Merlin Entertainments Group Limited

Annual Report and financial statements

Registered number 5022287

52 weeks ended 29 December 2018

Contents

Strategic Report	1
Directors' Report	2
Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the financial statements	4
Independent Auditor's Report to the members of Merlin Entertainments Group Limited	5
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10

Strategic Report

The Directors present their Strategic Report for the 52 weeks ended 29 December 2018.

Strategic management

The Company's principal activity is as a holding company and provider of management services to other Group companies.

Business environment

The Company's principal risks and uncertainties are directly related to Merlin Entertainments plc and its subsidiaries (the Group). The principal risks are discussed within the Annual Report and accounts of Merlin Entertainments plc and details of how to obtain these accounts can be found in note 19. Accordingly no specific risks and uncertainties are identified in these financial statements.

The Directors, as part of the wider Merlin Group, continue to monitor the potential impact of Brexit to the Group and the Company. A number of exercises have been undertaken to identify hot spots, perform analysis of particular contractual arrangements that could be threatened or become more expensive, assess increasing costs of duty, and analyse alternative supply options and the volume and location of inventory holdings.

If there is no agreement between the UK and the EU, the Directors believe that there could be both structural issues, for example immigration restrictions limiting access to non-UK staff currently needed to operate attractions and transitory issues that would be shorter term impacts.

The transitory issues would occur as a consequence of administrative, process or market changes, which will unwind over a number of months after exiting the EU.

The principal areas where these issues may occur are delays in the movement or availability of goods and products that disrupt retail, food and beverage and ride operations, when either sourced directly or through third party providers in the supply chain.

There are also a number of potential consequences of Brexit that are being considered as both a risk and an opportunity. The areas currently being considered relate to extreme movements in foreign exchange rates impacting visitation and underlying costs and UK and European citizens staying at home as a consequence of anticipated travel friction in the early months following a disorderly exit.

Business performance

The Directors have determined that the result before tax and the net assets or liabilities position are the most appropriate key performance indicators (KPI's) for an understanding of the development, performance and position of the Company. The results for the 52 weeks ended 29 December 2018 for the Company show a loss before tax of £17,043,000 (*52 weeks ended 30 December 2017: £6,063,000*) primarily due to increased staff costs. As at 29 December 2018, the Company had net liabilities of £3,915,000 (*30 December 2017: net assets of £4,442,000*). This is in line with expectations and the Directors are satisfied with the performance and position of the Company.

Directors' Report

The Directors present their Directors' Report and the audited financial statements for the 52 weeks ended 29 December 2018. Details of the Company's principal activity and future developments; its principal risks and uncertainties; and its KPIs can be found within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend *(2017: £nil).*

Directors

The Directors who held office during the year and up until the date of the signing of these financial statements were as follows:

F Rose
M Jowett
A Chorley (appointed 31 December 2018; resigned 31 August 2019)

During the year the Company maintained liability insurance for its Directors and officers.

Political donations

The Company made no political donations during the year *(2017: £nil).*

Employees

Regular informal meetings are held between management and employees in order to keep employees informed on current developments within the Company and to take account of their views in making decisions likely to affect their interests. In addition a quarterly newsletter is produced.

Disabled persons

The Company makes no differentiation between able bodied and disabled persons in terms of recruitment, training and career progression. The Company will make every effort to continue the employment and training of those persons who become disabled while employed by the Company.

Post balance sheet events

There are no events after the balance sheet date which require disclosure.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Information presented in other sections

Details of the Company's principal activity and future developments; its principal risks and uncertainties; and its KPIs can be found within the Strategic Report. The going concern assessment can be found within note 1 of the financial statements.

Directors' Report *(continued)*

The Strategic Report and the Directors' Report were both approved by the Board on 17 September 2019.

By order of the Board

F Rose
Director
Link House
25 West Street
Poole
Dorset
BH15 1LD

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Merlin Entertainments Group Limited

Opinion

We have audited the financial statements of Merlin Entertainments Group Limited (the Company) for the 52 weeks ended 29 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2018 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments, receivables and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

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. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic Report and Directors' Report

The Directors are responsible for the strategic report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

J Childs Clarke

James Childs-Clarke
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton
SO53 3TG

18 September 2019

KPMG

Independent Auditor's Report to the members of Merlin Entertainments Group Limited

Opinion

We have audited the financial statements of Merlin Entertainments Group Limited (the Company) for the 52 weeks ended 29 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2018 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments, receivables and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

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. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should 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.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic Report and Directors' Report

The Directors are responsible for the strategic report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Statement of comprehensive income

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

	Note	2018 £000	2017 £000
Revenue	2	**19,545**	18,715
Operating expenses		**(35,260)**	(24,986)
Operating loss	3	**(15,715)**	(6,271)
Finance income	6	**4**	209
Finance costs	7	**(1,332)**	(1)
Loss before tax		**(17,043)**	(6,063)
Taxation	8	**5,966**	860
Loss for the year		**(11,077)**	(5,203)
Other comprehensive income for the year net of income tax		-	-
Total comprehensive loss for the year		**(11,077)**	(5,203)

Statement of financial position

as at 29 December 2018 (2017: as at 30 December 2017)

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	9	**39**	49
Investments	10	**12,136**	12,136
Other receivables	11	**-**	6,551
Deferred tax assets	14	**1,185**	497
		13,360	19,233
Current assets			
Tax receivable		**13,827**	27,166
Trade and other receivables	11	**53,542**	29,303
		67,369	56,469
Total assets		**80,729**	75,702
Current liabilities			
Trade and other payables	12	**(38,153)**	(12,561)
Provisions	13	**(3,562)**	(1,215)
Cash and cash equivalents		**(12,063)**	(57,386)
		(53,778)	(71,162)
Non-current liabilities			
Provisions	13	**(101)**	(98)
Other payables	12	**(30,765)**	-
		(30,866)	(98)
Total liabilities		**(84,644)**	(71,260)
Net (liabilities)/assets		**(3,915)**	4,442
Capital and reserves			
Share capital	15	**38**	38
Capital reserve		**10,924**	8,204
Retained earnings		**(14,877)**	(3,800)
Total equity		**(3,915)**	4,442

These financial statements were approved by the Board of Directors on 17 September 2019 and were signed on its behalf by:

Fiona Rose

F Rose
Director

Statement of changes in equity

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

	Share capital £000	**Capital reserve £000**	**Retained earnings £000**	**Total equity £000**
At 1 January 2017	38	9,442	1,403	**10,883**
Total comprehensive loss for the year	-	-	(5,203)	**(5,203)**
Equity-settled share based payment transactions	-	(1,238)	-	**(1,238)**
At 30 December 2017	**38**	**8,204**	**(3,800)**	**4,442**
Total comprehensive loss for the year	-	-	(11,077)	**(11,077)**
Equity-settled share based payment transactions	-	2,720	-	**2,720**
At 29 December 2018	**38**	**10,924**	**(14,877)**	**(3,915)**

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

1 Accounting policies

Basis of preparation

These financial statements have been prepared for the 52 weeks ended 29 December 2018 *(2017: 52 weeks ended 30 December 2017).*

Merlin Entertainments Group Limited (the Company) is a company incorporated, registered and domiciled in the UK. It is a private company limited by shares. The address of its registered office is Link House, 25 West Street, Poole, Dorset BH15 1LD.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned Group companies;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The Company's ultimate parent undertaking, Merlin Entertainments plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Merlin Entertainments plc are prepared in accordance with Adopted IFRSs and are available to the public and may be obtained from Link House, 25 West Street, Poole, Dorset BH15 1LD.

As the consolidated financial statements of Merlin Entertainments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 29 December 2018 have had a material impact on the Company.

The preparation of financial statements requires management to exercise judgement in applying the Company'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.

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

1 Accounting policies *(continued)*

Going concern

For the 52 weeks period ended 29 December 2018, the Company recorded pre-tax losses of £17,043,000 *(year ended 30 December 2017: £6,603,000)* and net liabilities of £3,915,000 *(30 December 2017: net assets of £4,442,000).*

The Directors have prepared cash flow forecasts as part of a Group cash flow forecasting exercise. This indicates that for a period of 12 months from the date of approval of these financial statements, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its immediate parent company, to meet its liabilities as they fall due for that period. The Company meets its day-to-day working capital requirements through a combination of consolidated banking arrangements and intergroup loan facilities. Based on this, the Company will be able to operate within the level of its currently available funding with the support of a Group entity.

Merlin Entertainments Group Holdings Limited has indicated that it will provide such financial and other support, including not intending to seek repayments of amounts currently made available, as is necessary to enable the Company to trade and meet its liabilities as they fall due for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The Directors have concluded there is no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of this parent undertaking to continue as a going concern.

On the basis of their assessment of the Company's financial position and support from Merlin Entertainments Group Holdings Limited, the Company's Directors expect to be able to continue in operational existence for a period at least twelve months following the signing of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Property, plant and equipment

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses.

Where components of an item of PPE have different useful lives, they are accounted for separately.

The initial cost of PPE includes all costs incurred in bringing the asset into use and includes external costs for the acquisition, construction and commissioning of the asset, internal project costs (primarily staff expenses) and capitalised borrowing costs.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. Land is not depreciated. Assets under construction are not depreciated until they come into use, when they are transferred to buildings or plant and equipment as appropriate. No residual values are typically considered.

The estimated useful lives are as follows:

Buildings	The period of the lease

On inception of a lease the estimated cost of decommissioning the leased asset is included within PPE and depreciated over the lease term and a corresponding asset retirement provision set-up and the discounting applied is unwound over the lease term.

Investments

Investments in subsidiaries are stated at cost, less provision for impairment. The carrying amount of the Company's investments in subsidiaries is reviewed annually to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated. If the carrying value of the investment exceeds the recoverable amount, the investment is considered to be impaired and is written down to the recoverable amount. The impairment loss is recognised in the income statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.

Notes to the financial statements
for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

1 Accounting policies *(continued)*

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Revenue

Revenue represents charges made to other group companies in respect of management services provided net of VAT. The charges have been calculated by reference to the costs incurred by the Company in providing such services uplifted for a reasonable element of profit.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value less attributable fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate). If the Company subsequently determines that the expected life has changed, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement in accordance with IFRS 9.

Finance income and costs

Finance costs comprise interest expense, finance charges on shares classified as liabilities and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Finance income comprises interest income from funds invested, gains on foreign exchange contracts and net foreign exchange gains.

Interest income and interest expense are recognised in the income statement as they accrue, using the effective interest rate method.

Foreign currencies

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised directly in equity, or when it relates to items recognised in other comprehensive income, when it is recognised through the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised.

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

1 Accounting policies *(continued)*

Pensions

In the case of defined contribution schemes, the Company pays fixed contributions into a separate fund on behalf of the employee and has no further obligations to them. The risks and rewards associated with this type of scheme are assumed by the members rather than the employer. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Share based payments

The fair value of equity-settled share-based payments under share plans operated by Merlin Entertainments plc is recognised as an employee expense with a corresponding increase in equity, in the form of a parent company capital contribution. The fair value is measured at grant date and charged as the employees become unconditionally entitled to the rights.

The fair value of the share plans is recognised as an expense over the expected vesting period net of deferred tax with a corresponding entry to the income statement. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment

Dividend income

Dividend income is recognised when the right to receive payment is established.

Provisions

Provisions are recognised when the Company has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Directors' best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2 Revenue

Revenue is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

3 Operating loss

	2018	2017
	£000	£000
Operating loss is stated after charging:		
Depreciation	**10**	-
Operating lease rentals – land and buildings	**224**	217
Operating lease rentals – other	**99**	-

Auditor's remuneration:

	2018	2017
	£000	£000
Audit of these financial statements	**13**	10

Fees payable to the Company's auditor for services other than the statutory audit of the Company are disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent.

4 Staff numbers and costs

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

	2018	2017
Management and administration	**200**	178

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**18,753**	13,019
Share based payments	**2,720**	(1,238)
Social security costs	**1,924**	1,569
Other pension costs	**1,366**	3,030
	24,763	16,380

During 2017 an additional one-off payment of £2,260,000 was paid in relation to the Group's defined benefit pension scheme, which the Company is a participating employer. This payment was agreed following the last full actuarial valuation of the defined benefit scheme which was carried out as at 31 December 2015.

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

5 Directors' remuneration

	2018 £000	2017 £000
Remuneration	**371**	391
Company pension contributions to defined contribution pension schemes	**16**	16

During the year retirement benefits were accruing to 2 *(2017: 2)* Directors in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £283,000 *(2017: £302,000)*.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £10,000 *(2017: £5,600)*.

6 Finance income

	2018 £000	2017 £000
Interest income on amounts owed by Group undertakings	**4**	207
Net foreign exchange gains	**-**	2
	4	209

7 Finance costs

	2018 £000	2017 £000
Net foreign exchange losses	**4**	-
Unwinding of discount on asset retirement provision	**3**	1
Interest payable to Group undertakings	**1,325**	-
	1,332	1

Notes to the financial statements
for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

8 Taxation

Recognised in the income statement

	2018	2017
	£000	£000
Current tax credit		
Current year	**(3,118)**	(1,145)
Adjustments for prior periods	**(2,160)**	(698)
Total current income tax	**(5,278)**	(1,843)
Deferred tax expense (note 14)		
Origination and reversal of temporary differences	**(478)**	824
Changes in tax rate	**139**	(11)
Adjustments for prior periods	**(349)**	170
Total deferred tax	**(688)**	983
Total tax credit in income statement	**(5,966)**	(860)

Reconciliation of effective tax rate

	2018	**2018**	2017	2017
	%	**£000**	%	£000
Loss before tax		**(17,043)**		(6,063)
Income tax using the domestic corporation tax rate	**19.0%**	**(3,238)**	19.3%	(1,167)
Expense not deductible for tax purposes	**(0.2%)**	**26**	(1.9%)	113
Impact of share-based payments	**2.3%**	**(384)**	(12.1%)	733
Changes in tax rate	**(0.8%)**	**139**	0.2%	(11)
Adjustments in respect of prior periods	**14.7%**	**(2,509)**	8.7%	(528)
Total tax credit in the income statement	**35.0%**	**(5,966)**	14.2%	(860)

The standard rate for UK corporation tax used in the 52 weeks ended 29 December 2018 was 19.0% *(2017: 19.3%)*. Closing deferred tax balances have been valued at 17.0% *(2017: 16.5%)*.

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly.

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

9 Property, plant and equipment

	Land and buildings £000
Cost	
At 31 December 2017	34
Additions	49
At 30 December 2017	83
Additions	-
At 29 December 2018	**83**
Depreciation	
At 31 December 2016 and 30 December 2017	**34**
Charge for the year	**10**
At 29 December 2018	**44**
Carrying value	
At 31 December 2016	-
At 30 December 2017	49
At 29 December 2018	**39**

10 Investments

	Shares in subsidiary undertakings £000
Cost and carrying value	
At 31 December 2016, 30 December 2017 and 29 December 2018	12,136

The Company has the following direct investments in subsidiary undertakings:

Company	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
SEA LIFE Trustees Limited	UK (1)	Ordinary	100%	100%
LEGOLAND Windsor Park Limited	UK (1)	Ordinary	100%	100%
Merlin Entertainments Group Operations Limited	UK (1)	Ordinary	100%	100%
Merlin's Magic Wand Trustees Limited	UK (1)	Ordinary	100%	100%

Registered offices:

(1) Link House, 25 West Street, Poole, Dorset BH15 1LD, United Kingdom

See note 20 for a list of the Company's indirect investments in subsidiary and joint venture undertakings.

Notes to the financial statements
for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

11 Trade and other receivables

	Non-current 2018 £000	Non-current 2017 £000	**Current 2018 £000**	Current 2017 £000
Amounts owed from Group undertakings	-	6,551	**49,450**	26,971
Other receivables	-	-	**390**	213
Prepayments and accrued income	-	-	**1,492**	50
Other taxation and social security	-	-	**2,210**	2,069
	-	6,551	**53,542**	29,303

12 Trade and other payables

	Non-current 2018 £000	Non-current 2017 £000	**Current 2018 £000**	Current 2017 £000
Trade creditors	-	-	**1,224**	1,080
Amounts owed to Group undertakings	**30,765**	-	**23,852**	3,430
Accruals and deferred income	-	-	**12,431**	7,721
Other creditors	-	-	**646**	330
	30,765	-	**38,153**	12,561

13 Provisions

	Asset retirement Provisions £000	**Insurance claims provisions £000**	**Other provisions £000**	**Total £000**
At 31 December 2017	98	1,215	-	1,313
Created during the year	-	300	2,231	2,531
Unused amounts reversed	-	-	(184)	(184)
Unwinding of discount	3	-	-	3
At 29 December 2018	**101**	**1,515**	**2,047**	**3,663**

The asset retirement provisions relate to the anticipated costs of removing assets from and restoring leased property at the end of the lease term.

The insurance claims provision relates to anticipated costs of paying the excess values on open insurance claims.

The increase in other provisions in the year relates to national insurance on share-based payments.

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

13 Provisions *(continued)*

	Asset Retirement provision	Insurance claims provisions £000	Other provisions £000	Total £000
2018:				
Current	**-**	**1,515**	**2,047**	**3,562**
Non-current	**101**	**-**	**-**	**101**
	101	**1,515**	**2,047**	**3,663**
2017:				
Current	-	1,215	-	1,215
Non-current	98	-	-	98
	98	1,215	-	1,313

14 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	Assets 2017 £000
Property, plant and equipment	**42**	28
Other short term temporary differences	**1,143**	469
Net tax assets	**1,185**	497

Other short term temporary differences primarily relate to financial assets and liabilities and various accruals and prepayments.

Movement in deferred tax during the current year:

	At 31 December 2017 £000	Recognised in income statement £000	At 29 December 2018 £000
Property, plant and equipment	28	14	42
Other short term temporary differences	469	674	1,143
Net tax assets	**497**	**688**	**1,185**

Notes to the financial statements
for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

14 Deferred taxation *(continued)*

Movement in deferred tax during the previous year:

	At 31 December 2016 £000	Recognised in income statement £000	At 30 December 2017 £000
Property, plant and equipment	22	6	28
Other short term temporary differences	1,458	(989)	469
Net tax assets	**1,480**	**(983)**	**497**

There are no unrecognised deferred tax assets (*2017: £nil*).

15 Share capital and reserves

Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
3,784,993 *(2017: 3,784,993)* Ordinary shares of £0.01 each	**38**	38

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16 Share-based payments

Share based payments – equity-settled schemes

Merlin Entertainments plc operates four employee share incentive schemes: the Performance Share Plan (PSP), the Company Share Option Plan (CSOP), the Deferred Bonus Plan (DBP) and the All Employee Sharesave Plan (AESP). Awards under the PSP vest three years after grant date, upon satisfaction of earnings per share and return on capital employed performance conditions, and continued employment. Awards under the CSOP, the DBP and the AESP vest three years after grant date subject to continued employment. All awards under the PSP and DBP are granted for nil consideration. Further details on these plans including the scheme rules and the performance conditions attaching to the PSP can be found in the Merlin Entertainments plc Annual Report and Accounts.

The first issues of awards under the PSP and CSOP were in April 2015 and November 2013, respectively. The first issue of awards under the DBP was in March 2015. The AESP was launched in February 2014.

	Date of grant	Exercise price (£)	Period when exercisable	Average remaining contractual life (years)	Number of shares 2018	Number of shares 2017
PSP	April 2015 – September 2018	-	2019 - 2021	1.5	4,482,481	3,570,392
DBP	March 2015 – March 2017	-	2019 - 2020	0.4	-	157,302
CSOP	November 2013 – September 2018	3.15 - 4.81	2019 - 2028	7.6	487,800	294,000
AESP	February 2014 – April 2018	2.83 - 4.10	2019 - 2021	2.3	368,170	288,524

Notes to the financial statements

for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

17 Commitments

The minimum rentals payable under non-cancellable operating lease rentals are as follows:

	2018	2017
	£000	£000
Less than one year	370	394
Between one and five years	1,245	1,311
More than five years	-	304
	1,615	2,009

18 Banking arrangements

Along with other Group companies in the United Kingdom, the Company is a member of a consolidated banking arrangement which includes notional bank pooling and an overdraft facility. As such it is party to a cross guarantee to the Bank for debts or liabilities arising from the banking arrangement whereby each member company guarantees the obligations of each other member to the Bank.

As a result of the above pooling arrangements, at any reporting date, Group companies will hold assets in a combination of intercompany balances and cash which can vary.

19 Ultimate parent company

The ultimate parent Company is Merlin Entertainments plc, a Company incorporated in the United Kingdom, which is the only company preparing Group financial statements. The consolidated financial statements of this Group are available to the public and may be obtained from Link House, 25 West Street, Poole, Dorset BH15 1LD.

The immediate parent company is Merlin Entertainments Group Holdings Limited, with a registered address of Link House, 25 West Street, Poole, Dorset BH15 1LD.

20 Related subsidiary and joint venture undertakings

In addition to the direct investments in subsidiary undertakings listed in note 10, the Company has the following indirect investments in subsidiary and joint venture undertakings:

Company	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
Subsidiary undertaking				
SEA LIFE Centre Belgium N.V.	Belgium (1)	Ordinary	100%	100%
SEA LIFE Helsinki Oy (b)	Finland (2)	Ordinary	100%	100%
SEA LIFE France SARL	France (3)	Ordinary	100%	100%
SEA LIFE Centre Bray Limited	Ireland (4)	Ordinary	100%	100%
Amsterdam Dungeon B.V.	Netherlands (5)	Ordinary	100%	100%
Merlin Entertainments Holdings Nederland B.V.	Netherlands (6)	Ordinary	100%	100%
SEA LIFE Centre Scheveningen B.V.	Netherlands (7)	Ordinary	60%	60%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal (8)	Ordinary	100%	100%
SLCS SEA LIFE Centre Spain S.A.	Spain (9)	Ordinary	100%	100%
London Aquarium (South Bank) Limited	UK (10)	Ordinary	100%	100%
Merlin Attractions Management Limited	UK (10)	Ordinary	100%	100%
Merlin Entertainments (Blackpool) Limited	UK (10)	Ordinary	100%	100%

Notes to the financial statements
for the 52 weeks ended 29 December 2018 (2017: 52 weeks ended 30 December 2017)

20 Related subsidiary and joint venture undertakings *(continued)*

Company	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
Merlin Entertainments (Dungeons) Limited	UK [10]	Ordinary	100%	100%
Merlin Entertainments (SEA LIFE) Limited	UK [10]	Ordinary	100%	100%
Merlin Entertainments Developments Limited	UK [10]	Ordinary	100%	100%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK [10]	Ordinary	100%	100%
SEA LIFE Centre (Blackpool) Limited	UK [10]	Ordinary	100%	100%
Pirate Adventure Golf Limited [a]	UK [10]	Ordinary	100%	100%

[a] On 12 September 2017 the Group acquired the remaining 50% of the Pirate Adventure Golf Limited joint venture.

Registered offices:

(1) Koning Albert 1 Laan 116, 8370, Blankenberge, Belgium
(2) Tivolitie 10, Helsinki 00510, Finland
(3) Centre Commercial Val d'Europe, Espace 502, 14 cours du Danube, Serris, 7711 MARNE LA VALLEE, France
(4) First Floor, Fitzwilton House, Wilton Place, Dublin 2, Ireland
(5) Fred. Roeskestraat 123, 1076 EE Amsterdam, Netherlands
(6) Croeselaan 18, Utrecht, Netherlands
(7) Rokin 78, 1012 KW Amsterdam, Netherlands
(8) Avenida Da Boavista 3265, 7th Floor, 4100 - 137 Porto, Portugal
(9) Puerto Marina, Benalmadena-Costa, 29630 Benalmadena, Malaga, Spain
(10) Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom