PICTUREHOUSE CINEMAS LIMITED

Annual report and financial statements

Registered number 02310403

For the year ended 31 December 2021

Contents

Directors	C Binns I Greidinger M Greidinger R Kaufman
Company secretary	S Brooker (appointed on 1st March 2022) N Kravitz (appointed 27 January 2022, resigned 1 March 2022) F Smith (resigned on 27th January 2022)
Registered number	02310403
Registered office	8th Floor Vantage London Great West Road Brentford TW8 9AG
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Strategic Report for the year ended 31 December 2021

The Directors present their Strategic Report on the Company for the year ended 31 December 2021.

Principal activities

Picturehouse Cinemas Limited, a subsidiary of Cineworld Group Plc, operates sixteen cinemas under the Picturehouse Cinema brand and provides the head office function for the operation of seven further cinemas.

Picturehouse Cinemas Limited is a wholly owned subsidiary of Cineworld Group plc which is listed on the London Stock Exchange. Throughout the rest of this report, the "Group" is used to refer to actions Picturehouse Cinemas Limited has performed as part of the Cineworld group, while the "Picturehouse Cinemas" or the "Company" is used to refer specifically to Picturehouse Cinemas Limited.

Picturehouse Cinemas was formed in 1989 in response to the introduction of multiplexes in the UK. The purpose of the Company was to purchase and construct community cinemas in city centre locations and to provide a cinema experience that is highly differentiated from the multiplexes. Independent, art-house and foreign-language films have always been central to the profile of the Company. Equally, every Picturehouse cinema is programmed in response to its local audience, and most of the cinemas have mainstream films and quality crossover titles in their mix.

Financial Performance and position

The principal income for the Company is box office revenue. Box office revenue is a function of the number of admissions and the ticket price per admission, less VAT. In addition, the Company operates membership schemes, which provide customers with access to screenings in exchange for subscriptions fees, and this revenue is reported as part of box office. Admissions depend on the number, timing and popularity of the films we are able to show in our cinemas. Admissions are also a key driver for the two other main revenues for the Company; retail revenue, the sale of food and drink for consumption within our cinemas; and screen advertising income, from advertisements shown on our screens prior to feature presentations.

Other income comprises all income other than box office and retail, predominantly revenue from advertisements shown on screen prior to film screenings and revenue from booking fees associated with the purchase of tickets online.

Revenue in the year increased to £14.5m (2020: £11.6m) following the reopening of cinemas in England in May 2021 having been closed for the majority of the prior year due to lockdown measures as a result of the COVID-19 pandemic. Performance has improved gradually following reopening however remain slower than anticipated (see Future developments section). The loss for the year before taxation amounted to £5.9m (2020 restated: loss of £31.5m). The prior year loss included fixed asset impairments of £25.6m. At 31 December 2021 the Company had net liabilities of £14.9m (2020 restated: £9.9m).

The COVID-19 pandemic has materially impacted all aspects of the Group's operation since the first quarter of 2020. While monthly admission levels progressively recovered in the first half of 2022, they remained below both pre-pandemic levels and the Group's original forecast for 2022. This led to a general tightening of the Group's overall liquidity position.

In response to this slower-than-expected recovery, Cineworld Group plc and certain of its subsidiaries including the Company (collectively, the "Group Chapter 11 Companies") commenced voluntary cases under title 11 of the United States Code (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of Texas (the "Court") on 7 September 2022. See note 1 for further details.

KEY PERFORMANCE INDICATORS

The Directors of the Group manage the Group's operations based on three reporting segments: US, UK and Ireland and Rest of the World ("ROW"). For this reason, the Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the UK and Ireland reporting operating segment of Cineworld Group plc, which includes the Company, are discussed on pages 10 to 13 and 30 to 35 of the Cineworld Group plc 2021 Annual Report and Accounts, which does not form part of this document. The Cineworld Group plc Annual Report and Accounts are available on the Group's website at www.cineworldplc.com.

Strategic Report for the year ended 31 December 2021 *(continued)*

PRINCIPAL RISK AND UNCERTAINTIES

The principal risks and uncertainties which could have a material impact on the Company's performance are largely the same as those described in detail pages 14 to 19 of the Cineworld Group plc 2021 Annual Report and Accounts. The Cineworld Group plc 2021 Annual Report and Accounts also includes details of the controls and mitigation activity in place. The Cineworld Group plc Annual Report and Accounts are available on the Group's website at www.cineworldplc.com.

These include:

Technology and Data Control	A critical system interruption or major IT security breach encountered
Availability and Performance of Film Content	Lack of access to high quality, diverse and well publicised movie product
Provision of next Generation Cinemas	Maintaining/refurbishing existing sites and/or developing new sites fails to provide a circuit of next generation cinemas.
Viewer Experience and Competition	The quality of products and services offered fails to meet the needs of the customer and deliver an enhanced viewer experience
Revenue from Retail/Concession Offerings	Delivery of a retail/concession offering that does not meet the requirements and preferences of our customers
Cinema operations	Failure to maintain and operate well run and cost effective cinemas
Regulatory Breach	A major statutory, regulatory or contractual compliance breach
Strategy and Performance	The approach to setting, communicating, monitoring and executing a clear strategy fails to deliver long-term objectives
Retention and Attraction	Failure to attract and retain Senior Management and/or other key personnel
Governance and Internal Control	A critical internal control and/ or governance failing occurs
Major incident	Inability to respond to a major incident
Treasury Management	Ineffective treasury management slows down our ability to service our debt obligations and deliver against our planned strategic initiatives (e.g. refurbishment programmes)
Climate change	Warming of the planet caused by greenhouse gas emissions poses serious risks to the global economy and will have an impact across many economic sectors.

Section 172(1) Statement

In discharging their duty to act, in good faith, in a way that they consider would be most likely to promote the success of the Company for the benefit of its members as a whole in accordance with section 172(1) of the Companies Act 2006, the Directors have had regard to a number of different factors and stakeholder interests and in particular to the matters set out in section 172(1)(a – f) of the Companies Act 2006.

However, whilst the Group considers its shareholders and investors to be key stakeholders, as a wholly-owned subsidiary the Company largely engages with its own immediate shareholder and Cineworld, as ultimate shareholder.

The Board considers and discusses information from across the Group to help it understand the impact of the Company and the Group's operations, and the interests and views of the Company and the Group's key stakeholders. The Board also reviews financial and operational performance, health and safety information, considers employee and governance matters, and regulatory compliance via its Board meetings. As a result of these activities, the Board has a good overview of the Company's engagement with stakeholders and other relevant factors, which enable the directors to comply with their duties under section 172(1) of the Companies Act 2006.

Principal decisions taken by the directors during the year were in relation to financial matters as detailed in the financial statements. The relevant factors taken into account during the decision-making processes were the likely long term consequences of the decision (including whether it would be likely to promote the success of the Company for the benefit of its members) and the need to act fairly between members of the Company.

Employee Engagement Statement

Information on how the Directors have supported the Company's employees is included in the Directors' Report on page 7.

Strategic Report for the year ended 31 December 2021 *(continued)*

Supplier and Stakeholder Engagement Statement

The Directors have considered all the Company's stakeholders and the long-term consequences of decisions taken. Information on stakeholder engagement can be found in the Directors' report on page 8.

Future developments

Despite the re-opening of cinemas, the COVID-19 pandemic continues to have a significant impact on the performance of the Company.

As part of the Chapter 11 Cases, Cineworld, with the expected support of its secured lenders, is seeking to implement a de-leveraging transaction that will significantly reduce the Group's debt, strengthen its balance sheet and provide the financial strength and flexibility to accelerate, and capitalise on Cineworld's strategy in the cinema industry. Further details can be found in Note 1 of the Accounting policies.

Other than the above, the Directors do not expect any change in principal activities of the Company during the next financial period.

On behalf of the Board,

R Kaufman
Director
9th October 2023

Directors' report for the year ended 31 December 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021. During the year, the Company changed its accounting reference date to 29 December 2021, however the Company's year-end accounting date remains 31 December 2021. The accounting reference date and the date to which the Company has prepared comparative figures is 31 December 2020. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal activities
The principal activities of the Company and future developments are outlined in the strategic report.

Political contributions
The Company made no political donations or incurred any political expenditure during the year (2020: None).

Payment of dividends
No dividends were approved or paid by the Directors and paid during the year ended 31 December 2021 (2020: £nil). No other dividends have been approved for the financial year or up to the date of signing this Annual report and financial statements.

Directors
The Directors who served during the year and to the date of this report were as follows:
C Binns
I Greidinger
M Greidinger
R Kaufman

Directors' and Officers' Insurance and Indemnity
The Company maintains insurance cover for all Directors and Officers of Group companies against liabilities which may be incurred by them while acting as Directors and Officers. As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors as permitted by law and by the Articles against liabilities they may incur in the execution of their duties as Directors of the Company. These indemnities are qualifying third party indemnities. These policies were in force during the financial year and up to the date of signing this report.

Independent auditors
Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Events affecting the Company since the year end
The global Coronavirus pandemic has had a significant impact on the Company's operations both during and subsequent to year end. Further details on this and the impact on the Company have been outlined within note 1.

Going concern
Details of the Directors' assessment of Going Concern are set out in Note 1.

Employees
The policy is to recruit, employ and develop staff on the basis of the suitability of their qualifications and experience, regardless of sex, marital status, race, nationality, age, sexual orientation or religion. It is Company policy to give full and fair consideration to applications for employment from disabled people, having regard to their particular abilities and aptitudes. Full consideration is given to continuing the employment of staff who become disabled, including considering them for other reasonable positions and arranging appropriate training. The health, welfare and development of the Group's employees remain a priority. With the intent of attracting, recruiting, developing and retaining key employees, Cineworld maintains a number of policies and procedures for the benefit of its employees, which are available to all employees across the Company. Continuing education, training and development are important to the future success of the Company and employee development is encouraged through appropriate training.

Directors' report for the year ended 31 December 2021 *(Continued)*

The Company supports individuals who wish to obtain appropriate further education or qualifications and reimburses tuition fees up to a specified level. Regular and open communication between Management and employees is essential for motivating the workforce. Briefings are held regularly to provide updates on the company's business and to provide the opportunity for questions and feedback. The Company encourages the involvement of employees in its performance through the operation of bonus schemes throughout the Group.

Employee Engagement Statement
The Company is aware of its workforce engagement obligations, many of which are undertaken by the HR functions of the Group. The Directors have regard to such of these obligations as are relevant to their management of the business and operations of the Company in the context of the overall governance framework of the Group. Details of the Group's approach to engagement with employees, and how employee interests have been considered during the 2021 financial year can be found throughout the Group Annual Report, in particular in the Resources and Relationships section on pages 27, 48, and 80.

Supplier and Stakeholder Engagement Statement
Engagement with stakeholders (including suppliers, customers, and others) is often undertaken at operational level, and the Directors have regard to such of the obligations as are relevant to their management of the business and operations of the Company in the context of the overall governance framework of the group. Having strong commercial relationships is key to operating our business successfully. With years of experience in the cinema industry, our teams have worked hard to develop strong working relationships with a range of film studios and distributors, retail partners, and property developers. Details of the group's approach to engagement with suppliers and other stakeholders during the 2021 financial year can be found throughout the Cineworld Group Plc Annual Report, in the Responsible Business section on pages 25 to 29 and the Stakeholder Engagement section on pages 42 to 49.

Environmental matters and greenhouse gas emissions
Pursuant to Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the latter commonly referred to as Streamlined Energy and Carbon Reporting or "SECR") the Company is required to make specific disclosures around carbon emissions.

The Company is however a wholly owned subsidiary of Cineworld Group plc, for which consolidated financial statements have been prepared for the financial year. Accordingly, your attention is drawn to pages 85 to 97 of the Group Annual Report, which can be found at https://www.cineworldplc.com/en/investors/results-reports-presentations/year/2022, which incorporates the Company's environmental impact along with the wider group.

Disclosure of information to auditors
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 auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

R Kaufman
Director
9th October 2023

8th Floor Vantage London
Great West Road
Brentford
TW8 9AG

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

R Kaufman
Director
9th October 2023

8th Floor Vantage London
Great West Road
Brentford
TW8 9AG

Independent auditors' report to the members of PICTUREHOUSE CINEMAS LIMITED

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, PICTUREHOUSE CINEMAS LIMITED's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- *have been prepared in accordance with the requirements of the Companies Act 2006.*

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

The company's property, plant and equipment ("PPE") is held on the balance sheet at a Net Book Value of £15,411,932. £7,895,965 of this balance (with cost of £26,681,886 and accumulated depreciation of £18,785,921) was purchased before 2016 and sufficient accounting records have not been maintained to understand what assets are held in PPE. As such the classification of assets between categories and *the depreciation policy applied to these assets may not be appropriate. Furthermore, management* is unable to verify the existence of any of these assets. We are unable to quantify the impact on the financial statements of allocating the cost between asset categories and the resulting impact on annual and cumulative depreciation, or on disposals of cost and cumulative depreciation; however, based on the different depreciation policies by category, and the quantum of the pre-2016 additions, we can conclude it would likely be material. Our opinion is therefore qualified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

Without further modifying our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The directors are reliant on financial and other support from Crown UK Holdco Limited, an intermediary parent company within the Cineworld Group (Cineworld Parent Limited and its subsidiaries) to meet its obligations over the next 12 months. The wider cinema industry remains exposed to volatility in relation to film releases and demand. There is material uncertainty in relation to whether or not the existing loan facility and RCF provides sufficient liquidity for the Cineworld Group in a severe but plausible downside case where theatrical releases are severely impacted by strikes in the US film industry which commenced in 2023. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results. Audit procedures performed by the engagement team included:

- Review of the financial statement disclosures to underlying supporting documentation;
- Enquiry of management, those charged with governance, the group's legal counsel and the company's tax and compliance functions in respect of any actual or potential fraud and non-compliance with laws and regulations; and
- As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to property, plant and equipment, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

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

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

We have no exceptions to report arising from this responsibility.

Chrichmond

Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 October 2023

Statement of Comprehensive Income
for year ended 31 December 2021

	Note	**Year ended 31 December 2021 £**	Year ended 31 December 2020 £ Restated
Revenue	*2*	**14,486,290**	11,573,459
Cost of sales		**(10,139,030)**	(10,909,422)
Gross profit		**4,347,260**	664,037
Other operating income	*3*	**2,883,507**	4,370,749
Administrative expenses		**(10,576,559)**	(9,475,886)
Net (impairment) / gain on financial and contract assets	*11*	**(1,044,533)**	(237,921)
Fixed asset impairment	*3*	**-**	(25,624,273)
Operating loss		**(4,390,325)**	(30,303,294)
Interest receivable and similar income	*5*	**51,010**	247,563
Finance costs	*5*	**(1,542,332)**	(1,532,023)
Net finance costs	*5*	**(1,491,322)**	(1,284,460)
Loss before taxation	*3*	**(5,881,647)**	(31,587,754)
Tax credit on loss	*6*	**919,729**	2,253,243
Loss and total comprehensive loss for the financial year		**(4,961,918)**	(29,334,511)

All results are derived from continuing operations.
The Company has no other comprehensive income than the loss for the year.
Notes from pages 16 to 45 form part of these financial statements.
See note 22 for further detail regarding the prior year restatement.

Balance Sheet
At 31 December 2021

	Note	31 December 2021 £	31 December 2020 £ Restated
Fixed assets			
Goodwill	*7*	**161,609**	161,609
Investments	*8*	**2,253,926**	2,253,926
Property, plant and equipment	*9*	**15,411,932**	17,209,909
Right-of-use asset	*14*	**13,808,526**	14,504,050
Deferred tax	*15*	**1,109,121**	-
Total non-current assets		**32,745,114**	34,129,494
Current assets			
Inventories	*10*	**212,373**	57,509
Trade and other receivables	*11*	**16,788,588**	11,315,529
Cash at bank and in hand	*12*	**632,708**	340,711
Total current assets		**17,633,669**	11,713,749
Current liabilities			
Creditors: amounts falling due within one year	*13*	**(33,364,755)**	(24,263,000)
Lease liabilities	*14*	**(3,688,460)**	(3,077,658)
Total current liabilities		**(37,053,215)**	(27,340,658)
Net current liabilities		**(19,419,546)**	(15,626,909)
Total assets less current liabilities		**13,325,568**	18,502,585
Non-current liabilities			
Creditors: amounts falling due after one year	*13*	**(3,493,643)**	(2,991,049)
Lease liabilities	*14*	**(24,710,902)**	(25,428,595)
		(28,204,545)	(28,419,644)
Net liabilities		**(14,878,977)**	(9,917,059)
Capital and reserves			
Called up share capital	*16*	**157**	157
Share premium account		**180,652**	180,652
Capital reserves		**8,953,508**	8,953,508
Other reserves		**200,000**	200,000
Accumulated losses		**(24,213,294)**	(19,251,376)
Total shareholders' deficit		**(14,878,977)**	(9,917,059)

The notes from pages 16 to 45 form part of these financial statements.
See note 22 for further detail regarding the prior year restatement.

The financial statements on pages 13 to 45 were approved by the board of Directors on 9th October 2023 and were signed on its behalf by:

R Kaufman
Director
Registered number: 02310403

Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £	Share premium £	Capital reserves £	Other reserves £	Accumulated losses £	Total equity £
At 1 January 2020	157	180,652	-	200,000	13,829,725	14,210,534
Opening balance adjustment	-	-	8,953,508	-	(3,746,590)	5,206,918
At 1 January 2020 (restated)	157	180,652	8,953,508	200,000	10,083,135	19,417,452
Comprehensive loss for the financial year						
Loss for the year	-	-	-	-	(30,281,741)	(30,281,741)
Prior year restatement (see note 22)	-	-	-	-	947,230	**947,230**
Total comprehensive loss for the financial year (restated)	-	-	-	-	**(29,334,511)**	**(29,334,511)**
At 31 December 2020 (restated)	**157**	**180,652**	**8,953,508**	**200,000**	**(19,251,376)**	**(9,917,059)**
Comprehensive loss for the financial year						
Loss for the year	-	-	-	-	(4,961,918)	(4,961,918)
Total comprehensive loss for the financial year	-	-	-	-	**(4,961,918)**	**(4,961,918)**
At 31 December 2021	**157**	**180,652**	**8,953,508**	**200,000**	**(24,213,294)**	**(14,878,977)**

The notes on pages 16 to 45 form part of these financial statements.
See note 22 for further detail regarding the prior year restatement.

Notes to the financial statements

1. Accounting policies

General information
Picturehouse Cinemas Limited is a private limited company limited by shares incorporated and domiciled in the UK. The Company's registered address is 8th Floor Vantage London, Great West Road, United Kingdom, TW8 9AG.

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), applying the historical cost convention. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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

The Company's ultimate parent undertaking, Cineworld Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Cineworld Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG.

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
    - iii. Paragraph 79(a)(iv) of IAS 1;
    - iv. Paragraph 73(e) of IAS 16, 'Property, plant and equipment';
    - iii. Paragraph 118(e) of IAS 38 Intangible Assets
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d) (statement of cash flows);
    - 16 (statement of compliance with all IFRS);
    - 38A (requirement for minimum of two primary statements, including cash flow statements);
    - 38B–D (additional comparative information);
    - 111 (statement of cash flows information); and
    - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 and 18(a) of IAS 24, 'Related party disclosures' (key management compensation).

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and
  - 40A–D (requirements for a third statement of financial position).

Presentational currency
The financial results of the Company are presented in Pound Sterling rounded to the nearest £.

Going concern
The Directors of the Company have prepared the financial statements on a going concern basis which assumes the Company will be able to meet its future obligations as they fall due, and the Company will settle all payments within the agreed terms.

On a stand-alone basis, the Company's operations have been impacted by the COVID-19 pandemic following the closure of cinemas for most of the previous year. Revenue in 2021 has improved, however cinemas were still closed from 1 January 2021 to 7 June 2021. The Company is in a net current liability position and is reliant on financial and other support from a parent entity in order to meet its obligations, specifically relating to matching of amounts due to the Company from fellow parent undertakings with the repayment of amounts advanced to the Company by the parent undertaking and/or other members of the parent undertaking's group. The directors of the company have therefore performed an assessment of Cineworld Group's (hereafter "the Group") ability to continue as a going concern. The Group's going concern assessment is duly outlined below.

The impact of the COVID-19 pandemic on both the Group and the wider cinema industry has been severe and long-lasting. Following the onset of the pandemic in early 2020, the Group was forced to close all cinemas. As a result, the Group experienced a significant deterioration in key financial metrics, with 2020 admissions and revenues falling by circa 80% against 2019 comparatives. The 2021 financial year remained extremely challenging. Through the early part of the year, cinemas remained closed. While they re-opened in mid-2021, operational restrictions continued to apply in most countries and regions. This in turn prompted studios to reschedule multiple blockbuster movies until later dates. In 2022, the industry benefited from strong performances from some blockbuster films, notably 'Top Gun: Maverick' and 'Avatar: The Way of Water'. These performances demonstrated the strong consumer demand that exists post-pandemic for the 'blockbusters'. At the same time, the industry was negatively impacted by a general lack of cinema content and reduced levels of admissions, issues exacerbated by increased competition from streaming along with COVID-related production delays and cancellations that occurred from mid-2020 to late-2021.

Over the past three years, the Group has sought to address the various operational and financial challenges generated by the COVID-19 pandemic. Along with reducing its cost base, the Group undertook various financing and liability management transactions aimed at improving liquidity.

Voluntary Reorganisation under Chapter 11

Given the long-lasting effects of COVID-19 on the cinema industry, these financing and liability management transactions did not resolve the Group's liquidity challenges. As a result, on 7 September 2022, Cineworld Group plc announced that it and certain of its subsidiaries (collectively, the "Group Chapter 11 Companies") had filed voluntary petitions for relief under title 11 of the United States Code (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court").

The Chapter 11 Cases remained ongoing at 31 December 2022.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

On 31 July 2023, the Group, including its newly incorporated parent company, Cineworld Parent Limited, announced that the Chapter 11 Companies had successfully completed their plan of re-organisation (the "Plan") and emerged from the Chapter 11 Cases. As part of the Plan, the Chapter 11 Companies successfully reduced their funded indebtedness by approximately $4.53 billion, raised approximately $800 million in new equity capital, and secured new debt financing in the aggregate amount of approximately $1.71 billion, including a new revolving credit facility ("RCF") of $250 million. On the same date, the former parent company, Cineworld Group plc, entered administration pursuant to a court order under the UK Insolvency Act 1986.

Despite the successful execution of the Plan, the Group remains exposed to the effects of fluctuating cinema admission levels on the Group's ability to generate positive free cash flows. On a monthly basis, these cinema admission levels can be materially impacted by the performance of individual 'blockbuster' films. Due to multiple factors, including but not limited to changing consumer behaviours, the Group's ability to forecast future admission levels has become inherently more challenging in the post-COVID environment.

Pre-Petition Borrowings
The filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all obligations under the documents governing the prepetition existing indebtedness of the Group Chapter 11 Companies. In response to this, the Group has reclassified all such debt obligations, other than debt subject to compromise, to current maturities of long-term debt on the consolidated balance sheet as of 31 December 2022.

Debtor-In-Possession ("DIP") Financing Facility

When the Group Chapter 11 Companies commenced their Chapter 11 Cases, they secured a super-priority senior secured priming multi-draw term loan credit facility of approximately $1,935 million (the "DIP Facility"). Borrowings on the DIP Facility, together with the Group's available cash reserves and cash flows from operations, provided sufficient liquidity for the Group to meet its ongoing obligations, including post-petition obligations to vendors and suppliers, as well as employee wages, salaries, and benefits programs, over the course of the Chapter 11 Cases.

Prior to the emergence from the Chapter 11 Cases, the ability of the Group to continue as a going concern remained dependent on the DIP Facility being available and sufficient for the Group's needs. For the duration of the Chapter 11 Cases, there were no defaults under the credit agreement governing the DIP Facility.

The DIP Facility was successfully repaid upon exit from the Chapter 11 Cases (refer below).

Restructuring Support Agreement and Backstop Commitment Agreement

On 2 April 2023, the Group Chapter 11 Companies entered into a restructuring support agreement and a backstop commitment agreement with certain lenders holding and controlling the Group's term loans due 2025 and 2026 and revolving credit facility due 2023 (together, the "Legacy Facilities"). Further, on 9 May 2023, the Group Chapter 11 Companies entered into amended and restated versions of the restructuring support agreement (as amended and restated, the "RSA") and the backstop commitment agreement (as amended and restated, the "BCA") with certain lenders holding and controlling approximately 99% of the Legacy Facilities.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

When subsequently implemented upon exit from the Chapter 11 Cases, the RSA and BCA:

- reduced the Group Chapter 11 Companies' funded indebtedness by approximately $4.53 billion, principally through lenders under the Legacy Facilities (the "Legacy Lenders") receiving equity in the reorganised Group in exchange for the release of their claims under the Legacy Facilities;
- raised $800 million in aggregate gross proceeds, through a fully backstopped equity offering to the Legacy Lenders (the "Backstopped Rights Offering") and a direct equity offering to certain Legacy Lenders (the "Direct Allocation Offering" and, together with the Backstopped Rights Offering, the "Rights Offering"); and
- provided approximately $1.46 billion (net of original issue discount and excluding the RCF) in new debt financing (the "Exit Facility") to the Group Chapter 11 Companies upon their emergence from the Chapter 11 Cases.

The proceeds of the Rights Offering and the Exit Facility were used to, among other things: (i) repay in full the DIP Facility; (ii) fund the costs associated with the Group Chapter 11 Companies' emergence from the Chapter 11 Cases; and (iii) fund their go-forward business operations.

The restructuring did not provide any recovery for holders of Cineworld's prepetition existing equity interests and limited recovery for unsecured creditors.

Revolving Credit Facility

On 31 July 2023, the Group entered into a new Revolving Credit Facility ("RCF") with an aggregate principal amount of $250 million. The RCF matures on 31 July 2027 and has a number of covenants in place around the future reporting of quarterly and annual financial results.

Dissenting Shareholders

On 10 September 2021, the Group announced that it had reached agreement with the dissenting shareholders of Regal Entertainment Group (the "Regal Litigation Parties") with respect to the payment of judgment of their claim. Under this agreement, the Group paid $170 million of the judgment to the dissenting shareholders and $92 million was placed into an escrow account to be available to the Group as additional liquidity under certain circumstances.

When the Group Chapter 11 Companies commenced their Chapter 11 Cases, the Group still owed $56.2m to the Dissenting Shareholders who, under the terms of the judgment, were deemed to be unsecured creditors within the Class 6 – Section 510(b) Claims, and therefore no future payments are expected to be made to the Dissenting Shareholders under the terms of the Plan.

Cineplex

On 6 July 2020, the Group confirmed that Cineplex, Inc. ("Cineplex") had initiated proceedings against it in relation to its termination on 12 June 2020 of the arrangement agreement relating to its proposed acquisition of Cineplex (the "Acquisition" and such agreement, the "Arrangement Agreement"). The proceedings alleged that the Group breached its obligations under the Arrangement Agreement and/or duty of good faith and claimed damages of up to C$2.18 billion less the value of Cineplex shares retained by Cineplex shareholders.

On 15 December 2021, the Ontario Superior Court of Justice granted Cineplex's claim, dismissed the Group's counterclaim and awarded Cineplex damages of C$1.23 billion for lost synergies to Cineplex and C$5.5 million for lost transaction costs. The Group disagreed with this judgment and appealed the decision.

On 9 September 2022, Cineplex filed a motion for emergency relief from the automatic stay in connection with the Group Chapter 11 Cases in order to proceed with the appeal process relating to the Cineplex litigation. The Group filed an objection to Cineplex's motion on 22 September 2022. A hearing before the Bankruptcy Court took place on 28 September 2022 to consider Cineplex's motion. The Bankruptcy Court denied the motion and ruled to uphold the automatic stay in connection with the Chapter 11 Cases.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

No liability was recognised in respect of the judgment at the balance sheet date on the basis that payment was not considered probable at that stage, and the directors did not factor any payment of damages within their assessment of whether it was appropriate to adopt the going concern basis for the Group as at 31 December 2022. Any amounts subsequently paid to Cineplex will rank alongside the Group's other unsecured claims within Class 5A – Section 510(b) Claims, and Cineplex will receive its pro rata share of the Class 5A recovery out of the general unsecured claim recovery pool (in accordance with the Plan). At emergence from the Chapter 11 Cases, Cineplex's claim against Cineworld Group plc (and other subsidiary companies) was extinguished.

Conclusion
These 2021 financial statements have been prepared assuming that the Group will continue as a going concern. Whilst the Group was not able to meet all its liabilities at the balance sheet date, it was under US Chapter 11 bankruptcy protection at that time and the Group was subsequently able to restructure its liabilities, secure new financing and emerge from Chapter 11.

The Directors have determined the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate in light of the signing and subsequent execution of the restructuring support agreement and backstop commitment agreement, combined with the forecast trading levels and hence the level of liquidity and available finance in making this assessment.

Despite the Group Chapter 11 Companies' emergence from Chapter 11, the recovery of the Group remains sensitive to the speed at which admission levels continue to recover following the COVID-19 pandemic. If admissions fail to reach the Group's forecasts, the recovery of the Group may be slower than anticipated and the new financing arrangements may prove to be inadequate.

In addition, the Group, along with the wider cinema industry, remains exposed to the negative consequences associated with both the recent Writers Guild of America strike (which has now ended) and the ongoing SAG-AFTRA (Screen Actors Guild – American Federation of Television and Radio Artists) strike. The Writers Guild of America strike commenced in May 2023 and concluded in September 2023 while the SAG-AFTRA strike commenced in July 2023. At present, it is not clear when the SAG-AFTRA strike will end, if it will be in the immediate term, and there remains uncertainty regarding the impacts. Given this, the Company modelled a severe but plausible scenario that assumed a 25 percent reduction in FY24 admission levels (versus current forecasts) resulting from strike-related movie production delays and changes to movie release dates. Under this scenario, assuming the Group was to take no significant mitigating actions (e.g. reducing its fixed cost base or utilising payment-in-kind (PIK) options), the Group would begin to experience liquidity issues in mid to late 2024.

The conditions in the above paragraph may affect the ability of Crown UK Holdco Limited to provide the support needed for the Company to continue as a going concern. There is therefore a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern for at least twelve months after the date of signing the financial statements. The financial statements do not reflect the adjustments to the carrying values of assets, liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Significant accounting policies
The accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Property, plant and equipment
Property, plant and equipment are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided by the Company to write off the cost less the estimated residual value of Property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	30 years or life of lease if shorter
Plant and machinery	3 to 10 years
Motor vehicles	3 years
Fixtures and fittings	4 to 10 years

Assets acquired for use in cinemas are depreciated from the date the cinema is available for use. Cinema properties in the course of construction are separately identified as a component of tangible fixed assets and are not depreciated until the cinema is ready for use.

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on business acquisitions. In respect of business acquisitions that have occurred since incorporation, goodwill represents the difference between the cost of the acquisition and the Group's interest in the fair value of the net identifiable assets acquired. Goodwill is considered to have an indefinite life, therefore is capitalised and assessed for impairment on an annual basis.

Investments
Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

Impairment of fixed assets
The carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating-unit ('CGU') exceeds its recoverable amount. Impairment losses are recognised in the Income statement and statement of comprehensive income.

Impairment tests in respect of property, plant and equipment and right-of-use assets are based on cash flows for individual sites. Where individual sites' cash inflows are determined not to operate independently from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single CGU.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other intangible assets in the unit on a pro-rata basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, an impairment in value is recorded.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Calculation of recoverable amount

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount, including a change in fair value less costs to sell.
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.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the First-In, First-Out ("FIFO") principle. Cost comprises expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, and net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

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 adjustments to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect nether accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries 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 rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available which the asset can be utilised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Government Grants

Government grants relating to the subsidy of assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant. They are then recognised in the Statement of Comprehensive Income as other income on a systematic basis over the useful life of the asset to which they relate.

Government grants relating to the subsidy of costs are deferred and recognised in the Statement of Profit or Loss over the period necessary to match them with the costs that they are intended to compensate. During the year, the Company received support from governments in connection with its response to the COVID-19 pandemic, in particular furlough and job retention scheme relief as well as local restriction support grants. Details are provided in Notes 3.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Sub-leases
The Company applies IFRS 16 to all leases of right of use assets in sub-leases. The Company classifies the sub-lease as a finance lease or an operating lease with reference to the right of use asset arising from the head lease. The Company treats the right of use asset as the underlying asset in the sub-lease, not the item of property, plant and equipment that it leases from the head lessor. For sub leases classified as operating leases, rental income will continue to be recognised in the Income Statement in the period to which it relates.

For sub leases classified as finance leases, the Company will recognise an asset classified as net investment in a sub-lease. The Company uses the discount rate it uses for the head lease, adjusted for any initial direct costs associated with the sub-lease to account for the sub-lease.

Leases
The Company's leases predominantly relate to property leases for each cinema site, however the Company's lease portfolio also includes other assets such as motor vehicles. Rental contracts are typically made for fixed periods of on average 12 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The depreciation charge recognised on the right-of-use assets is being charged to administration expenses in the Income Statement, in-line with where depreciation has previously been recorded.

Liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement. Short-term leases are leases with a lease term of 12 months or less or leases on adoption date which has a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office and cinema equipment.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease modifications
Where lease contracts are amended resulting in extensions to the minimum lease term or increases to the overall consideration under the lease, they are treated as modifications under IFRS 16.

Landlord contributions
Where the Company receives contributions and incentives from landlords at the start of the lease, these are recorded against the right-of-use asset.

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are de-recognised when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

IFRS 9 contains three classification categories for financial assets and liabilities: measured at amortised cost, fair value through profit or loss ("FVPL") and fair value through other comprehensive income ('FVOCI'). At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the financial instruments were acquired:

Financial assets and liabilities at amortised cost:
The Company's financial assets at amortised cost comprise trade receivables and are included in current assets due to their short-term nature. financial assets at amortised cost are initially recognised at the amount expected to be received, less, when material, a discount to reduce the financial assets at amortised cost to fair value. Subsequently, financial assets at amortised cost are measured at amortised cost using the effective interest method, less a loss allowance.

Financial liabilities at amortised cost include trade and other payables. Trade payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as noncurrent liabilities.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Impairment of financial assets
The Company measures expected credit losses using the following bases for all current trade and other receivables and amounts receivable from group undertakings.

Loss allowances will be measured on either of the following bases:
i. 12-month expected credit losses ('ECLs') are the ECLs that result from possible default events within 12 months after the reporting date; and

ii. lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instruments.

The expected loss rates are based on the historical payment profiles of sales during the financial year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company has identified historical losses measured against receivables to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

All amounts due from Group undertakings are repayable on demand and the nature of these receivables is considered within the expected credit loss calculation.

The expected credit losses are calculated using the 3-stage general impairment model as follows:

- probability of default – the likelihood that the borrower would not be able to repay in the very short payment period;
- loss given default – the loss that occurs if the borrower is unable to repay in that very short payment period; and
- exposure at default - the outstanding balance at the reporting date.

The probability of default is based on an external assessment of the Group's weighted corporate default rate which is a function of the Group's external credit rating.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Revenue
Revenue represents the total amount receivable for goods sold and services provided, excluding sales-related taxes and intra-group transactions. All the Companies revenue is received from the sale of goods and services. The Company disaggregates revenue into three material revenue streams which are made up of the following:

Box officc revenue

- Box office revenue is recognised on the date of the showing of the film it relates to.

Retail revenue

- Concessions revenue includes the sale of food and drink in the cinemas. All concession revenue is recognised at the point of sale. The Group operates a licence arrangement with Starbucks. The Company pays a licence and royalty fee which is recognised in cost of sales.
-
- The Company records proceeds from the sale of gift cards and other advanced bulk tickets in deferred revenue and recognises admissions or retail revenue when redeemed. Dependent on the revenue stream the gift card is redeemed against, revenue will either be recorded within box office revenue or retail revenue. Additionally, the Company recognises unredeemed gift cards and bulk tickets as other revenues based on a proportion of redemptions, which is estimated primarily based on the Company's historical experience.

Advertising revenue

- Advertising revenue is recognised at the point the advertisement is shown in cinemas or the related impressions are delivered.

Membership revenue

- Membership revenue relates to the purchase of a specific number of tickets along with exclusive offers. Revenue is recognised over a 6-month period on a straight-line basis, being the expected time taken for members to redeem their tickets

Management fee revenue

- Management fee revenue for the period is allocated and recognised for the operations of cinemas for which trading activities are recognised in the Company's subsidiaries (see note 8).

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Other revenue

Other revenue includes the following:

- The hire of cinema rooms for private events. This revenue is recognised at the point when the event occurs.
- The Company receives rebates primarily from concession vendors. The rebates are either a fixed amount or a specified percentage based on the total purchases made from the vendor. The rebates are subject to some estimation uncertainty, but the arrangements are not complex. Rebates are calculated and accrued monthly based on the volume of purchases.
- These rebates are either recognised as other revenues, a reduction of cost of goods sold, or a combination of the two, dependent on the nature of the services provided. For arrangements where the Company is providing various forms of in theatre, lobby or website advertising in exchange for the rebate, such rebates are accounted for as a component of other revenues. For arrangements under which the Company provides no material form of advertising such rebates are accounted for as a reduction of cost of goods sold.

Deferred revenue

Deferred revenue primarily consists of the following:

- Unredeemed gift cards and bulk tickets: Revenue is initially recognised in deferred revenue and subsequently recognised in revenue in proportion to the pattern exercised by the customer.
- Revenue received in advance for advertising contracts.

Cost of sales and administrative expenses

Cost of sales represents direct costs incurred associated with the generation of revenue as part of the cinema trading activities. Administrative expenses include all other costs incurred, including depreciation, repairs and maintenance, rent and rates, cleaning and other similar costs.

Net financing costs

Net financing costs comprise interest payable and receivable from both external and internal borrowings, interest expense on lease liabilities and foreign exchange gains and losses.

Significant accounting judgements and estimates

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In applying the Company's accounting policies described above the Directors have identified that the following areas are the key estimates that could have a significant impact on the amounts recognised in the Financial Statements in the next financial year.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Impairment of property, plant and equipment and right-of-use-assets
The Company determines whether property, plant and equipment and right-of-use-assets are impaired when indicators of impairments exist. The annual assessment requires an estimate of the value in use of the CGUs to which the Property, plant and equipment are allocated, which is predominantly at the individual cinema site level. Where individual site's cash flows are not determined to be independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single CGU.

Estimating the value in use requires the Company to make an estimate of the expected future cash flows from each cinema and discount these to their net present value.

The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied.

The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGUs and that the discount rates used are appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 9).

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 9). The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied.

The Directors consider that the key assumptions made within the cash flow forecasts include admissions levels, average ticket price, concession spend per person, and discount rates. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGUs, and that the discount rate used is appropriate given the risks associated with the specific cash flows. Based on the sensitivity analysis performed, there would be additional impairment, refer to Note 9 for full details.

Therefore, it is considered appropriate to disclose this as an area of significant estimation due to the size of the balance and the fact that it could change as a result of future events.

Judgements:

Redemption of tickets purchased by members
Membership revenue relates to the purchase of multiple tickets in advance, which provides members with additional benefits such as offers and discounts. Revenue is recognised on a straight-line basis over 6 months on the basis that members, on average, take 6 months to redeem their tickets.

The Directors consider that the assumptions made represent their best estimate of the time taken to satisfy the performance obligations relating to the membership scheme. If all performance obligations were satisfied immediately, revenue in the year would be £296,957 higher. If performance obligations took 12 months to satisfy, membership revenue in the year would be £448,612 higher.

Therefore, it is considered appropriate to disclose this as an area of significant estimation due to the size of the balance and the fact that it could change as a result of future events.

Lease discount rate
IFRS 16 requires that the discount rate applied in calculating the lease asset and liability represents the incremental borrowing rate at the date the lease is signed or modified. Leases are signed and amended over the course of each year; the Company elects to apply an average discount rate over periods for which its cost of borrowing and credit rating are consistent. Given the judgement required around the date of amendment and the uncertainty affecting incremental borrowing rates, using a rate covering the three-month period is considered to be appropriate.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Impairment of investments in property, plant and equipment and right-of-use-assets
The Company determines whether property, plant and equipment and right-of-use-assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the CGUs to which the Property, plant and equipment are allocated, which is predominantly at the individual cinema site level. Where individual site's cash flows are not determined to be independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single CGU.

Estimating the value in use requires the Company to make an estimate of the expected future cash flows from each cinema and discount these to their net present value.

The Directors consider that the key assumptions made within the cash flow forecasts include admissions levels, average ticket price, concession spend per person, and discount rates. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGUs, and that the discount rate used is appropriate given the risks associated with the specific cash flows. Sensitivity analyses have been performed over these estimates, refer to Note 8 for full details.

Therefore, it is considered appropriate to disclose this as an area of significant estimation due to the size of the balance and the fact that it could change as a result of future events.

New Standards and interpretations
There were no new standards adopted by the Company in the year but the following amendments became applicable during the year:

- Amendment to IFRS 16 Leases COVID-19 - Related rent concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- The amendments to FRS 101 provided an exemption from paragraph 74A(b) of IAS 16 Property, Plant and Equipment and maintain consistency with IAS 1 Presentation of Financial Statements.
- Amendments to remove reference to paragraph 39 and 40 of IAS 1. These paragraphs were deleted by Annual Improvements to IFRSs 2009-2011 Cycle, and therefore were only applicable to accounting periods beginning before 1 January 2023.

These amendments did not have a material impact on the Company's accounting policies and have therefore not resulted in any changes.

Notes to the financial statements *(continued)*

2. Revenue

Revenue can be broken down by product and service provided as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Revenue by product and service provided		
Box Office	**7,283,417**	5,542,059
Retail	**3,535,040**	2,499,730
Advertising	**357,011**	376,849
Membership	**1,207,557**	1,506,817
Management fee	**921,058**	635,828
Other	**1,182,207**	1,012,176
Total revenue	**14,486,290**	11,573,459
Timing of revenue recognition		
At a point in time	**13,278,734**	10,066,642
Over time	**1,207,556**	1,506,817

Geographical sector analysis:
All revenues derived from activities in the United Kingdom.

Business sector analysis;
The Company has operated in one business sector in both financial periods, being cinema operations.

Notes to the financial statements *(continued)*

3. Loss before taxation

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Loss before taxation is stated after charging/ (crediting):		
Re-organisation costs	**93,721**	169,822
Depreciation of Property, plant and equipment and right-of-use-assets	**2,532,069**	2,784,771
Investment impairment	**-**	2,499,422
Fixed asset impairment	**-**	23,124,853
Other operating (income)	**(2,883,507)**	(4,370,749)
Rent, rates and insurance	**3,551,873**	865,617
Repairs and maintenance	**495,758**	945,969

Other operating income includes government grants of £2,187,091 (2020: £4,309,917) relating to the furlough of staff during the year and £482,010 (2020: £Nil) relating to other support schemes as a result of the COVID-19 pandemic.

Auditors' remuneration for 2021 and 2020 was borne by a fellow Group Company. Picturehouse Cinemas Limited's allocation of the Group audit fee was £27,819 (2020: £5,000). There were no fees paid to the Company's auditors, PricewaterhouseCoopers LLP for 2021 and 2020, and its associates for services other than the statutory audit of the Company. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the Company's ultimate parent company Cineworld Group plc. These group financial statements are required to company with the statutory non-audit services disclosure requirements.

4. Employees

Staff costs were as follows:

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Wages and salaries	**7,816,857**	9,302,046
Social security costs	**683,248**	462,655
	8,500,105	9,764,701

The average monthly number of employees, during the year was as follows:

	Year ended 31 December 2021 £	Year ended *31 December* 2020 *£*
Management	**49**	58
Operational	**376**	496
	425	554

£6,216,450 (2020: £6,320,874) of staff costs are recognised in cost of sales and £2,283,655 (2020: £2,508,406) are recognised in administrative expenses. Wages and salaries of employees who are employed by Picturehouse Cinemas Limited and work at sites operated by another company in the Group are recharged to the company in which that site is operated and therefore not included above. Employee numbers are presented on a consistent basis.

Notes to the financial statements *(continued)*

5. Net finance costs

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Finance income		
Other interest receivable	**51,010**	247,563
	51,010	247,563
Finance costs		
Lease liability interest	**1,526,639**	1,532,023
Foreign exchange differences	**15,693**	-
	1,542,332	1,532,023
Net finance costs	**1,491,322**	1,284,460

6. Tax credit on loss

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Corporation tax		
Adjustments in respect of prior years	**189,392**	-
Total current tax	**189,392**	-
Deferred tax		
Origination and reversal of temporary differences	**(882,358)**	(2,518,330)
Rate difference	**(226,763)**	265,087
Total deferred tax	**(1,109,121)**	(2,253,243)
Total tax (credit) for the year	**(919,729)**	(2,253,243)

Notes to the financial statements *(continued)*

Factors affecting tax (credit) for the year

The tax assessed for the year is higher (2020 - lower) to the standard rate of corporation tax in the UK of 19.0% (2020 – 19.0%). The differences are explained below:

	Year ended 31 December 2021 £	Year ended 31 December 2020 £ Restated
Loss before taxation	**(5,881,647)**	(31,587,754)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2020 : 19.0%)	**(1,117,513)**	(6,001,673)
Effects of:		
Group relief	**1,024,253**	-
Expenses not deductible for tax purposes	**344,640**	1,009,580
Movement in unrecognised deferred tax assets	**(2,247,507)**	2,543,883
Decrease from effect of accelerated capital allowances	**(303,696)**	-
Deferred tax rate impact	**(229,187)**	265,087
Adjustments in respect of prior years	**1,609,218**	(70,120)
Total tax credit for the year	**(919,729)**	(2,253,245)

At 31 December 2021 the company had unrecognised deferred tax assets relating to the following temporary differences:

- tax loss - £1,332,336 (2020: £13,388,847)
- Deferred IFRS 16 transition losses - £227,525 (2020: £nil)
-capital losses £178,331

In the prior year, no deferred tax asset was recognised, other than in respect of offsetting any recognised deferred tax liabilities, due to there being insufficient evidence to support future taxable profits as a result of the closure of the cinema and the ongoing uncertainty associated with the COVID-19 pandemic. Adjustments have been made in the current year in respect of prior periods relating to prior period amounts subsequently surrendered for group relief.

See note 22 for further detail regarding the prior year restatement.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Deferred tax assets and liabilities are measured at the 19% tax rate that is expected to apply to the periods when the assets are reversed or liabilities settled, based on tax rates enacted or substantively enacted at the balance sheet date.

An increase in the UK corporation tax rate from 19% to 25% was substantively enacted on 24 May 2021. The increased rate will apply from 1 April 2023.

7. Goodwill

	Goodwill £
Cost	
At 1 January 2021	**161,609**
At 31 December 2021	**161,609**
Net book value	
At 31 December 2021	**161,609**
At 31 December 2020	*161,609*

The goodwill balance represents the amount paid in excess of the fair value of the cinema assets on the original acquisition of the cinema trade and assets. The Company has discounted forecast cash flows using a pre-tax discount rate of 14.5% (31 December 2020: 14.5%) being a market participant's discount rate.

Notes to the financial statements *(continued)*

8. Investments

	Investments in subsidiary companies £
Cost	
At 1 January 2021	4,753,348
Impairment	-
At 31 December 2021	4,753,348
Impairment	
At 1 January 2021	2,499,422
Impairment	-
At 31 December 2021	2,499,422
Net book value	
At 31 December 2021	2,253,926
At 31 December 2020	*2,253,926*

Impairment
The Company holds direct investment in operating companies as outlined within the investment holding schedule within this note.

The Company determines whether these assets are impaired when indicators of impairment exist. The subsequent impairment assessment requires an estimate of the recoverable amount by reference to the value in use of those investments. Where the recoverable amount is less than the carrying value, an impairment charge to reduce the investment to recoverable amount is recognised.

Estimating the value in use requires the Company to make an estimate of the expected future cash flows from its investment and discount these to net present value at a pre-tax discount rate.

These forecast cash flows are defined as the Adjusted EBITDA (defined as the Company's earnings before interest, tax and depreciation and adjusted for income and expenses deemed to be "one off" in nature) and are based on the five-year cash flow forecast. These cash flows have been extrapolated into perpetuity from 2026 applying a long-term growth rate of 1%. This growth rate does not exceed the long-term average growth rate for the markets in which these investments operate. These cash flows are adjusted to take into account the repayment of any borrowings held at 31 December 2021 and future rental payments beyond the period covered by each current lease. These cash flows have been discounted at a weighted average cost of capital of 14.5%.

Based on management's assessment, no impairment charge was recognised against specific investments reducing the total carrying value of investments during the year (2020: £2,499,422).

In calculating the recoverable amount of the Company's investments, reference was also made to the fair value less cost of disposal. It was concluded that the calculated value in use was greater than fair value less cost of disposal and therefore the recoverable amount was deemed to represent the value in use.

Impairment sensitivities
Sensitivities have been applied to the forecast cash flows to assess the potential impairment under different scenarios. The scenarios applied are;

- a severe but plausible scenario, assuming the recovery of trading activity to pre-pandemic levels will take longer than forecasted
- a 1% reduction in long-term growth rates
- a 1% increase in discount rate

Notes to the financial statements *(continued)*

The results would be as follows:

	Additional impairment/ (reversal) £
Severe but plausible case	886,551
Long-term growth rates reduced by 1%	125,595
1 percentage point increase in the discount rate	195,045

Investments in subsidiary, associate and jointly controlled undertakings at 31 December 2021 comprise:

Name	Registered office address	Class of shares	Holding	Principal activity
Picturehouse Entertainment Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Film distribution
Newman Online Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Dormant
Picturehouse Bookings Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Ticket booking operations
City Screen (SOA) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Dormant
City Screen (Brighton) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Cinema operations
City Screen (Stratford) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Cinema operations
City Screen (York) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Cinema operations
City Screen (Liverpool) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Cinema operations
CS (Brixton) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Cinema operations
CS (Exeter) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100 %	Cinema operations
CS (Norwich) Limited	8th Floor, Vantage London Great West Road Brentford,TW8 9AG	Ordinary	100%	Cinema operations

Notes to the financial statements *(continued)*

9. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Motor vehicles	Fixtures and fittings	Assets under constructions	Total
	£	**£**	**£**	**£**	**£**	**£**
Cost						
At 1 January 2021 (restated)	34,319,574	6,588,517	113,043	3,903,084	2,905,335	47,829,553
Additions	149,742	23,883		29,191	752,290	955,106
Disposal	-	(367,107)	-	(823,532)	(1,135,265)	(2,325,904)
At 31 December 2021	**34,469,316**	**6,245,293**	**113,043**	**3,108,743**	**2,522,360**	**46,458,755**
Accumulated depreciation						
At 1 January 2021 (restated)	21,021,008	5,615,056	113,043	3,426,756	443,781	30,619,644
Charge for the year	973,674	392,751	-	183,991	-	1,550,416
Disposal	-	(367,107)	-	(756,130)	-	(1,123,237)
At 31 December 2021	**21,994,682**	**5,640,700**	**113,043**	**2,854,617**	**443,781**	**31,046,823**
Net book value						
At 31 December 2021	**12,474,634**	**604,593**	**-**	**254,126**	**2,078,579**	**15,411,932**
At 31 December 2020 (restated)	13,298,566	973,461	-	476,328	2,461,554	17,209,909

During the year a detailed review of the Company's fixed asset register was started. As a result, assets with a net book value of £67,402 (representing cost of £1,190,639 and accumulated depreciation of £1,123,237) were written-off resulting in a loss on disposal. The review is ongoing in respect of assets with a net book value of £7,895,965 (representing cost of £26,681,886 and accumulated depreciation of £18,785,921) and is expected to be completed in the next financial year balances.

During the year based on the above review it was also noted that for one of the cinema sites the cost of the assets was adjusted against the accumulated depreciation which resulted in net presentation. This has been corrected during the year to restate the opening cost and accumulated balance to be presented gross by £6,291,847.

Impairment

The Company determines whether these assets are impaired when indicators of impairment exist. The subsequent impairment assessment requires an estimate of the value in use of the cinema CGUs to which the Company's property, plant and equipment and right-of-use-assets are allocated.

A CGU has been identified as an individual cinema operated by the Company. However, for two CGU's where individual cinemas cash inflows are determined not to operate independently from one another, mainly due to strategic or managerial decisions being made across more than one site, they have been combined into a single CGU.

Where the recoverable amount is less than the carrying amount, an impairment charge to reduce the assets down to recoverable amount is recognised. The recoverable amount is determined as the higher of value in use or fair value less cost of disposal. The Company determines the recoverable amount with reference to its value in use. The ongoing impact of the COVID-19 pandemic on the Company was considered a trigger event during the year and lease modifications in a number of CGUs, resulting in revised right-of-use assets, were considered triggering events for reversals. As a result, an impairment assessment was performed at 31 December 2021.

Notes to the financial statements *(continued)*

Based on the results of this impairment review, no impairment charge of was recognised to reduce the carrying value of the Company's property, plant and equipment and right-of-use-assets (2020: £23,124,853).

Estimating the value in use requires the Company to make an estimate of the expected future cash flows from each CGU and discount these to their net present value at a pre-tax discount rate. A rate of 14.5% was used to discount the expected future cash flows. This was derived from externally benchmarked data.

The value in use is calculated using forecast cash flows (defined as the Adjusted EBITDA generated by each CGU), which are based on management's anticipated performance of the CGU over the term remaining on its lease.

Management have prepared individual cash flow forecasts for the Company's CGU's. These cash flow forecasts apply specific growth assumptions to the key drivers within the cash flow such as attendance, average ticket price ("ATP"), spend per patron ("SPP") and long-term growth rates of other revenue and cost streams. COVID-19 has had a significant impact on the operations of the Company. The impact of COVID-19 has impacted the CGU's ability to generate future cash flows in the short term and management have factored this into the cash flow forecast.

During these uncertain times, there are significant challenges in preparing forecasts necessary to estimate the recoverable amount of the CGU. Management determined that using an expected cash flow approach is the most effective means of reflecting the uncertainties of the COVID-19 pandemic in its estimates of recoverable amount. This approach reflects all expectations about possible cash flows instead of the single expected outcome. The key assumptions applied within the models are as follows:

- Budgeted Adjusted EBITDA for 2022 represents management's best estimate of future cashflows and have therefore been used as the base assumption within the cash flow forecast. The budget assumptions reflect management's assessment of the short-term impact of COVID-19.
- Adjusted EBITDA for the year ended 31 December 2019 is deemed to represent a standard year of cash flows generated under normal operating conditions. Management have therefore used 31 December 2019 actuals as the standard operating conditions for a fully recovered year within the cash flow forecast.
- As part of the Group's assessment of going concern and longer-term viability a five-year forecast reflecting the impact of COVID-19 has been prepared. Management have compared the assumptions used within this model to that of the actuals at 31 December 2019. The differential between 31 December 2019 and the COVID-19 five-year forecast has been deemed to represent a reduction as a result of the virus.
- Within this five-year forecast management believe monthly cash flows will return to pre-COVID-19 levels (31 December 2019 actual Adjusted EBITDA) by the year ended 31 December 2024.
- For the 2022 forecast period, management used theatre level budget information which includes expected impact to a standard year of cash flow for COVID-19. For the 2023 forecast period, management have applied the respective financial year's hair-cut to the 31 December 2022 budget to generate the forecast Adjusted EBITDA for each financial year on a like for like basis. In turn, this will result in the Adjusted EBITDA for the year ended 31 December 2024 to represent the 31 December 2019 actuals.
- From 31 December 2024 onwards management have forecast attendance will remain at 31 December 2019 levels. However, all other assumptions will grow at a long-term growth rate of 1%, with the exception of specific sites within the US CGU which have had specific upside assumptions applied to them.

Consideration was given to whether the fair value less cost to sell of each CGU is higher than the calculated value in use. In all cases the fair value less cost to sell was found to be lower than the value in use.

Notes to the financial statements *(continued)*

Sensitivity to changes in assumptions:
Impairment reviews are sensitive to changes in key assumptions, especially given that the full extent of COVID-19 on the operations and future cash flows of the Company is not fully known at this stage. Management have determined that the following assumptions used within the cash flow forecast are most sensitive to further changes as a result of COVID-19. Sensitivity analysis has been performed on all CGU's calculated recoverable amounts giving consideration to incremental changes in the key assumptions of the following:

- Growth rates of 1% have been applied to various assumptions within the model such as ATP, SPP and other revenue and costs. Management believe the most sensitive of these assumptions is ATP and SPP and have factored in a decrease in these growth rates by 1.0% to 0.0% within the sensitised scenarios.

- Discount rates are largely derived from market data, and these rates are intended to be long term in nature. However, the models are sensitive to changes in these rates. An increase by a factor of 1% has been applied in the sensitised scenarios.

- The implied hair-cuts applied to the model over the 2022–2023 forecast period is sensitive to the outcomes of various scenarios. Management have recalculated the implied hair-cuts based of a severe but plausible scenario, in which attendance takes longer than expected to recover.

The sensitivities applied reflect realistic scenarios which management believe would have the most significant impact on the cash flows described above.

The sensitivity analysis has been prepared on the basis that the reasonably possible change in each key assumption would not have a consequential impact on other assumptions used in the impairment review.

	Additional (impairment)/reversal £
Growth in average ticket price and spend per person reduced by 1.0%	(560,534)
1 Percentage point increase to the discount rates	-
Severe but plausible scenario	(1,664,369)

10. Inventories

	31 December 2021 £	31 December 2020 £
Finished goods and goods for resale	**212,373**	57,509

Inventory recognised in cost of sales in the year amounted to £801,437 (2020: £863,426). No items of inventory are carried at fair value less cost to sell or were written down to fair value less costs to sell and recognised as an expense during the year (2020: £nil).

No items of inventory are pledged as security for liabilities.

Notes to the financial statements *(continued)*

11. Trade and other receivables

	31 December 2021 £	31 December 2020 £
Trade and other debtors	**669,378**	583,325
Amounts owed by Group undertakings	**16,829,014**	10,423,641
Prepayments and accrued income	**296,514**	346,524
Net investment in sub-lease	**929,207**	822,998
Expected credit loss provision	**(1,935,525)**	(860,959)
	16,788,588	11,315,529

An expected credit loss provision of £1,935,525 (2020: £860,959) has been recognised against trade debtors and amounts owed from Group undertakings. The resulting impairment charge in the period relating to amounts owed from Group undertakings of £1,044,533 (2020: £237,921) has been recognised on the face of the statement of comprehensive income.

The amounts owed by Group undertakings from trading activities are repayable on normal trading terms. No interest is charged on these balances.

12. Cash at bank and in hand

	31 December 2021 £	31 December 2020 £
Cash at bank and in hand	**632,708**	*340,711*

Notes to the financial statements *(continued)*

13. Creditors: Amounts falling due after one year

	31 December 2021 £	31 December 2020 £
Trade creditors	**2,237,411**	1,544,655
Amounts owed to group undertakings	**24,913,383**	18,869,034
Taxation and social security	**189,391**	87,027
Government grants	**197,406**	101,407
Accruals and deferred income	**5,827,164**	3,660,877
	33,364,755	24,263,000

The amounts owed to group undertakings are non-interest bearing and repayable on demand.

Creditors: Amounts falling due after one year

	31 December 2021	31 December 2020
Government grants	**2,443,643**	2,991,049
Landlord contributions	**1,050,000**	-
	3,493,643	2,991,049

Government grants relate to the construction of a library in West Norwood, to which grant income was received in the year ended 2017 and is recognised over a 30-year period.

Landlord contributions relate to funds received from landlords for the construction of new cinemas, which are not yet available for use at the balance sheet date. Any landlord contributions received prior to the asset being available for us, is recognised as a liability. When a new cinema has been constructed and is available for use, a right of use asset is recognised at this date and landlord contributions are deducted from the asset value.

14. Leases

The Balance Sheet shows the following amounts relating to leases:

	Land and buildings £	Other £	Total £
Right-of-use assets			
1 January 2021	14,483,263	20,787	14,504,050
Lease modifications	286,129	-	286,129
Depreciation of right of use asset	(966,025)	(15,628)	(981,653)
31 December 2021	**13,803,367**	**5,159**	**13,808,526**
Lease liabilities			
1 January 2021	(28,484,162)	(22,091)	(28,506,253)
Lease modifications	(286,131)	-	(286,131)
Interest expense related to lease liabilities	(1,525,868)	(770)	(1,526,638)
Repayment of lease liabilities (including interest)	1,902,417	17,243	1,919,660
31 December 2021	**(28,393,744)**	**(5,618)**	**(28,399,362)**
Current	**(3,684,242)**	**(4,218)**	**(3,688,460)**
Non-current	**(24,709,501)**	**(1,401)**	**(24,710,902)**

Notes to the financial statements *(continued)*

The Income Statement shows the following amounts relating to leases:

	31 December 2021 £	31 December 2020 £
Depreciation charge of right-of-use assets		
Land and buildings	**(966,025)**	(1,468,075)
Other	**(15,628)**	(21,934)
Impairment charge of right-of-use assets	-	(9,127,406)
Charge to operating profit	**(981,653)**	(10,617,415)
Interest expense (included in finance costs)	**(1,526,639)**	(1,532,023)
Charge to profit before taxation for leases	**(2,508,292)**	(12,149,438)

Commitments for leases classified as short-term at 31 December 2021 was £nil (2020: £nil). No leases contain a residual value guarantee clause. The sensitivity of impairments to key assumptions has been disclosed in note 10.

Modification and discount rates

During the year, due to the negotiations held with landlords, one lease has changed in substance from a consideration perspective. Thus, the modification treatment per IFRS 16 has been followed.

In line with the approach on transition to IFRS 16, the Company has used an incremental borrowing rate and made a corresponding adjustment to the right-of-use asset. The amendments did not result in the identification of a separate lease.

On transition, the incremental borrowing rate applied to this property lease was 6.7%. The asset specific incremental borrowing rate applied to each lease was determined by taking into account the risk-free rate, adjusted for factors such as the credit rating linked to the life of the underlying lease agreement. These rates are intended to be long term in nature and calculated on inception of each lease. The incremental borrowing rate applied to property lease for the COVID-19 amendment in 2021 was 11.2%.

Notes to the financial statements *(continued)*

15. Deferred taxation

The Company has recognised a deferred tax asset / (liability) as follows:

	31 December 2021	31 December 2020
	£	£
Accelerated capital allowances	**411,985**	(597,306)
Deferred transition loss	**30,645**	105,712
Loss carried forward	**666,491**	491,594
	1,109,121	-

Movement in deferred tax

	31 December 2020	**Recognised in income**	**31 December 2021**
	£	**£**	**£**
Tangible fixed assets	**(597,306)**	**1,009,291**	**411,985**
Deferred transition loss	**105,712**	**(75,067)**	**30,645**
Loss carried forward	**491,594**	**174,897**	**666,491**
	-	**1,109,121**	**1,109,121**

	31 December 2019	Recognised in income	31 December 2020
	£	£	£
Tangible fixed assets	(2,356,832)	1,759,526	(597,306)
Deferred transition loss	103,592	2,120	105,712
Loss carried forward	-	491,594	491,594
	(2,253,240)	2,253,240	-

16. Called up share capital

	31 December 2021	31 December 2020
	£	£
Shares classified as equity Allotted, called up and fully paid		
7,850,000 Ordinary shares of £0.00002 each (2020: 7,850,000 Ordinary shares)	**157**	157

The Directors have not proposed any dividend payment for the financial year or up to the date of signing of this Annual report and financial statements.

17. Related party transactions

As the Company is a wholly owned subsidiary of Cineworld Group Plc, the Company has taken advantage of the exemption contained in FRS 101 8(k) and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) in-line with IAS 24. The consolidated financial statements of Cineworld Group plc, within which this Company is included, can be obtained from the address given in note 20.

Notes to the financial statements *(continued)*

18. Directors' emoluments

Two of the Directors' received emoluments of £298,054 (2020: £222,728) from the Company. The Information on emoluments of Directors of this Company borne by Group entities is disclosed in the consolidated financial statements of the Company's parent company Cineworld Group plc. The highest paid Director is not paid through this Company and is disclosed in the financial statements of the ultimate parent company, Cineworld Group Plc. None of this remuneration is in respect of services rendered to this Company. No apportionment to determine the amount attributable to individual entities is performed.

As part of the Directors remuneration their employer Cineworld Group plc or Cineworld Cinemas Limited will provide contributions into a defined contribution pension scheme.

Certain Directors are awarded shares under Cineworld Group plc long term incentive plan. Information on the number of shares which were granted and exercised during the year under the long term incentive plans are disclosed within the consolidated financial statements of the Company's ultimate holding parent company Cineworld Group plc.

19. Ultimate parent company

The Company is a subsidiary of Cineworld Holdings Limited. The Company's ultimate parent undertaking is Cineworld Group plc. The smallest and largest group in which the results of the Company are consolidated is that headed by Cineworld Group plc. Copies of the financial statements are available from 8th Floor, Vantage London, Great West Road, Brentford TW8 9AG.

20. Commitments and contingencies

The Company had no contractual commitments, pension commitments, guarantees and contingencies at 31 December 2020.

21. Post balance sheet events

On 7 September 2022, the Group announced that Cineworld and certain of its subsidiaries (collectively, the "Group Chapter 11 Companies") had filed voluntary petitions for relief under title 11 of the United States Code (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court").
The Chapter 11 Cases remained ongoing at 31 December 2022.

On 3 January 2023, the Group confirmed that, in parallel with developing a plan of reorganisation (the "Plan") to restructure the Group's capital structure, it would run a marketing process in pursuit of a value maximizing transaction for the Group's assets, focused on proposals for the Group as a whole. The Group subsequently received proposals from a number of prospective counterparties, however the proposals did not meet the value level required by the Group's lenders. Consequently, the Group announced that, in agreement with its key stakeholders, the Group had decided to terminate the marketing process.

On 2 April 2023, the Group Chapter 11 Companies entered into a restructuring support agreement and a backstop commitment agreement with certain lenders holding and controlling the Group's term loans due 2025 and 2026 and revolving credit facility due 2023 (together, the "Legacy Facilities"). Further, on 9 May 2023, the Group Chapter 11 Companies entered into amended and restated versions of the restructuring support agreement (as amended and restated, the "RSA") and the backstop commitment agreement (as amended and restated, the "BCA") with certain lenders holding and controlling approximately 99% of the Legacy Facilities.

On 31 July 2023, the reorganised Cineworld group, including its newly incorporated parent company, announced that the Chapter 11 Companies had successfully completed their financial restructuring process and emerged from the Chapter 11 Cases. As part of the financial restructuring process, the Chapter 11 Companies successfully reduced their funded indebtedness by approximately \$4.53 billion, raised approximately \$800 million in new equity capital, and secured new debt financing in the aggregate amount of approximately \$1.71 billion, including a new revolving credit facility ("RCF") of \$250 million. Refer to Note 1 for further details.

Notes to the financial statements *(continued)*

22. Prior year restatement

Statement of Comprehensive income
for the year ended 31 December 2020

EXTRACT	Year ended 31 December 2020 £	Adjustment 1 £	Adjustment 2 £	Year ended 31 December 2020 Restated £
Revenue	10,995,270	-	578,189	11,573,459
Cost of sales	(10,909,422)	-	-	(10,909,422)
Gross profit	85,848	-	578,189	664,037
Other operating income	4,370,749	-	-	4,370,749
Administrative expenses	(9,844,927)	369,041	-	(9,475,886)
Net (impairment) / gain on financial and contract assets	(237,921)	-	-	(237,921)
Fixed asset impairment	(25,624,273)	-	-	(25,624,273)
Operating (loss)	(31,250,524)	369,041	578,189	(30,303,294)
(Loss) before taxation	(32,534,984)	369,041	578,189	(31,587,754)
Tax credit on (loss)	2,253,243	-	-	2,253,243
(Loss) and total comprehensive (loss) for the financial year	(30,281,741)	369,041	578,189	(29,334,511)

Adjustment 1
During the year it was realised that depreciation had historically not been calculated in line with the Company's accounting policy, specifically relating to leasehold improvements. The total impact to the prior year is reduction to the depreciation charge of £369,041 and additional accumulated depreciation of £2,856,212. As a result, the carrying value of property, plant and equipment reduced by £2,487,171 as at 31 December 2020.

Adjustment 2
In previous financial years, revenue generated from the sale of memberships we recognised in full on the date of sale. During the year, it was identified that revenue should be recognised as performance obligations relating to membership were satisfied. As a result, revenue in the prior year has increased by £578,189.

Notes to the financial statements *(continued)*

Balance Sheet
at 31 December 2020

EXTRACT	Year ended 31-Dec 2020 £0	Adjustment 3 £0	Adjustment 4 £0	Adjustment 5 £0	Year ended 31-Dec 2020 Restated £0
Fixed assets					
Property, plant and equipment	19,697,080	(2,487,171)	-	-	**17,209,909**
Total non-current assets	36,616,665	(2,487,171)			**34,129,494**
Current liabilities					
Creditors: amounts falling due within one year	(32,904,319)	-	8,953,508	(312,190)	**(24,263,001)**
Total current liabilities	(35,981,976)	-	8,953,508	(312,190)	**(27,340,658)**
Net current liabilities	(24,268,227)	-	8,953,508	(312,190)	**(15,626,909)**
Total assets less current liabilities	12,348,438	(2,487,171)	8,953,508	(312,190)	**18,502,585**
Net (liabilities)	**(16,071,206)**	**(2,487,171)**	**8,953,508**	**(312,190)**	**(9,917,059)**
Capital and reserves					
Called up share capital	157	-	-	-	**157**
Capital reserve	-	-	8,953,508	-	**8,953,508**
Share premium	180,652	-	-	-	**180,652**
Other reserves	200,000	-	-	-	**200,000**
Accumulated (losses)	(16,452,015)	(2,487,171)	-	(312,190)	**(19,251,376)**
Total shareholders' funds	**(16,071,206)**	**(2,487,171)**	**8,953,508**	**(312,190)**	**(9,917,059)**

<u>Adjustment 3</u>
During the year it was realised that depreciation had historically not been calculated in line with the Company's accounting policy, specifically relating to leasehold improvements. The total impact to the prior year is reduction to the depreciation charge of £369,041 and additional accumulated depreciation of £2,856,212. As a result, the carrying value of property, plant and equipment reduced by £2,487,171 as at 31 December 2020.

<u>Adjustment 4</u>
In 2012, Picturehouse Cinemas Limited acquired the remaining shares in a number of joint ventures which subsequently became subsidiary undertakings. The consideration for these shares was paid in cash by a parent company and the shares were transferred to Picturehouse Cinemas Limited. The consideration for these shares were accounted for as an intercompany loan at the time. During the year it was realised that accounting for this transaction should have been considered as an equity injection by the parent company and therefore recognised as a capital reserve.

<u>Adjustment 5</u>
In previous financial years, revenue generated from the sale of memberships we recognised in full on the date of sale. During the year, it was identified that revenue should be recognised as performance obligations relating to membership were satisfied. As a result, deferred income as recognised as at 31 December 2020 relating to cash received for membership income where performance obligations have not yet been satisfied.