Merlin Entertainments (SEA LIFE) Limited

Annual Report and financial statements

Registered number 02182098

52 weeks ended 29 December 2018

Contents

Strategic Report

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

Strategic management

The principal activity of the Company throughout the period continued to be the operation of visitor attractions, with rides and a broad range of demonstrations, in the United Kingdom. These comprised a number of SEA LIFE Centres. In 2018 operation of the Cornish Seal Sanctuary was transferred to The SEA LIFE Trust, and the Scottish Sea Life Sanctuary closed.

Business environment

Competition in the leisure and entertainments industry, together with the influence of the weather and socio-economic environment on visitor numbers, represents continuing risks for the Company. 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 23. 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 are the most appropriate key performance indicators (KPIs) for an understanding of the development, performance and position of the Company. The results for the Company show a profit before tax of £16,533,000 *(2017: £16,061,000)* and turnover of £43,139,000 *(2017: £44,340,000)*. As at 29 December 2018, the Company had net assets of £104,726,000 *(30 December 2017: £91,115,000)*.

The Directors are committed to further developing the sites with the introduction of new animals and fixtures in 2019.

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 Montgomery	
I Wood	(resigned 6 February 2018)
F Rose	
M Jowett	
R Sleven	(appointed 6 February 2018)
S Brooksbank	(appointed 27 December 2018)
T Grizzanti	(appointed 27 December 2018)

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.

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 21 August 2019.

By order of the Board

F Rose
Company Secretary
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), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

KPMG

Independent Auditor's Report to the members of Merlin Entertainments (SEA LIFE) Limited

Opinion

We have audited the financial statements of Merlin Entertainments (Sea Life) Limited ("the company") for the year 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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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, and related disclosures 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.

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:

KPMG

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Opinion

We have audited the financial statements of Merlin Entertainments (Sea Life) Limited ("the company") for the year 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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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, and related disclosures 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.

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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:

KPMG

Independent Auditor's Report to the members of Merlin Entertainments (SEA LIFE) Limited *(continued)*

Strategic Report and Directors' Report *(continued)*

- 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

21 August 2019

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	**43,139**	44,340
Cost of sales		**(5,751)**	(5,963)
Gross profit		**37,388**	38,377
Operating expenses		**(23,501)**	(25,221)
Operating profit	3	**13,887**	13,156
Dividends received		**209**	-
Finance income	5	**2,821**	3,206
Finance costs	6	**(384)**	(301)
Profit before tax		**16,533**	16,061
Taxation	7	**(3,359)**	(3,924)
Profit for the year		**13,174**	12,137
Other comprehensive income for the year net of income tax		-	-
Total comprehensive income for the year		**13,174**	12,137

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*	**33,464**	32,224
Goodwill and intangible assets	*8*	**-**	241
Investments	*10*	**11,369**	8,540
Other receivables	*12*	**85,319**	57,041
Deferred tax assets	*16*	**176**	409
		130,328	98,455
Current assets			
Inventories	*11*	**674**	617
Trade and other receivables	*12*	**2,765**	5,328
Cash and cash equivalents		**8,040**	24,317
		11,479	30,262
Total assets		**141,807**	128,717
Current liabilities			
Trade and other payables	*13*	**(22,417)**	(19,595)
Tax payable		**(3,189)**	(7,113)
Provisions	*15*	**-**	(49)
		(25,606)	(26,757)
Non-current liabilities			
Other payables	*13*	**(6,448)**	(5,621)
Provisions	*15*	**(5,027)**	(5,224)
		(11,475)	(10,845)
Total liabilities		**(37,081)**	(37,602)
Net assets		**104,726**	91,115
Capital and reserves			
Share capital	*18*	**8,235**	8,235
Share premium		**778**	778
Capital reserve		**2,412**	1,975
Revaluation reserve		**2,104**	2,104
Retained earnings		**91,197**	78,023
Total equity		**104,726**	91,115

These financial statements were approved by the Board of Directors on 21 August 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	Share premium £000	Capital reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 January 2017	8,235	778	1,608	2,104	65,886	**78,611**
Profit for the year	-	-	-	-	12,137	**12,137**
Equity-settled share-based payment transactions	-	-	367	-	-	**367**
At 30 December 2017	8,235	778	1,975	2,104	78,023	**91,115**
Profit for the year	-	-	-	-	13,174	**13,174**
Equity-settled share-based payment transactions	-	-	437	-	-	**437**
At 29 December 2018	**8,235**	**778**	**2,412**	**2,104**	**91,197**	**104,726**

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 (SEA LIFE) 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.

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The Company is a wholly owned subsidiary of Merlin Entertainments Group Operations Limited and its ultimate parent Merlin Entertainments plc. It is included in the consolidated financial statements of Merlin Entertainments plc. The Company is therefore not required to prepare consolidated accounts. 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. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Merlin Entertainments plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of certain disclosures relating to share-based payments and transactions or balances with other wholly owned subsidiaries which form part of the Group. 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, that are effective for the year ended 29 December 2018 have had a material impact on the Company.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of FRS 102, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 102 disclosure exemptions has been taken.

Going concern

For the 52 weeks period ended 29 December 2018, the Company recorded pre-tax profit of £16,533,000 *(year ended 30 December 2017: £16,061,000),* had net assets of £104,726,000 *(30 December 2017: £91,115,000)* and net current liabilities of £14,127,000 *(30 December 2017: net current assets of £3,505,000).*

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 an intermediate parent undertaking, 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 intermediate parent undertaking to continue as a going concern.

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

1 Accounting policies *(continued)*

Going concern *(continued)*

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.

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

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.

Inter group transfer occurs at historical costs including accumulated depreciation and are presented at gross basis in accounts.

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	50 years, or the period of the lease if shorter
Plant and equipment	5 - 30 years

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.

Impairment testing

The carrying amounts of the Company's goodwill, intangible assets and PPE are reviewed annually to determine whether there is any indication of impairment. If any such indication exists or if the asset has an indefinite life, the asset's recoverable amount is estimated.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss whenever the carrying amount of those assets exceeds the recoverable amount.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of goodwill, and then to reduce the carrying amount of other intangible assets and other assets on a pro rata basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured using the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

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 *(continued)*
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.

Accruals and deferred income

Accruals comprise balances in relation to both operating and capital costs incurred at the reporting date but for which an invoice has not been received and payment has not yet been made.

Deferred income comprises revenues received or invoiced at the reporting date which relate to future periods. The main components of deferred income relate to advanced ticket revenues in respect of online bookings and annual pass purchases.

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.

Asset retirement provisions relate to the anticipated costs of removing assets and restoring the site at the end of the lease term. They are established on inception and discounted back to present value with the discount then being unwound through the income statement as part of finance costs. They are reviewed at least annually.

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.

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.

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.

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

1 Accounting policies *(continued)*

Revenue

Revenue arises from the operation of visitor attractions. Revenue represents the amounts received from customers (excluding VAT and similar taxes) for admissions tickets, retail, food and beverage sales and sponsorship. Ticket revenue is recognised at point of entry. Revenue from the sale of annual passes is deferred and then recognised over the period that the pass is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Sponsorship revenue is recognised evenly over the relevant contract term.

Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received and predetermined non-contingent rent increases are recognised in the income statement as an integral part of the total lease expense over the lease term. This therefore excludes the potential impact of future performance or rent increases based on inflationary indices.

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

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

1 Accounting policies *(continued)*

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.

Capital reserve

The capital reserve includes the cumulative amounts recognised in relation to share based payment schemes operated by the company.

Revaluation reserve

The revaluation reserve includes amounts previously recognised using the revaluation model under old UK GAAP which were recognised as deemed cost on transition to FRS 102 and so are no longer revalued.

2 Revenue

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

3 Operating profit

	2018 **£000**	2017 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**4,797**	6,580
Amortisation of goodwill	**241**	611
Operating lease rentals – Land and buildings	**3,931**	3,944
Operating lease rentals – Plant and equipment	**74**	444

Auditor's remuneration:

	2018 **£000**	2017 £000
Audit of these financial statements	**54**	46
All other services	**1**	1

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.

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

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
Attraction management and central administration	**37**	64
Operations	**452**	490
	489	554

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**8,205**	8,425
Share-based payments	**437**	367
Social security costs	**590**	594
Other pension costs	**153**	138
	9,385	9,524

The Directors received no remuneration from the Company during the year *(2017: £nil)* and are paid by other Group undertakings. None of the Directors received remuneration for their services to the Company as the services provided to the Company form part of their wider role in the Group.

5 Finance income

	2018 £000	2017 £000
Interest income on amounts owed by Group undertakings	**2,821**	2,048
Net foreign exchange gains	**-**	30
Other interest income	**-**	1,128
	2,821	3,206

6 Finance costs

	2018 £000	2017 £000
Interest expense on amounts owed to Group undertakings	**160**	143
Net foreign exchange losses	**55**	-
Unwinding of discount on asset retirement provision	**116**	102
Finance lease charges	**53**	56
	384	301

Notes to the financial statements *(continued)*

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

7 Taxation

Recognised in the income statement

	2018	2017
	£000	£000
Current tax expense		
Current year	**3,153**	3,483
Adjustments for prior periods	**(27)**	(10)
Total current income tax	**3,126**	3,473
Deferred tax expense (note 16)		
Origination and reversal of temporary differences	**299**	339
Changes in tax rate	**21**	(4)
Adjustments for prior periods	**(87)**	116
Total deferred tax	**233**	451
Total tax expense in income statement	**3,359**	3,924

Reconciliation of effective tax rate

	2018	**2018**	2017	2017
	%	**£000**	%	£000
Profit before tax		**16,533**		16,061
Income tax using the domestic corporation tax rate	**19.0%**	**3,141**	19.3%	3,091
Expense not deductible for tax purposes	**1.6%**	**264**	2.6%	412
Impact of share-based payments	**0.3%**	**47**	2.0%	319
Effect of changes in tax rate	**0.1%**	**21**	(0.0%)	(4)
Adjustments in respect of prior periods	**(0.7%)**	**(114)**	0.7%	106
Total tax expense in the income statement	**20.3%**	**3,359**	24.6%	3,924

The standard rate for UK corporation tax used in the 52 weeks ended 29 December 2018 was 19.0% *(2017: 19.3%)*.

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

8 Goodwill and intangible assets

	Goodwill £000
Cost	
At 31 December 2016, 30 December 2017 and 29 December 2018	6,110
Amortisation	
At 31 December 2016	5,258
Amortisation charge	611
At 30 December 2017	5,869
Amortisation charge	241
At 29 December 2018	**6,110**
Carrying value	
At 31 December 2016	852
At 30 December 2017	241
At 29 December 2018	-

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

9 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Cost				
At 31 December 2016	21,768	44,733	1,197	67,698
Additions	-	1,916	2,073	3,989
Inter group transfer	-	(418)	-	(418)
Disposals	-	-	(22)	(22)
Movement in asset retirement provisions	113	-	-	113
Transfers between classes	-	2,934	(2,934)	-
At 30 December 2017	21,881	49,165	314	71,360
Additions	520	3,649	1,688	5,858
Inter group transfers	-	719	24	742
Movement in asset retirement provisions	(164)	-	-	(164)
Transfers between classes	-	1,610	(1,610)	-
At 29 December 2018	**22,237**	**55,143**	**416**	**77,796**
Depreciation				
At 31 December 2016	9,070	23,725	-	32,795
Charge for the year	1,945	4,635	-	6,580
Inter group transfer	-	(239)	-	(239)
At 30 December 2017	11,015	28,121	-	39,136
Inter group transfer	-	399	-	399
Charge for the year	645	4,152	-	4,797
At 29 December 2018	**11,660**	**32,672**	**-**	**44,332**
Carrying value				
At 31 December 2016	12,698	21,008	1,197	34,903
At 30 December 2017	10,866	21,044	314	32,224
At 29 December 2018	**10,578**	**22,471**	**416**	**33,464**

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

9 Property, plant and equipment *(continued)*

Land and buildings

The carrying value of land and buildings comprises:

	2018 £000	2017 £000
Freehold	**235**	183
Long leasehold	**10,341**	10,613
Short leasehold	**-**	70
	10,576	10,866

The Company leases buildings under finance lease agreements secured on those assets. At 29 December 2018 the net carrying amount of leased buildings was £922,000 (*2017: £960,000*). Further details in respect of leases are provided in note 13.

10 Investments

	Investment in subsidiaries £000	Investment in joint ventures £000	Total £000
Carrying amount			
At 31 December 2016	8,278	1	8,279
Additions/(reclassification)	262	(1)	261
At 30 December 2017	8,540	-	8,540
Additions	2,829	-	2,829
At 29 December 2018	**11,369**	**-**	**11,369**

On 12 September 2017 the Company acquired the remaining 50% of the Pirate Adventure Golf Limited joint venture *(2016: carrying value of £nil)*. The consideration was £261,000, settled in cash, and the fair value of the net assets acquired was £261,000. Pirate Adventure Golf was accounted for as a wholly controlled subsidiary from 12 September 2017.

In 2018, additions to shares in subsidiary undertakings relate to £2,829,000 of increased investment in Sea Life France SARL.

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

10 Investments *(continued)*

The Company has the following direct investments in subsidiary undertakings and joint ventures:

Company	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
Investment in subsidiary undertakings				
Merlin Entertainments Holdings Nederland B.V.	Netherlands [1]	Ordinary	100%	100%
SLCS SEA LIFE Centre Spain SA	Spain [2]	Ordinary	100%	100%
SEA LIFE Centre Belgium N.V.	Belgium [3]	Ordinary	100%	100%
SEA LIFE Centre Bray Limited	Ireland [4]	Ordinary	100%	100%
SEA LIFE France SARL	France [5]	Ordinary	100%	100%
SEA LIFE Centre (Blackpool) Limited	UK [6]	Ordinary	100%	100%
London Aquarium (South Bank) Limited	UK [6]	Ordinary	100%	100%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal [7]	Ordinary	100%	100%
SEA LIFE Helsinki Oy	Finland [8]	Ordinary	100%	100%
Pirate Adventure Golf Limited [a]	UK [6]	Ordinary	100%	100%
Investment in joint ventures				
Pirate Adventure Golf Limited [a]	UK [6]	Ordinary	-	-

[a] The Company acquired the remaining 50% of Pirate Adventure Golf joint venture in 2017.

Registered offices:

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

See note 24 for a list of the Company's indirect investments in subsidiary and joint venture undertakings.

11 Inventories

	2018	2017
	£000	£000
Maintenance inventory	**48**	54
Goods for resale	**626**	563
	674	617

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

12 Trade and other receivables

	Non-current 2018 £000	Non-current 2017 £000	**Current 2018 £000**	Current 2017 £000
Trade receivables	**-**	-	**530**	194
Amounts owed from Group undertakings	**85,316**	57,041	**1,029**	4,264
Other receivables	**3**	-	**125**	55
Other taxation and social security	**-**	-	**134**	-
Prepayments and accrued income	**-**	-	**947**	815
	85,319	57,041	**2,765**	5,328

Included in amounts due from Group undertakings is £85,316,000 *(2017: 57,041,000)* where the Company has agreed not to seek repayment of the loans concerned for a period of at least one year, and accordingly they have been classed as non-current. Interest on long term amounts owed by Group undertakings is charged at a rate of 3% per annum *(2017: 3%)*.

13 Trade and other payables

	Non-current 2018 £000	Non-current 2017 £000	**Current 2018 £000**	Current 2017 £000
Trade payables	**-**	-	**907**	626
Amounts owed to Group undertakings	**6,154**	5,215	**15,015**	12,696
Other taxation and social security	-	-	**-**	204
Other payables	-	-	**167**	461
Finance leases	**294**	400	**143**	140
Capital grant	**-**	6	**-**	-
Accruals and deferred income	-	-	**6,185**	5,468
	6,448	5,621	**22,417**	19,595

The amounts owed to group undertakings relate to loans from SEA LIFE Centre Belgium N.V. and SLCS SEA LIFE Centre Spain SA with no fixed repayment terms. SEA LIFE Centre Belgium N.V. and SLCS SEA LIFE Centre Spain SA have confirmed that they do not intend to call in the amounts due from the Company and accordingly, these amounts have been presented within creditors as non-current. Interest is calculated at 3% per annum *(2017: 3% per annum)*.

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

13 Trade and other payables *(continued)*

Finance lease liabilities are payable as follows (see note 20 for more information on lease arrangements):

	Future value minimum lease payments £000	Interest £000	Present value of minimum lease payments £000
2018			
Less than one year	155	(12)	143
Between one and five years	466	(18)	448
More than five years	-	(153)	(153)
At 29 December 2018	**621**	**(183)**	**438**
2017			
Less than one year	155	(15)	140
Between one and five years	621	(30)	591
More than five years	-	(191)	(191)
At 30 December 2017	**776**	**(236)**	**540**

14 Capital grants

	Total £000
At 30 December 2017	**6**
Utilised during the year	(6)
At 29 December 2018	**-**

The capital grants are regional development grants received as a contribution towards development of new SEA LIFE Centres to enhance leisure facilities available in the areas concerned.

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

15 Provisions

	Asset retirement provisions £000	Insurance claims provisions £000	Other provisions £000	Total £000
At 30 December 2017	4,855	418	-	5,273
Created during the year	-	-	11	2
Utilised during the year	(150)	-	-	(150)
Unused amounts reversed	(164)	(59)	-	(214)
Unwinding of discount	116	-	-	116
At 29 December 2018	**4,657**	**359**	**11**	**5,027**

The Company has entered into lease agreements at a number of sites. The asset retirement provision relates to the anticipated costs of removing assets from the sites and restoring the sites concerned at the end of the lease term. The insurance claims provisions relate to open insurance claims. No provisions are classified as current (*2017: insurance claims - £49,000*).

16 Deferred taxation

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	Assets 2017 £000	**Liabilities 2018 £000**	Liabilities 2017 £000	**Net 2018 £000**	Net 2017 £000
Property, plant and equipment	**103**	391	-	-	**103**	391
Other short term temporary differences	**73**	18	-	-	**73**	18
Net tax assets/(liabilities)	**176**	409	-	-	**176**	409

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

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

16 Deferred taxation *(continued)*

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	391	(288)	103
Other short term temporary differences	18	55	73
Net tax assets/(liabilities)	**409**	**(233)**	**176**

Movement in deferred tax during the previous year:

	At 1 January 2017 £000	Recognised in income statement £000	At 30 December 2017 £000
Property, plant and equipment	606	(215)	391
Other short term temporary differences	254	(236)	18
Net tax assets/(liabilities)	**860**	**(451)**	**409**

17 Pension commitments

During the period the Company operated a defined contribution pension scheme for a number of its employees. The pension charge for the period was £153,000 *(2017: £138,000)*. The pension costs are charged to the profit and loss account in the period that they are incurred and any outstanding contributions at the period end are included within creditors. The assets of the scheme are held separately from those of the Company in independently administered funds. At the period end the outstanding contributions due to the fund were £nil *(2017: £nil)*.

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

18 Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
8,235,150 ordinary shares of £1 each	**8,235**	8,235

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.

19 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 November 2013. The first issue of awards under the DBP was in March 2015. The AESP was launched in January 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	79,439	39,310
DBP	March 2015 – March 2017	-	2019 - 2020	0.4	-	-
CSOP	November 2013 – September 2018	3.15 - 4.81	2019 - 2028	7.6	261,645	216,600
AESP	February 2014 – April 2018	2.83 – 4.10	2019 - 2021	2.3	130,499	119,912

20 Commitments

Capital commitments

At the year end, the Company has a number of outstanding capital commitments in respect of capital expenditure at its attractions.

Capital commitments at the end of the year, for which no provision has been made, are as follows:

	2018	2017
	£000	£000
Contracted	**1,282**	397

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

20 Commitments *(continued)*

Non-cancellable operating lease rentals

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

	2018 £000	2017 £000
Less than one year	**1,817**	2,051
Between one and five years	**7,072**	7,784
More than five years	**45,418**	50,760
	54,307	60,595

Lease arrangements

The Company enters into operating leases which are typically of a duration between ten and 60 years, with rent increases determined based on market practice in the United Kingdom. In addition to a fixed rental element, rents can also contain a performance related element, typically based on revenue at the site concerned. Options to renew leases may also exist.

The lease commitments noted above run to the end of the respective lease term and do not include possible renewals. They do not include the potential impact of future performance or rent increases based on inflationary indices.

The key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. The potential impact on rent charges of future performance or increases based on inflationary indices are each excluded from these calculations.

There are no significant operating restrictions placed on the Company as a result of its lease arrangements.

21 Related party transactions

Related party		Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Subsidiaries not wholly owned					
SEA LIFE Centre Scheveningen B.V.	**2018**	**130**	**9**	**1**	**2**
SEA LIFE Centre Scheveningen B.V.	2017	147	46	-	-

Pirate Adventure Golf became a wholly owned subsidiary within the year. These balances and transactions have arisen during the normal course of business.

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

22 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.

23 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 Operations Limited, with a registered address of Link House, 25 West Street, Poole, Dorset BH15 1LD.

24 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
Amsterdam Dungeon B.V.	Netherlands (1)	Ordinary	100%	100%
SEA LIFE Centre Scheveningen B.V.	Netherlands (2)	Ordinary	60%	60%

Registered offices:

(1) Fred. Roeskestraat 123, 1076 EE Amsterdam, Netherlands
(2) Rokin 78, 1012 KW Amsterdam, Netherlands