the estate through our capital investment cycles and more seasonal weather in northern Europe delivered solid year on year growth. Major launches such as `The Smiler' at Alton Towers, and `Zufari: Ride into Africa!' at Chessington World of Adventures delivered significant volume and revenue growth at both these parks. Gardaland is showing signs of stabilisation, supported by the revamping of the park's Annual Pass product and effective introduction of intellectual property based attractions such as `Madagascar Live: Prepare to Party'.

The strategic focus of the Resort Theme Parks Operating Group is creating a portfolio of differentiated short break destinations that are centred around unique and compelling theme park propositions. The resort positioning of the parks was also developed further with accommodation trials of 'Crash Pad' at Thorpe Park and 'Medieval Glamping' at Warwick Castle, both of which will be extended in 2014.

Strategic developments

Merlin has six highly complementary strategic growth drivers and we have exciting developments planned against each for 2014 and beyond.

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 lower years followed by a high year. These cycles are carefully managed so as to smooth capital expenditure across the portfolio of attractions; to ensure the investments are funded out of operating free cash flow; and to provide attractions with the visibility and autonomy to plan effectively. In each case the investment over the cycle is broadly in line with depreciation and follows a pre-set ratio to revenue (typically 8-10%).

In 2014, high year investments in Heide Park and LEGOLAND California will be key contributors of growth in the Resort Theme Parks and LEGOLAND Parks Operating Groups respectively. In addition, Alton Towers will launch a new CBeebies Land as a result of a partnership with BBC Worldwide. All attractions, whether in high or low years, will offer something new to see or experience as this is a key component of driving repeat visitation.

Exploiting strategic synergies

As the Group expands and achieves critical mass in key markets, we are able to leverage buying economies of scale and particularly marketing activity through such things as third party promotions and the Merlin Annual Pass loyalty programme. These secure both incremental sales and market share. In 2014 we will continue to focus on e-commerce initiatives, pushing more transactions through our own websites to both improve the customer purchase journey and provide longer term opportunities for closer yield management. Over the last two years, our major initiatives in this area have led to online bookings increasing as a percentage of our admissions revenue, up from 12% in 2011 to 19% in 2013.

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. To date, all recent investments whether themed hotels or Holiday Villages have been highly successful, comfortably delivering against our investment criteria and driving multi-day stays.

In 2014 a second hotel product (the Azteca Hotel) will be added to the Chessington World of Adventures Resort, while LEGOLAND Deutschland will add a 68 bedroom extension to the Knight's Castle hotel. The LEGOLAND Billund Resort continues to add further accommodation with a new wing to the current hotel and standard rooms are being upgraded and themed across the existing hotel estate. In addition, we will build on the successful pilots of `Medieval Glamping' at Warwick Castle and of `Crash Pad' at Thorpe Park. Going forward, we are seeking to add an average 200 'keys' to our estate each year across the portfolio and are also actively developing additional 'second gate' attractions that are located next to the resort and give our guests even more to do during their visit.

Rolling out new midway attractions

A key element of Merlin's New Business Development (NBD) programme is the roll out of our midway brands. We are able to open new Madame Tussauds, SEA LIFE Centres, Dungeons and LEGOLAND Discovery Centres, typically for £5-8 million each, always with a target of 20% ROIC. Since 2004 we have launched nearly 40 midway attractions and are planning to open six or seven a year from 2014. Increasingly, our focus is on opening multiple attractions in the same locations to form clusters from which we can derive operating cost, marketing and cross-selling advantages.

2014 has already seen us open our 100th site, a SEA LIFE Centre in Charlotte, USA. Later this year we will also open a Madame Tussauds and our first North American Dungeon in San Francisco; Madame Tussauds attractions in Beijing and Singapore; and an LDC in Boston, USA. Beyond this the pipeline for 2015 is also largely in place with the Orlando I-Drive cluster of the SEA LIFE Centre, Madame Tussauds and Orlando Eye already under construction in the USA and further projects secured in Asia.

In addition, the recent announcement of our agreement with DreamWorks to launch a new midway brand, 'Shrek's Far Far Away Adventure' is a hugely exciting development and the start of what we hope will become a wider strategic partnership.

Developing new LEGOLAND parks

We see significant potential for expansion of LEGOLAND parks due to the LEGO brand's worldwide popularity and the proven success of the six parks open to date. Our aim is to open at least one new park every three years under one of three ownership models: operated and owned; operated and leased; and management contracts. In the last three years we have opened both LEGOLAND Florida (owned) and Malaysia (contract) and are already engaged on a further park, Dubai (contract), with opening targeted in 2016. Beyond this, our focus is again very much on Asia and North America with projects currently under negotiation in Japan and South Korea and further preliminary discussions ongoing in China and the USA.

Strategic acquisitions

Merlin Entertainments operates in a fragmented market and has a highly successful track record of making and integrating acquisitions. In 2011 and 2012 the acquisitions of Sydney Attractions Group and Living and Leisure Australia accelerated our expansion into Asia Pacific and have facilitated further new openings in this region. Our primary focus going forward is on midway-type operations in Asia and North America where the assets can be rebranded to Merlin's brands (or provide new brand opportunities) and complement our expansion strategy. Merlin's future growth is not dependent on acquisitions but we are in the favourable position of having the free cash flow to make them should suitable opportunities arise.

Merlin Magic Making

Merlin Magic Making, our unique creative team, had another successful year supporting the three Operating Groups, securing the pipeline and strengthening intellectual property relationships. Developments in 2013 included the introduction of a dedicated creative research and development team.

In 2013 Merlin Magic Making supported 35 major projects in ten countries, representing more than £190 million of capital investment. Creative successes included:

- 'The Smiler' - the world's first 14-looping roller coaster launched at Alton Towers
- Our Madame Tussauds waxworks artists created more than 200 new models - our highest output ever. New techniques also allowed for more dynamic poses and enhanced quality
- Our SEA LIFE team brought over 6,200 new creatures into the world, including our first squid breeding programme. We have played an active role out in the wider world of marine aquariums and conservation
- Our five LEGO model shops used more than 16.4 million bricks to make 9,500 new models for our popular themed hotels, holiday villages and the expanding estate of LEGOLAND Discovery Centres

Chief Financial Officer's review

Trading performance

Revenue

Revenue grew by £118 million, or 10.9%, comprising 6.7% like for like growth, a £51 million contribution from new openings and acquisitions, along with favourable movements in foreign exchange rates and other items. Further detail on the impact of foreign exchange movements is provided below.

Visitor numbers grew by 10.7% during the year, reflecting a combination of underlying growth in the existing estate and the addition of seven new midway attractions.

The existing estate benefited from strong volume growth in Asia and London, the continued impact of ongoing investment through the capital development cycles, and our strategy to develop our parks into resorts by adding new accommodation. The UK showed a degree of recovery following the impact of the London Olympics in 2012. In addition, the return to more seasonally normal weather in northern Europe in 2013 following the extremely wet weather in the prior year also helped to support this year on year growth. The challenging economic conditions in southern Europe have yet to show significant improvement. However, Gardaland's performance has stabilised and we anticipate making further major investments in the resort from 2015.

Revenue per capita (RPC) was £18.14, up by 1.2% on the prior year (2012: £17.93). This was driven by a combination of the bounceback in the UK, as well as the mix effect of the midway roll out. The Company's focus continues to be on revenue maximisation rather than specific volume or RPC targets.

Over the past five years, the Company has grown revenues at a compound annual growth rate of 11.6%, with average like for like growth of 4.2%.

Underlying profit

EBITDA grew by £44 million, or 12.8%, to £390 million reflecting solid conversion of the revenue performance. EBITDA growth from each of the Operating Groups was partly offset by an increase in costs reflecting the flow back of one-off savings in 2012, as well as certain additional central costs that arise as a result of the Company's recent Listing.

Operating profit growth of £32 million and 12.3% was driven by the growth in EBITDA, partially offset by an increase in the depreciation and amortisation charge to £100 million.

	2013 £m	2012 £m	Growth +/- £m	Change %
Revenue	**1,192**	1,074	118	+10.9%
EBITDA(1)	**390**	346	44	+12.8%
Operating profit(1), (2)	**290**	258	32	+12.3%
Net finance costs (1)	**(104)**	(118)	14	+12.0%
Profit before tax(1)	**186**	140	46	+33.0%
Taxation(1)	**(24)**	(20)	(4)	-18.1%

Net income(1)	**162**	120	42	+35.6%
Post-tax exceptional and non-trading items	**(17)**	(44)	27	+60.9%

(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 £104 million reduced by £14 million (2012: £118 million) reflecting facility amendments made in 2013 which reduced the margins payable on the Group's debt portfolio and the repayment of borrowings from the net proceeds of the IPO.

Taxation

A tax charge of £24 million is equivalent to an effective tax rate of 12.7% (2012: 14.3%) of profit before tax. The difference between the reported effective tax rate and the UK standard tax rate of 23% is primarily due to the recognition of deferred tax assets in the UK, combined with different tax rates that apply in the various jurisdictions we operate in around the world.

Post-tax exceptional and non-trading items

Exceptional operating costs before tax were £30 million. Of these, £28 million related to the IPO in November 2013 and a further £2 million were incurred in the year related to acquisition related activities. No impairment losses were incurred in 2013.

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

Tax on exceptional and non-trading items amounted to a charge of £3 million.

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	2012 average FX rates	2013 average FX rates	%age movement in FX rates	Revenue impact
EUR	1.24	1.17	6.0%	14
USD	1.58	1.55	2.1%	5
AUD	1.53	1.62	(6.1%)	(6)
Other	-	-	-	5
Total				**18**

Earnings per share

Basic earnings per share was 15.1 pence. Adjusted earnings per share, which excludes the impact of exceptional and non-trading items, was 16.9 pence.

Reconciliation between basic and adjusted earnings:

	2013 £m
Profit attributable to shareholders	**145**
Exceptional items after tax	**17**
Adjusted profit to shareholders	**162**
Number of shares (million)	**958**
Basic earnings per share	**15.1p**
Adjusted earnings per share	**16.9p**

Dividend

A dividend has not been proposed (2012: £nil).

The Company intends to adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover and retaining sufficient capital in the Group to fund continued investment. It is therefore the Board's current intention to target an initial payout ratio of approximately 35-40% of net income normalised for Merlin's long-term expected tax rate.

The Directors intend that the Company will in future pay an interim dividend and final dividend in approximate proportions of one third, two thirds respectively of the total annual dividend with effect from 2014. Accordingly, the Company intends to propose its first dividend at the time of the publication of the 2014 half-year results. If approved, this dividend will be paid in the second half of the year.

Cash flow

	2013 £m	**2012 £m**
Net cash inflow from operating activities	**365**	348
Capital expenditure	**(152)**	(163)

Acquisition of Turkuazoo and retail outlet *(2012:Living and Leisure Australia)*	**(11)**	(156)
Proceeds from bank loans, net of financing costs	**-**	167
Net proceeds from IPO	**194**	-
Refinancing and repayment of borrowings	**(179)**	-
Interest paid, net of interest received	**(92)**	(108)
Other	**-**	(7)
Net cash inflow for the year	**125**	81

Merlin continues to be highly cash generative. During 2013 the Group generated a net operating cash flow after ta£365 million, after taking account of the net cash flow impact of exceptional and non-trading items.

Capital expenditure of £152 million was incurred in order to invest in both the existing estate businesses (£95 million) and new openings (£57 million).

In line with our strategy, Merlin's capital investment programme creates new attractions for the existing businesses following the investment cycles laid down for each Operating Group. The year on year reduction was driven predominantly by the timing of the capital investment cycles in the Group's theme parks and resorts.

The LEGOLAND Park Operating Group also saw a significant uplift from the opening of the new 250 room hotel in LEGOLAND California and the Knight's Castle themed hotel at LEGOLAND Deutschland. Overall, the Group invested £18 million in new accommodation projects in 2013, creating 284 rooms, consistent with our long term plans of an average of £25 million spend and 200 new rooms/keys per annum.

All major capital projects are appraised both operationally and financially and Merlin sets clear project return targets to assist in assessing the viability and prioritisation of capital investment projects.

The Group invested £38 million in expanding the midway portfolio. Six new attractions were opened in 2013 and we are on track for a further six in 2014.

Acquisitions in 2013 were primarily in respect of the Turkuazoo aquarium in Istanbul and a retail outlet in London (including the repayment of borrowings). In 2012 the strategic acquisition of LLA totalled £156 million including the purchase of assets net of cash acquired (and repayment of borrowings).

Net interest paid in 2013 has reduced reflecting the impact of the amendment to the Group's debt facilities made in mid-2013 and the repayment of debt from the proceeds of the IPO.

Net debt

	2013 £m	**2012 £m**
Bank loans and borrowings	**1,185**	1,337
Less: cash and cash equivalents	**(264)**	(142)
Net bank debt	**921**	1,195
Finance lease obligations	**85**	84
Net debt	**1,006**	1,279
Leverage on net debt to underlying EBITDA	**2.6**	3.7
Maturity of bank borrowing facilities	**July 2019**	July 2017

During the year, Merlin amended the terms of its borrowing facilities to reduce the margin payable on borrowings and extended the maturity of the facility by two years to July 2019. The reduction in net debt as a result of the primary proceeds of the IPO led to a further reduction in the margin payable on the borrowings.

The Facilities Agreement requires Merlin to comply with certain financial and non-financial covenants. The financial covenants include a requirement to maintain certain ratios of EBITDA to both net interest payable and net debt. The Facilities Agreement is secured by fixed charges over the shares in certain Group companies and certain intra-Group receivables.

Merlin has a revolving facility of £150 million (2012: £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 December 2013, £nil had been drawn down from the revolving facility (2012: £nil).

Leverage on net debt at the year end equates to 2.6x underlying EBITDA (2012: 3.7x), recognising both the growth in EBITDA and the repayment of bank debt during the year.

Merlin's loan facilities (drawn and undrawn) and the level of interest rate swaps are set in order to provide suitable financing for the Group's future expansion plans.

Net assets

The IPO enhanced the strength of the balance sheet, with net assets of the Group increasing from £617 million in 2012 to £944 million in 2013.

This reflects the net IPO proceeds of £194 million and £145 million profit for the year, net of £12 million of other comprehensive income, primarily exchange differences arising on the retranslation of assets denominated in foreign currencies.

As stated in our IPO Prospectus, we are pleased to announce that we completed a capital reduction process on 26 February 2014, whereby approximately £3,183 million standing to the credit of the Company's share premium account and capital redemption reserve was cancelled and has created distributable reserves by an equivalent amount (the "Cancellation"). The Cancellation was formally approved by the High Court on 26 February 2014. The reserves created by the Cancellation will be available to fund any purchase of the Company's own shares or for the payment of dividends to the Company's shareholders and/or for other general corporate purposes the directors of the Company may consider appropriate. The Cancellation has no effect on the overall net asset position of the Company.

Return on capital employed (ROCE)

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

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 28 December 2013

(2012: 52 weeks ended 29 December 2012)

	Note	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	1,192	-	1,192	1,074	-	1,074
Cost of sales		(170)	-	(170)	(163)	-	(163)
Gross profit		1,022	-	1,022	911	-	911
Staff expenses	2	(297)	-	(297)	(261)	(1)	(262)
Other operating expenses		(335)	(30)	(365)	(304)	(5)	(309)
EBITDA [1]	2	390	(30)	360	346	(6)	340
Depreciation, amortisation and impairment	6, 7	(100)	-	(100)	(88)	(53)	(141)
Operating profit		290	(30)	260	258	(59)	199
Finance income	8	1	20	21	6	19	25
Finance costs	8	(105)	(4)	(109)	(124)	(2)	(126)
Profit before tax		186	(14)	172	140	(42)	98
Taxation	4	(24)	(3)	(27)	(20)	(2)	(22)
Profit for the year		**162**	**(17)**	**145**	**120**	**(44)**	**76**
Profit attributable to:							
Owners of the Company		162	(17)	145	120	(44)	76
Non-controlling interest		-	-	-	-	-	-
Profit for the year		**162**	**(17)**	**145**	**120**	**(44)**	**76**
Earnings per share							
Basic and diluted earnings per share (p)	5			15.1			8.0

(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 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 28 December 2013

(2012: 52 weeks ended 29 December 2012)

	Note	2013 £m	2012 £m
Profit for the year		145	76
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on retranslation of subsidiaries		(8)	(24)
Exchange differences relating to the net investment in foreign operations		(8)	6
Effective portion of changes in fair value of cash flow hedges		5	(1)
Income tax on items relating to components of other comprehensive income	4	(1)	1
Other comprehensive income for the year net of income tax		(12)	(18)
Total comprehensive income for the year		**133**	**58**
Total comprehensive income attributable to:			
Owners of the Company		133	59
Non-controlling interest		-	(1)
Total comprehensive income for the year		**133**	**58**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 December 2013

(2012: 29 December 2012)

	Note	2013 £m	2012 £m
Non-current assets			
Property, plant and equipment	6	1,321	1,290
Intangible assets	7	961	970

	Note	2013	2012
Investments		3	-
Other receivables		3	3
Deferred tax assets	4	56	34
		2,344	2,297
Current assets			
Inventories		24	23
Trade and other receivables		64	47
Other financial assets		6	-
Cash and cash equivalents		264	142
		358	212
Total assets		2,702	2,509
Current liabilities			
Interest-bearing loans and borrowings		6	4
Other financial liabilities		9	63
Trade and other payables		223	179
Tax payable		21	19
Provisions		11	13
		270	278
Non-current liabilities			
Interest-bearing loans and borrowings		1,179	1,333
Finance leases		85	84
Other payables		23	22
Provisions		37	36
Employee benefits		4	5
Deferred tax liabilities	4	160	134
		1,488	1,614
Total liabilities		1,758	1,892
Net assets		**944**	**617**
Issued capital and reserves attributable to owners of the Company		940	613
Non-controlling interest		4	4
Total equity		**944**	**617**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 December 2013
(2012: 52 weeks ended 29 December 2012)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interest £m	Total equity £m
At 1 January 2012 as previously stated		1	1,230	(493)	(52)	(6)	(130)	550	5	555
Adjustment for reverse acquisition	1	-	(1,230)	1,230	-	-	-	-	-	-
At 1 January 2012		1	-	737	(52)	(6)	(130)	550	5	555
Profit for the year		-	-	-	-	-	76	76	-	76
Other comprehensive income for the year net of income tax		-	-	-	(16)	(1)	-	(17)	(1)	(18)
Total comprehensive income for the year		-	-	-	(16)	(1)	76	59	(1)	58
Shares issued		-	4	-	-	-	-	4	-	4
At 29 December 2012		**1**	**4**	**737**	**(68)**	**(7)**	**(54)**	**613**	**4**	**617**
Profit for the year		-	-	-	-	-	145	145	-	145
Other comprehensive income for the year net of income tax		-	-	-	(17)	5	-	(12)	-	(12)
Total comprehensive income for the year		-	-	-	(17)	5	145	133	-	133
Bonus issue	9	8	2,979	(2,987)	-	-	-	-	-	-
Shares issued	9	1	200	-	-	-	(7)	194	-	194
At 28 December 2013		**10**	**3,183**	**(2,250)**	**(85)**	**(2)**	**84**	**940**	**4**	**944**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Profit for the year		145	76
Adjustments for:			
Depreciation,amortisation and impairment	6, 7	100	141
Finance income	8	(21)	(25)
Finance costs	8	109	126
Taxation	4	27	22
		360	340
Working capital changes		30	24
(Decrease)/increase in provisions and other non-current liabilities		(3)	1
		387	365
Tax paid		(22)	(17)
Net cash inflow from operating activities		365	348
Cash flows from investing activities			
Interest received		1	2
Acquisition of subsidiaries		(6)	(72)
Acquisition of property, plant and equipment		(152)	(163)
Net cash outflow from investing activities		(157)	(233)
Cash flows from financing activities			
Proceeds from issue of share capital		194	-
Proceeds from bank loans		102	175
Financing costs		(11)	(8)
Capital repayments of finance leases		-	(3)
Interest paid		(93)	(110)
Settlement of interest rate swaps and foreign exchange contracts		(39)	5
Repayment of borrowings		(236)	(93)
Net cash outflow from financing activities		(83)	(34)
Net increase in cash and cash equivalents		125	81
Cash and cash equivalents at beginning of year		142	60
Effect of movements in foreign exchange		(3)	1
Cash and cash equivalents at end of year		**264**	**142**

1. Basis of preparation

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

The consolidated financial statements for the 52 weeks ended 28 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and were approved by the Directors on 26 February 2014 along with this preliminary announcement.

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

The Group prepares its annual consolidated financial statements on a 52 or 53 week basis. These consolidated financial statements have been prepared for the 52 weeks ended 28 December 2013 *(2012: 52 weeks ended 29 December 2012)*. The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and certain investments measured at their fair value.

The consolidated financial statements are presented in Sterling.

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

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the 52 weeks ended 28 December 2013 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 52 weeks ended ended 28 December 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

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

Going concern

The Group continues to trade profitably reporting a profit for the year of £145 million *(2012: £76 million)* and continues to generate cash with operating cash inflows of £365 million *(2012: £348 million)*. The Group is funded by a bank loan facility, the maturity of which was extended in the year to 2019. The Group's forecasts show that it will 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 consolidated financial statements.

Basis of consolidation

On 12 November 2013 the entire share capital of the Group's previous parent company, Merlin Entertainments S.à r.l. was acquired by Merlin Entertainments plc funded by an issue of the equity instruments of Merlin Entertainments plc in exchange for these instruments. There were no changes in rights or proportions of control in the Group as a result of this transaction.

Whilst the equity instruments of Merlin Entertainments S.à r.l. were legally acquired, in substance the Directors have determined that Merlin Entertainments S.à r.l. is the accounting acquirer of Merlin Entertainments plc. As such, this transaction has been accounted for as a reverse acquisition.

Accordingly, the financial statements are issued in the name of the new legal parent, Merlin Entertainments plc, but are a continuation of the financial statements of Merlin Entertainments S.à r.l. In accordance with the requirements of IFRS 3: 'Business Combinations', the financial statements of Merlin Entertainments S.à r.l., including comparative information, have been retroactively adjusted to transfer £1,230 million from share premium to capital reserve to reflect the legal capital position of Merlin Entertainments plc as shown in the consolidated statement of changes in equity. No other adjustments have arisen in respect of this reverse acquisition.

Judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
On an ongoing basis the following areas involve a higher degree of judgement or complexity:

- Recognition of deferred tax assets
- Impairment testing

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

- Accounting for the Group's amendment to its financing facilities

2. Profit before tax

Segmental information

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

Information regarding the results of each operating segment is included below.

	2013 £m	2012 £m
Midway Attractions	524	458
LEGOLAND Parks	352	308
Resort Theme Parks	314	290
Segment revenue	1,190	1,056
Central and other revenue	2	18
Revenue	1,192	1,074

	2013 £m	2012 £m
Midway Attractions	212	179
LEGOLAND Parks	127	113
Resort Theme Parks	81	73
Segment profit, being segment EBITDA	420	365
Central costs	(30)	(19)
EBITDA before exceptional and non-trading items	390	346
Exceptional and non-trading items within EBITDA (note 3)	(30)	(6)
EBITDA	360	340
Depreciation, amortisation and impairment	(100)	(141)
Net finance costs	(88)	(101)
Consolidated profit before tax	172	98

2. Profit before tax (continued)

Geographical areas

While each Operating Group is managed on a worldwide basis the information presented below is based on the geographical locations of the visitor attractions concerned.

Geographical information

	Revenues	Non-current assets	Revenues	Non-current assets

	2013 £m	2013 £m	2012 £m	2012 £m
United Kingdom	466	778	425	757
Continental Europe	307	829	280	796
North America	247	373	217	362
Asia Pacific	172	305	152	348
	1,192	2,285	1,074	2,263
Deferred tax		56		34
Investments		3		-
		2,344		2,297

Operating costs

Staff numbers and costs

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

	2013	2012
Operations	14,573	13,117
Attractions management and central administration	1,712	1,719
	16,285	14,836

The aggregate payroll costs of these persons were as follows:

	2013 £m	2012 £m
Wages and salaries	255	226
Social security costs	32	28
Other pension costs	10	8
	297	262

3. Exceptional and non-trading items

Accounting policy

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

Exceptional 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:

	2013 £m	2012 £m
Within staff expenses:		
Redundancy and related costs (4)	-	1
	-	1
Within other operating expenses:		
Costs in respect of IPO (1)	28	-
Acquisition costs (2)	2	5
	30	5
Exceptional and non-trading items included within EBITDA	30	6
Within depreciation, amortisation and impairment:		
Impairment of intangible assets (5)	-	40
Impairment of property, plant and equipment (5)	-	13
	-	53
Exceptional and non-trading items included within operating profit	30	59
Within finance income and costs:		
Unrealised gain on re-measurement of financial derivatives at fair value (3)	(20)	(14)
Unrealised loss on re-measurement of financial derivatives at fair value (3)	4	2
Settlement of foreign exchange contracts (6)	-	(5)
	(16)	(17)
Exceptional and non-trading items before income tax	14	42
Exceptional and non-trading items income tax charge	3	2

Exceptional and non-trading items for the year	17	44

2013

(1) Certain professional and advisory fees have been incurred in 2013 as part of the process of listing shares in the Group through an Initial Public Offering. They are separately presented as they are not part of the Group's underlying operating expenses. In addition, £7 million has been recognised directly in equity.

(2) Directly attributable acquisition and subsequent integration costs were incurred in respect of the acquisitions made in the year. These are separately presented as they are not part of the Group's underlying operating expenses.

(3) The Group has separately presented gains and losses on derivative financial instruments, where the items are not hedge accounted, in order to better present the underlying finance cost for the Group.

3. Exceptional and non-trading items (continued)

2012

(4) Redundancy and related costs were incurred in 2012 following an internal review of the Gardaland Resort business in Italy. These were separately presented as they were not part of the Group's underlying operating expenses.

(5) Total impairment losses of £53 million were incurred in 2012, being £40 million in respect of goodwill for the Resort Theme Parks Operating Group and £13 million in aggregate in respect of property, plant and equipment at three of the Group's midway attractions. These were al driven by lower projected cash flows within business plans arising from adverse economic conditions within southern Europe.

(6) The Group entered into a number of foreign exchange contracts in connection with the acquisition of Living and Leisure Australia in 2012. They were not hedge accounted and accordingly gains were recognised when they were settled. These were separately presented as they were not part of the Group's underlying finance income.

4. Taxation

Recognised in the income statement

	2013 £m	2012 £m
Current tax expense		
Current year	26	18
Adjustment for prior periods	(1)	-
Total current income tax	25	18
Deferred tax expense		
Origination and reversal of temporary differences	4	3
Changes in tax rate	-	(1)
Adjustment for prior periods	(2)	2
Total deferred tax	2	4
Total tax expense in income statement	27	22

4. Taxation (continued)

Reconciliation of effective tax rate

	2013 %	2013 £m	2012 %	2012 £m
Profit before tax		172		98
Income tax using the domestic corporation tax rate	23.0%	40	28.8%	28
Non-deductible expenses	9.8%	16	23.0%	22
Income not subject to tax	(9.9%)	(17)	(17.7%)	(17)
Effect of tax rates in foreign jurisdictions	10.6%	18	7.0%	7
Effect of changes in tax rate	0.1%	-	(0.9%)	(1)
Unrecognised temporary differences	1.0%	2	3.9%	4
Effect of recognising deferred tax assets previously unrecognised	(16.9%)	(29)	(23.1%)	(23)
Adjustment for prior periods	(2.0%)	(3)	1.4%	2
Total tax expense in income statement	15.7%	27	22.4%	22

Merlin Entertainments plc is a UK company and the reconciliation of effective tax rate has been performed at the UK statutory rate. The comparative information uses the Luxembourg statutory rate.

During 2013 a number of changes associated with the IPO, including the restructuring of debt facilities and the settlement of interest rate swaps have led to an increased certainty over the availability of future taxable profits in the UK, which has led to the recognition of deferred tax assets in the UK, arising largely from unclaimed capital allowances. Sensitivity analysis was performed when the asset was recognised. This showed that no reasonably foreseeable changes in the future taxable profits of the UK operations or the forecast capital spend would result in non-utilisation of the deferred tax assets.

Recognised directly in equity through the statement of other comprehensive income

	2013 £m	2012 £m
Foreign exchange translation differences relating to the net investment in foreign operations	1	(1)
Total tax income in statement of other comprehensive income	1	(1)

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Property, plant and equipment	40	-	(112)	(83)	(72)	(83)
Other short term temporary differences	26	19	(13)	-	13	19
Intangible assets	-	-	(48)	(49)	(48)	(49)
Tax value of loss carry-forwards	3	13	-	-	3	13
Tax assets/(liabilities)	69	32	(173)	(132)	(104)	(100)
Set-off tax	(13)	2	13	(2)	-	-
Net tax assets/(liabilities)	56	34	(160)	(134)	(104)	(100)

4. Taxation (continued)

Other short term temporary differences primarily relate to miscellaneous items, including various accruals and prepayments.

Set-off tax is separately presented to show deferred tax assets and liabilities by category before the effect of offsetting these amounts in the statement of financial position where the Group has the right and intention to offset these amounts.

Movement in deferred tax during the current year

	30 December 2012 £m	Acquired in business combi-nations £m	Recognised in income £m	Recognised in other comprehen-sive income £m	Effect of movements in foreign exchange £m	28 December 2013 £m
Property, plant and equipment	(83)	-	10	-	1	(72)
Other short term temporary differences	19	-	(3)	(2)	(1)	13
Intangible assets	(49)	-	1	-	-	(48)
Tax value of loss carry-forwards	13	-	(10)	-	-	3
Net tax assets/(liabilities)	(100)	-	(2)	(2)	-	(104)

Movement in deferred tax during the previous year

	1 January 2012 £m	Acquired in business combi-nations £m	Recognised in income £m	Recognised in other comprehen-sive income £m	Effect of movements in foreign exchange £m	29 December 2012 £m
Property, plant and equipment	(88)	(1)	4	-	2	(83)
Other short term temporary differences	13	4	3	-	(1)	19
Intangible assets	(50)	-	1	-	-	(49)
Tax value of loss carry-forwards	25	-	(12)	-	-	13
Net tax assets/(liabilities)	(100)	3	(4)	-	1	(100)

Unrecognised deferred tax assets

	2013 £m	2012 £m
Property, plant and equipment	7	29
Other short term temporary differences	30	30
Intangible assets	4	6
Tax value of loss carry-forwards	55	94
Net tax assets	96	159

The unrecognised deferred tax assets relating to loss carry-forwards include £nil *(2012: £3 million)* which expire within 5 years and £1 million *(2012: £1 million)* which expire within 10 years. The remaining losses and other timing differences do not expire under current tax legislation. Unrecognised loss carry-forwards of £47 million ceased to exist on the liquidation of certain subsidiary companies domiciled in Luxembourg.

5. 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 3).

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

	2013 £m	2012 £m
Profit attributable to ordinary shareholders	145	76
Exceptional and non-trading items net of tax (see note 3)	17	44
Adjusted profit attributable to ordinary shareholders	162	120

	2013	2012
Basic weighted average number of shares	957,880,691	947,404,479
Dilutive potential ordinary shares	-	-
Diluted weighted average number of shares	957,880,691	947,404,479

Awards issued under the share incentive schemes are not dilutive for the years ended 28 December 2013 and 29 December 2012, 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 scheme did not exceed the sum of the exercise price and the fair value of services to be provided for these awards.

Basic earnings per share

	2013 Pence	2012 Pence
Basic earnings per share	15.1	8.0
Diluted earnings per share	15.1	8.0

Adjusted earnings per share

	2013 Pence	2012 Pence
Adjusted earnings per share	16.9	12.7
Adjusted diluted earnings per share	16.9	12.7

6. Property, plant and equipment

Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Cost				
Balance at 1 January 2012	699	658	57	1,414
Acquisitions through business combinations	91	39	2	132
Additions	11	32	127	170
Movements in asset retirement provisions	3	1	-	4
Disposals	(1)	(8)	-	(9)
Transfers	30	65	(95)	-
Effect of movements in foreign exchange	(21)	(13)	(1)	(35)
Balance at 29 December 2012	812	774	90	1,676
Acquisitions through business combinations	-	6	-	6
Additions	9	34	106	149
Movements in asset retirement provisions	2	(1)	-	1
Disposals	(5)	(11)	-	(16)
Transfers	63	73	(136)	-
Effect of movements in foreign exchange	(19)	(14)	2	(31)
Balance at 28 December 2013	862	861	62	1,785

Depreciation

Balance at 1 January 2012	111	191	-	302
Depreciation for the year - owned assets	23	60	-	83
Depreciation for the year - leased assets	2	2	-	4
Impairment	8	5	-	13
Disposals	(1)	(8)	-	(9)
Effect of movements in foreign exchange	(4)	(3)	-	(7)
Balance at 29 December 2012	139	247	-	386
Depreciation for year - owned assets	28	67	-	95
Depreciation for year - leased assets	1	3	-	4
Disposals	(5)	(11)	-	(16)
Effect of movements in foreign exchange	(2)	(3)	-	(5)
Balance at 28 December 2013	161	303	-	464
Carrying amounts				
At 1 January 2012	588	467	57	1,112
At 29 December 2012	673	527	90	1,290
At 28 December 2013	**701**	**558**	**62**	**1,321**

Capital commitments

At the year end the Group has a number of outstanding capital commitments amounting to £35 million *(2012: £40 million)*, for which no provision has been made. These commitments are expected to be settled within two financial years of the reporting date.

7. Goodwill and intangible assets

Goodwill and intangible assets

		Intangible assets		
	Goodwill £m	**Brands £m**	**Other £m**	**Total £m**
Cost				
Balance at 1 January 2012	912	192	20	1,124
Acquisitions through business combinations	52	-	5	57
Additions	-	-	1	1
Effect of movements in foreign exchange	(15)	(2)	(1)	(18)
Balance at 29 December 2012	949	190	25	1,164
Acquisitions through business combinations	5	-	-	5
Additions	-	-	1	1
Effect of movements in foreign exchange	(12)	1	(1)	(12)
Balance at 28 December 2013	942	191	25	1,158
Amortisation and impairment				
Balance at 1 January 2012	133	13	8	154
Amortisation for the year	-	-	1	1
Impairment	40	-	-	40
Effects of movements in foreign exchange	-	(1)	-	(1)
Balance at 29 December 2012	173	12	9	194
Amortisation for the year	-	-	1	1
Effect of movements in foreign exchange	1	-	1	2
Balance at 28 December 2013	174	12	11	197
Carrying amounts				
At 1 January 2012	779	179	12	970
At 29 December 2012	776	178	16	970
At 28 December 2013	**768**	**179**	**14**	**961**

8. Finance income and costs

Finance income and costs

Finance income

	2013 £m	**2012 £m**
In respect of assets not held at fair value		
Interest income	1	6
In respect of liabilities held at fair value		
Unrealised gain on re-measurement of financial derivatives at fair value		

- Interest rate swaps and foreign exchange contracts	20	14
Other		
Net foreign exchange gain	-	5
	21	25

Finance costs

	2013 £m	2012 £m
In respect of liabilities not held at fair value		
Interest expense on financial liabilities measured at amortised cost	102	122
Other interest expense	1	2
In respect of liabilities held at fair value		
Unrealised loss on re-measurement of financial derivatives at fair value		
- Interest rate swaps and foreign exchange contracts	4	2
Other		
Net foreign exchange loss	2	-
	109	126

9. Share capital

Share capital

	2013 Number	2012 Number	2013 £m	2012 £m
Ordinary shares of £0.01 each				
On issue and fully paid at beginning of year	156,767,050	156,271,845	1	1
Cancelled in the year	(10,868,759)	-	-	-
Bonus issue	804,101,709	-	8	-
Issued in the year	63,746,032	495,205	1	-
On issue and fully paid at end of year	1,013,746,032	156,767,050	10	1

The share capital above reflects the retroactive adjustment described in note 1.

Issue of new shares

2013

The Company was incorporated on 20 September 2013. On incorporation one A ordinary share of £0.01 was issued for consideration of £0.01.

On 12 November 2013 the Company acquired the entire issued share capital of Merlin Entertainments S.à r.l. in consideration for the issue of 136,767,049 A ordinary shares of £0.01 to the previous shareholders of A class shares of Merlin Entertainments S.à r.l. and 20,000,000 B ordinary shares of £0.01 to the previous shareholders of B class ordinary shares of Merlin Entertainments S.à r.l.

On 13 November 2013 all of the A ordinary shares and 9,131,241 of the B ordinary shares of the Company were converted into ordinary shares of £0.01 in Merlin Entertainments plc. The remaining 10,868,759 B ordinary shares were converted into deferred ordinary shares in Merlin Entertainments plc and were subsequently gifted back to the Company and cancelled.

On 13 November 2013 a bonus issue of 804,101,709 shares was made to holders of the ordinary shares in the Company. No consideration was payable on the issue of the shares.

On 13 November 2013 the Company became listed on the London Stock Exchange and the issue of 63,492,064 ordinary shares for a total consideration of £200 million became unconditional. £7 million of directly attributable costs were recorded in equity in retained earnings. Costs not directly attributable to the issue of new shares were charged to the income statement.

On 13 November 2013 the Company issued 253,968 ordinary shares to certain Non-executive Directors for consideration of £1 million.

Share based payment transactions

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.

The first issues of awards under the PSP and CSOP plans were in November 2013.

The total charge for the year relating to employee share-based payment plans was £nil *(2012: £nil)* which was charged to staff expenses.

10. Net debt

Analysis of 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.

	2013	2012
	£m	£m
Cash and cash equivalents	264	142
Interest-bearing loans and borrowings	(1,185)	(1,337)
Net bank debt	(921)	(1,195)
Current finance leases	-	-
Non-current finance leases	(85)	(84)
Net debt	(1,006)	(1,279)

Restricted funds of £6 million *(2012: £6 million)* are included in cash and cash equivalents.

On 28 June 2013 the Group entered into an amendment to the facility that extended the contractual date of repayment from July 2017 to July 2019, and that involved the Group repaying and then drawing down borrowings in a differently weighted blend of currencies to better match the Group's ongoing needs. Reflecting management's judgement that this is a non-substantive change to an existing facility, the Group accounted for this on a continuation accounting basis. At the reporting date the amended terms of the borrowings provide no clear commercial incentive or contractual commitment to repay them over a specific period that is shorter than the contractual life of the facility and accordingly the Group calculates its effective interest rate and hence amortises transaction costs based on the contractual term of the facility.

11. Related party transactions

Identity of related parties

The Group has related party relationships with its pre-IPO major shareholders, who exert significant influence, key management personnel, joint ventures and IDR Resorts Sdn. Bhd. which, together with its subsidiaries, owns LEGOLAND Malaysia Park.

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

Transactions with shareholders

During the year the Group entered into transactions with the pre-IPO major shareholders KIRKBI Invest A/S, Blackstone Capital Partners and funds advised by CVC Capital Partners (via Lancelot Holdings S.à r.l.). The Group also entered into transactions with CVC Capital Partners and the LEGO Group, a related party of KIRKBI Invest A/S. Transactions entered into, including the purchase and sale of goods, payment of fees and royalties, and trading balances outstanding at 28 December 2013, are as follows:

	Goods and services			
	Sales	Amounts owed by related party	Purchases	Amounts owed to related party
	£m	£m	£m	£m
2013				
KIRKBI Invest A/S	-	-	7	1
Blackstone Capital Partners	-	-	1	-
CVC Capital Partners	-	-	1	-
LEGO Group	1	1	37	1
	1	1	46	2
2012				
KIRKBI A/S	-	-	7	1
Blackstone Capital Partners	-	-	1	-
CVC Capital Partners	-	-	1	-
LEGO Group	1	1	37	2
	1	1	46	3

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 December 2013 are; parties related to KIRKBI Invest A/S £56 million *(2012: £59 million)*, funds advised by parties related to Blackstone Capital Partners £36 million *(2012: £38 million)* and funds advised by parties related to CVC Capital Partners £31 million *(2012: £44 million)*.

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

11. Related party transactions (continued)

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 (together 'parties related to LEGOLAND Malaysia'). At 28 December 2013 the Group had subscribed for 16,350,300 shares in IDR.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 28 December 2013, are as follows:

	Goods and services			
	Sales	Amounts owed by related party	Purchases	Amounts owed to related party
	£m	£m	£m	£m
2013				
Parties related to LEGOLAND Malaysia	2	3	-	-
2012				
Parties related to LEGOLAND Malaysia	4	4	1	-

12. Subsequent events

In the Company's IPO Prospectus the Company noted its intention to reduce its share capital by means of a court sanctioned reduction of capital. The final court hearing to formally approve the proposed reduction took place on 26 February 2014 and resulted in an increase in available reserves for distribution by way of dividends to shareholders in the amount of £3,183 million.

On 24 February 2014 the Company announced a strategic alliance with DreamWorks to launch a new midway brand. This will see an initial roll out programme of six attractions over nine years in international city locations.

END

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