United Cinemas International (UK) Limited

Strategic Report, Directors' Report and financial statements

Registered number 1732125

31 December 2018

Contents

Strategic Report

Business review

Market position

United Cinemas International (UK) Limited ("the Company") operates under the Odeon brand as one part of the wider Odeon UK Group ("the UK Group") which is a market leader in the UK operating 120 cinemas with 950 screens at the year-end date. It also forms a major part of Odeon Cinemas Group, Europe's largest cinema exhibitor, operating in thirteen countries.

Clear strategy for growth

The UK Group follows a clear guest-focused strategy to drive growth and profitability from all of its operations. There are three main focus areas:

1. **Transforming the cinema experience** – *investing in 'Luxe' refurbishments to install luxury recliner seating, state of the art technology and Premium Large Format screens, upgraded retail and bar offerings, and exceptional service in dozens of cinemas across Europe.*
2. **Expanding our estate** – *opening outstanding new cinemas in attractive local markets*
3. **Elevating the core experience**– *implementing best practice digital, commercial and operating initiatives across all our cinemas which delight our guests and drive profitability*

Each of the strategic focus areas is being progressed through a number of current activities; and more are planned for the future.

The business has a robust medium-term plan to deliver this strategy, and there are encouraging signs that it is leading to additional returns.

Portfolio development – Luxe refurbishment and other initiatives

A number of cinema refurbishments were successfully completed in the year and capital investment in retail facilities continued as an integral part of the strategy to maximise future retail profitability.

Further estate development activity is planned for 2019 and beyond including the introduction of recliner seating in selected cinemas.

Nine cinemas were refurbished to our Luxe format in 2018, taking the total Luxe estate to 16 cinemas. Each cinema has recliner seats throughout, and is extensively refurbished from the auditoria and technology, to the foyer areas and bathrooms. Screen closures were required at each site as refurbishment projects were completed.

Main market attendance

The cinema sector remained strong in 2018; attendance figures for the whole UK market were (source DCM):

Market Attendance (millions)	2016	2017	2018	*2017 vs 2018*
UK	168.3	170.6	177.3	*+4%*

The year saw the release of a number of blockbuster films that performed particularly strongly including *Avengers: Infinity War*, *Mamma Mia: Here We Go Again*, *Incredibles 2* and *Black Panther*.

Strategic Report *(continued)*

Financial results and KPIs

Turnover for the year was down 7% at £105.0m *(2017: £113.0m)* an operating profit pre-exceptional items was reported of £3.5m *(2017: £6.9m)* and the profit after taxation for the year was £6.9m *(2017: £5.7m).*

The business is managed on a combined basis with KPIs measured on the wider UK Group rather than at an individual entity level.

Investment

The Company continued to invest to grow future earnings and enhance the high quality of the existing estate. In terms of asset additions, £14.6m was invested in existing sites (both for 2018 and future periods), other revenue-generating projects and in capital maintenance of the estate.

Going concern and liquidity management

The Company is part of AMC, the largest theatre exhibitor in the world, which is committed to bringing innovation and investment to European cinemas.

The directors believe that the Company has adequate resources to continue operating for the foreseeable future. With this in mind, the directors have formally considered and concluded that the preparation of financial statements on a going concern basis is appropriate. Further details are shown in the "basis of preparation" section of note 1 to the financial statements.

Principal risks and risk management

Cinema is a well established and popular out of home leisure activity.

The principal risk facing the business is a reduction in attendance levels. This is affected by factors including competition and film production. The company mitigates this risk through our strategies to create the best possible guest experience, drive attendance and loyalty, as well as strategically managing a direct relationship between attendance levels, film costs, and fixed costs.

The prospect of the UK leaving the European Union ("Brexit") has given rise to uncertainty.

The Company has carefully considered the potential implications for its business and will continue to do so. The conclusion to date is that Brexit is unlikely to represent a significant risk to our ability to operate effectively.

Our business trades in the UK and other European countries. However, there is minimal cross border activity. Film content is distributed electronically; food and beverage products are sourced in each local market; and staff are generally local. Discussions continue with our suppliers to identify and manage potential issues.

Foreign exchange rate fluctuations represent a potential risk. However, in each trading country the principal revenues and costs arise in the same local currency. Where significant purchases are necessary in a foreign currency, exchange rate hedging contracts are used to manage the risk.

Naturally, a general economic downturn could impact all businesses. The Company will continue to monitor the situation.

Strategic Report *(continued)*

Future prospects

Each of the strategic focus areas described earlier is being progressed through a number of current activities; and more are planned for the future.

The business has a robust medium-term plan which is consistent with the strategy for growth.

The UK Group will continue to invest in its existing portfolio of sites and seek new opportunities.

By order of the board

NJ Williams
Director

28th June 2019

8th Floor
1 Stephen Street
London
W1T 1AT

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of United Cinemas International (UK) Limited ("the Company") is the ownership and operation of cinemas under the Odeon brand.

Directors

The following were directors of the Company during the year:

AS Alker	
J Bernhardsson	(Resigned 25 January 2019)
G Suter	(Appointed 1 March 2019)
MJ Way	
CA Welch	
NJ Williams	

Proposed dividends

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

Employee involvement

Employment in the Company decreased 11% to 1,269 in 2018 compared to 1,429 in 2017 (average number of employees, including part time employees). Meetings are held on a regular basis with employees to review attendance, film slate, financial and operating performance. Information is cascaded from senior management teams to cinema teams. There is an annual cinema manager conference and more frequent regional meetings. There is opportunity at these meetings for managers to be questioned about matters which concern the employees.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible the employment of members of staff who become disabled will be continued under normal terms and conditions and appropriate training and career development will be offered.

Community

The cinema is an important part of social life in local communities. Cinema managers maintain close contact with local community representatives and businesses. Cinemas are used as meeting places for purposes other than only films. Sub-brands have been developed which cater for special interest groups and employees actively participate in charitable fundraising activities.

Health and safety

The policy of the Company is to endeavour at all times to achieve the highest standards of health, safety and welfare for its employees, customers and other visitors. To this end, clearly defined policies, procedures, roles and responsibilities are in place, and supervision, instruction, information and appropriate training are provided. A full management system including monitoring of safety standards, independent audits and review of all key findings by senior management is in place. The system has been independently reviewed to ensure compliance with the relevant standards.

Directors' Report *(continued)*

Environment

The Company has taken steps to reduce its impact on the environment and is committed to continuing to do so. Efficiency savings have been made in gas and electricity consumption, and water consumption has been reduced through the introduction of flow reduction systems. Waste reduction is also a priority, in particular through the sourcing of more recyclable and environmentally-friendly products. The UK Group gained the Carbon Trust Standard for reducing energy by 5.6% over two years through better carbon management and accounting.

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of accounts before the Company in general meetings and the appointment of the auditor annually. 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.

By order of the board

NJ Williams
Director

8th Floor
1 Stephen Street
London
W1T 1AT

Date: 28th June 2019

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 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

One St Peter's Square
Manchester
M2 3AE
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CINEMAS INTERNATIONAL (UK) LIMITED

Opinion

We have audited the financial statements of United Cinemas International (UK) Limited ("the company") for the year ended 31 December 2018 which comprise the profit and loss account, the statement of other comprehensive income, the balance sheet, 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 31 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CINEMAS INTERNATIONAL (UK) LIMITED *(continued)*

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 6, 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.

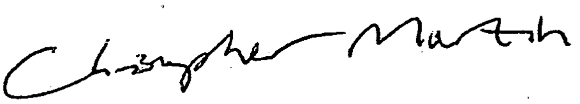
Auditor's responsibilities

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.



Christopher Martin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One St Peter's Square
Manchester
M2 3AE
United Kingdom

2 July 2019

Profit and Loss Account
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	**105,018**	112,984
Cost of sales		**(38,618)**	(43,329)
Gross profit		**66,400**	69,655
Distribution costs, administration expenses and other operating income		**(62,945)**	(68,076)
Operating profit analysed as:			
Before exceptional items:		**3,455**	6,911
Exceptional costs	5	**-**	(5,332)
		3,455	1,579
Operating profit		**3,455**	1,579
Loss on disposal of fixed assets		**(1,621)**	(520)
Profit before interest and taxation		**1,834**	1,059
Interest receivable and similar income	7	**1,392**	4,862
Interest payable and similar expenses	8	**(20)**	(199)
Profit before taxation	4	**3,206**	5,722
Taxation	9	**3,728**	-
Profit after taxation and for the financial year		**6,934**	5,722

All turnover and profits related to continuing activities.

The Company has no recognised gains or losses other than those shown above and therefore no Statement of Comprehensive Income has been presented.

The notes on pages 12-23 form an integral part of these financial statements.

Balance Sheet
at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	*10*		**45,154**		38,850
Current assets					
Stocks	*11*	**746**		956	
Debtors: amounts due within one year	*12*	**6,615**		54,383	
Debtors: amounts due after more than one year	*13*	**67,788**		155,657	
Cash at bank and in hand		**158**		138	
		75,307		211,134	
Creditors: amounts due within one year	*14*	**(10,414)**		(10,038)	
Net current assets			**64,893**		201,096
Total assets less current liabilities			**110,047**		239,946
Creditors: amounts due after more than one year	*15*		**(13,171)**		(31,480)
Net assets			**96,876**		208,466
Capital and reserves					
Called up share capital	*18*		**10**		10
Capital contributions reserve			**26,987**		5,032
Profit and loss account			**69,879**		203,424
Shareholders' funds			**96,876**		208,466

These financial statements were approved by the board of directors on 28th June 2019 and were signed on its behalf by:

NJ Williams
Director

The notes on pages 12-23 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital	Capital Contributions Reserve	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000
Balance at 1 January 2017	10	-	198,039	198,049
Total comprehensive income for the period				
Profit	-	-	5,722	5,722
Total comprehensive income for the period	-	-	5,722	5,722
Waiver of inter-company debt	-	5,032	-	5,032
Dividends in specie	-	-	(337)	(337)
Total contributions by and distributions to owners	-	5,032	(337)	4,695
Balance at 31 December 2017	**10**	**5,032**	**203,424**	**208,466**

	Called up share capital	Capital Contributions Reserve	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000
Balance at 1 January 2018	**10**	**5,032**	**203,424**	**208,466**
Total comprehensive income for the period				
Profit	-	-	6,934	6,934
Total comprehensive income for the period	-	-	6,934	6,934
Waiver of inter-company debt (see note 16)		21,955	-	21,955
Dividends in specie (see note 13)	-	-	(140,479)	(140,479)
Total contributions by and distributions to owners	-	21,955	(140,479)	(118,524)
Balance at 31 December 2018	10	**26,987**	**69,879**	**96,876**

The notes on pages 12-23 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

United Cinemas International (UK) Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in the UK. The registered number is 1732125 and the registered address is 8th Floor, 1 Stephen Street, London, W1T 1AT.

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"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. Upon acquisition, assets are included at fair value. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, AMC Entertainment Holdings Inc includes the Company in its consolidated financial statements. The consolidated financial statements of AMC Entertainment Holdings Inc are prepared in accordance with US GAAP and are available to the public and may be obtained from the address shown in note 21. Those consolidated financial statements are drawn up in a manner equivalent to consolidated accounts and consolidated annual returns drawn up in accordance with the provision of the Seventh Directive (83/349/EEC). 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.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern and liquidity management

The financial statements have been prepared on a going concern basis. The directors have formally considered and concluded that this remains appropriate because forecasts show that the company can continue to pay its liabilities as they fall due for at least 12 months from signing.

Following the 2016 acquisition by AMC Entertainment Holdings (AMC) of the larger group headed by Odeon and UCI Holdings Limited, of which the Company is a part, all external debt was extinguished. The Company is now part of the largest theatre exhibitor in the world and AMC are committed to bringing innovation and investment to European cinemas.

The business activities of the Company and its future prospects are described within the Strategic Report.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings (excluding loan notes) are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives or depreciation rate are as follows:

- Freehold buildings - 50 years
- Long leasehold property - over the period of the lease to a maximum of 50 years
- Short leasehold property - over the period of the lease
- Plant, fixtures and fittings - 3 – 20 years

Land is not depreciated. Assets under construction (the construction and redevelopment of cinemas) are not depreciated as these assets are not available for use in the business.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Impairment

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed assets of income-generating units may not be recoverable. Indications include the recognition of an onerous lease provision in relation to specific income-generating units. If this or any other such indication exists, the recoverable amount is estimated and an appropriate impairment loss is recognised.

Reversals of impairment

An impairment loss is reversed where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.9 Turnover

Turnover represents amounts charged to customers for goods, services and property rental income, stated net of value added tax, which is recognised based on the date the goods and services are received and the period over which the rental income is earned, and net of loyalty points earned and redeemed.

The cost of loyalty points is treated as a deduction from sales and part of the fair value of the consideration received is deferred and subsequently recognised over the period that the rewards are redeemed or expire. The fair value of the points awarded is determined with reference to the fair value to the customer.

1.10 Expenses

Operating leases

Rental costs under operating leases are charged to the profit and loss account over the period of the lease on a straight line basis. Certain leases contain inflation-driven rental uplifts with pre-determined minimums and the amount payable in respect of these uplifts is charged to the profit and loss account as it arises. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Provision is made for lease commitments on certain leasehold properties based on the expected exposure. The amount provided is based either on the future rental net of risk adjusted anticipated operating profit from trading, discounted using a risk free discount rate, or management's best estimate of the expected exposure. Provision is made for the remaining period of the leases identified, subject to a maximum of 25 years, after which the directors consider the impact of discounting upon the rental and trading projections renders them immaterial.

Exceptional items

In order for items to be classified as exceptional in the financial statements, they must: be significant in value; relate to events outside the ordinary course of business; and be one-off or non-recurring.

Pre-opening costs

Operating costs incurred before a new cinema is opened are written off to the profit and loss account as incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Expenses (continued)

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2018	2017
	£000	£000
Admissions revenue	**66,761**	72,391
Food and beverages revenue	**30,552**	31,876
Screen advertising	**4,034**	4,836
Other revenues	**3,671**	3,881
Total turnover	**105,018**	112,984

Notes *(continued)*

3 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	**441**	444
Company contributions to defined contribution pension schemes	**31**	36
	472	480

In both the current and the prior period the directors' emoluments were borne by Odeon Cinemas Limited. Remuneration is recharged across the Group based on turnover.

The remuneration of the highest paid director was £871,000 *(2017: £658,000)*.

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**1**	1
The number of directors who exercised share options	**5**	0
The number of directors in respect of whose service shares were received or receivable under long-term incentive schemes	**5**	6

In both the current and the prior period the directors' emoluments were borne by Odeon Cinemas Limited, the figures shown in this note show a representative split based on turnover.

4 Profit on ordinary activities before taxation

	2018 £000	2017 £000
Profit before taxation is stated after charging / (crediting):		
Depreciation:		
- Owned assets	**6,654**	5,429
- Leased assets	**69**	80
- Digital projection equipment deferred income release	**(1,018)**	(1,051)
Loss on disposal of fixed assets	**1,621**	520
Property rental income	**(178)**	(182)
Operating lease rentals:		
- Property	**17,969**	17,892
Exceptional items		
- Net operating expenses: costs incurred relating to the sale of the business to AMC	**-**	631

The audit costs for 2018 & 2017 were borne by a fellow subsidiary.

In 2018 the Company's share of auditor's remuneration was £98,000 *(2017: £110,000)*.

Notes *(continued)*

5 Exceptional items

Costs, including professional fees, incurred relating to the sale of the business to AMC in 2017 resulted in an exceptional charge to the Profit and Loss Account for the year of £nil *(2017: £631,000).*

The company waived a debtor due from a subsidiary undertaking of £nil *(2017: £4,701,000).* In the prior year, this waiver resulted in an increase to the investment balance which was subsequently impaired as it was not considered recoverable.

6 Staff numbers and costs

The average number of persons employed by the Company during the year was as follows:

	Number of employees	
	2018	2017
Cinema & other	**1,269**	1,429

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**13,380**	13,934
Social security costs	**649**	641
Pension costs	**299**	316
	14,328	14,891

7 Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable from Group undertakings	**1,292**	4,862
Foreign exchange gains	**100**	-
	1,392	4,862

8 Interest payable and similar charges

	2018	2017
	£000	£000
Interest payable to Group undertakings	**20**	134
Foreign exchange losses	-	65
	20	199

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2018 £000	2017 £000	2017 £000
Current tax				
Current tax on income for the period	-		-	
Total current tax		-		-
Deferred tax (see note 16)				
Origination and reversal of timing differences	(3,728)		-	
Total deferred tax		(3,728)		-
Total tax		(3,728)		-

	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax	2017 £000 Current tax	2017 £000 Deferred tax	2017 £000 Total tax
Recognised in Profit and loss account	-	(3,728)	(3,728)	-	-	-
Total tax	-	(3,728)	(3,728)	-	-	-

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	6,934	5,722
Total tax credit	(3,728)	-
Profit excluding taxation	3,206	5,722
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	609	1,101
Interest payable non-deductible	(128)	-
Expenses not deductible for tax purposes	452	265
Group relief claimed for nil payment	(338)	(584)
Capital allowances in excess of depreciation	(595)	-
Recognition of previously unrecognised deferred tax	(3,728)	-
Utilisation of tax losses	-	(782)
Total tax credit included in profit or loss	(3,728)	-

A reduction in corporation tax rate to 18% (effective 1 April 2020) was substantively enacted on 26 October 2016, and an additional reduction to 17% from 1st April 2020 was subsequently enacted on 6 September 2017. This will reduce the Company's future tax charge accordingly. The unrecognised deferred tax asset at 31 December 2018 (see note 17) has been calculated based on the rate of 17% substantively enacted at the Balance Sheet date.

Notes *(continued)*

10 Tangible assets

	Leasehold land & buildings £000	Vehicles, fixtures & equipment £000	Assets in the course of construction £000	Total £000
Cost				
At beginning of year	47,726	65,228	1,569	114,523
Additions	8,175	5,172	1,302	14,649
Transfers from WIP	-	462	(462)	-
Disposals	(7,753)	(7,456)	-	(15,209)
At end of year	**48,148**	**63,406**	**2,409**	**113,963**
Depreciation				
At beginning of year	26,716	48,957	-	75,673
Charge for the year	1,567	5,156	-	6,723
On disposals	(7,079)	(6,508)	-	(13,587)
At end of year	**21,204**	**47,605**	-	**68,809**
Net book value				
At 31 December 2018	**26,944**	**15,801**	**2,409**	**45,154**
At 31 December 2017	21,010	16,271	1,569	38,850

The net book value of land and buildings comprises:

	2018 £000	2017 £000
Short leasehold	**26,944**	21,010

A review was performed to establish whether or not there were any indications of impairment to the carrying amount of tangible fixed assets. The review concluded that there were no such indications. The approach to asset impairment reviews is described in more detail in note 1.

11 Stocks

	2018 £000	2017 £000
Goods for resale	**746**	956

Notes *(continued)*

12 Debtors: amounts due within one year

	2018 £000	2017 £000
Trade debtors	**605**	873
Other debtors	**83**	4
Amounts owed by Group undertakings	**579**	48,552
Prepayments and accrued income	**5,348**	4,954
	6,615	54,383

The intra-group loan is non-interest bearing and receivable on demand.

13 Debtors: amounts due after more than one year

	2018 £000	2017 £000
Amounts owed by Group undertakings[1]	**64,060**	155,657
Deferred tax *(see note 16)*	**3,728**	-
	67,788	155,657

The intra-group loans are due after more than five years. Interest is receivable on the loans at various rates between LIBOR plus 0.825% and LIBOR plus 2.375%.

[1] Loan with Cicero International Corporation (UK) Limited for £337,013 waived on 16 August 2017
Loan with Hollywood Express for £4,701,061 waived on 16 August 2017
Loan with Odeon and UCI Bond Midco Limited for £140,117,700 waived on 8 March 2018

14 Creditors: amounts due within one year

	2018 £000	2017 £000
Other creditors	**4**	590
Amounts owed to Group undertakings	**30**	14
Accruals and deferred income	**10,380**	9,434
	10,414	10,038

The intra-group loans are non-interest bearing and payable on demand.

15 Creditors: amounts due after more than one year

	2018 £000	2017 £000
Deferred income	**13,171**	9,545
Amounts owed to Group undertakings[1]	**-**	21,935
	13,171	31,480

[1] Loan with Cicero International Corporation (UK) Limited for £5,032,074 waived on 17August 2017
Loan with Lucius Investments Limited for £21,954,997 waived on 26 February 2018

Notes *(continued)*

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018	2017
	£000	£000
Creditors falling due more than one year		
Amounts owed to Group undertakings	-	15,560

Terms and debt repayment schedule

	Currency	Nominal interest rate	Years to maturity	2018	2017
				£000	£000
Lucius Investments Limited(1)	GBP	LIBOR +0.825%	8 years	-	15,560

(1) This loan with Lucius Investments Limited, including accrued interest, was waived during the year.

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2018	2017
	£000	£000
Accelerated capital allowances	2,925	-
Carried forward capital loss	1,530	-
Capital Loss usage	(727)	-
Tax asset	3,728	-

18 Capital

Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid:		
10,000 Ordinary shares of £1 each	10	10

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

Dividends

After the balance sheet date no dividends *(2017: £nil)* were proposed by the directors.

Notes *(continued)*

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	**18,065**	17,277
Between one and five years	**69,398**	68,543
More than five years	**170,861**	170,666
	258,324	256,486

During the year £17,969,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £17,892,000)*

20 Related parties

Identity of related parties with which the Company has transacted

The Company is charged or charges interest on some outstanding balances due to/from companies within the Group.

The Company has taken advantage of the exemption in paragraph 33.1A of FRS 102 *Related Party Disclosures* not to disclose transactions with wholly owned subsidiaries within the same group.

Transactions with key management personnel

Total compensation of key management personnel (the directors) is disclosed in note 3. There were no other transactions with key management personnel during the year.

Other related party transactions

	Sales to 2018 £000	2017 £000	Administrative expenses incurred from 2018 £000	2017 £000
Entities with control, joint control or significant influence (Joint Ventures)	**4,034**	4,836	-	-

	Receivables outstanding 2018 £000	2017 £000	Creditors outstanding 2018 £000	2017 £000
Entities with control, joint control or significant influence (Joint Ventures)	**594**	873	-	-

Notes *(continued)*

21 Ultimate parent company and controlling party

The Company is a subsidiary undertaking of Dalian Hexing Investment Co Ltd. The ultimate controlling party is Wang Jianlin.

The largest group to consolidate these financial statements is Dalian Hexing Investment Co Ltd. The registered office is 539 Changjiang Road, Xigang District, Dalian, Liaoning Province, People's Republic of China.

The smallest group in which they are consolidated is that headed by AMC Entertainment Holdings Inc. The registered office is 11500 Ash Street, Leawood, KS 66211, USA. These consolidated financial statements are available to the public and can be obtained from the Securities and Exchange Commission, 100F Street, NE Washington, USA, DC 20549.

22 Commitments

The company is party to a group revolving credit facility entered into on 7 December 2017. The facility is secured by way of a fixed and floating charge over the assets of the company. The balance on the facility at 31 December 2018 was £9,357,000 *(2017: £nil)*.