

Registration number: 03664605

# Merlin Cinemas Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020

Walker Moyle Ltd  
Alverton Pavilion  
Trewithen Road  
Penzance  
Cornwall  
TR18 4LS



# **Merlin Cinemas Limited**

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# **Merlin Cinemas Limited**

## **Company Information**

<b>Directors</b>	Mr Geoffrey Greaves Mr Craig Thomas May
<b>Registered office</b>	Regal Theatre & Cinema Fore Street Redruth Cornwall TR15 2AZ
<b>Auditors</b>	Walker Moyle Ltd Alverton Pavilion Trewithen Road Penzance Cornwall TR18 4LS

# **Merlin Cinemas Limited**

## **Strategic Report for the Year Ended 31 March 2020**

The directors present their strategic report for the year ended 31 March 2020.

### **Principal activity**

The principal activity of the company is the operation of cinemas.

### **Fair review of the business**

2019-2020 was another steady and profitable year for Merlin Cinemas. The company operate cinemas some with restaurants and bars, mainly in Devon and Cornwall but with others scattered from Coleford in Gloucestershire, to Thurso in Caithness, so literally from Land's End to John O'Groats. In July, the company opened a new four screen cinema in Bodmin, our sixth cinema in Cornwall. Located in a grand former municipal building and purchased from the local authority it builds upon the company's diverse but interesting estate.

The past year has seen a 10% increase in turnover however the end of year profit was similar to the previous year due to increased operating costs. In the final few weeks of the financial year trading was badly affected by the start of the Covid pandemic with a resulting collapse in audience numbers.

Increasing operating costs continue to be a challenge, the payroll reflects further increases in the National Minimum Wage, higher company pension contributions and the additional payroll for an extra cinema. Film rental overall at 50% average is the same as the previous year. Ticket revenue less VAT, PRS and film rental leaves a slender margin and the business is significantly dependant on revenue from profits on the sale of popcorn, soft drinks and the takings from the bars and restaurants, along with screen advertising, which has become a bigger and more important contributor to overall income over recent years.

The Merlin Cinemas Movie Magic Card continues to be a valuable part of our offer to local customers, creating loyalty to individual cinemas and encouraging more frequent attendance. At an annual cost of £10 for adults it saves £2.50 on every visit. The card acknowledges that many of our cinemas are in economically deprived areas, it rewards regular cinema going, whilst ensuring that occasional patrons, or those on holiday in the area, who often only attend if the weather is inclement, pay the full price. This policy is we believe part of our continued success in increasing admissions in many sites. Almost 70,000 of our patrons hold Movie Magic Cards.

The company continues to enjoy a good trading relationship with the many film distribution companies and the range of films available this past year were many and varied. It is generally acknowledged that around 10% of the films released account for around 90% of the box office revenue. Week one of a new film will often account for 50% of the eventual total take, so showing most films on the release date continues to be very important to us.

This last year saw an increased number of films shown simultaneously on streaming platforms as well as at the cinema, so far this has had minimal impact as there seems to be two audiences, those that favour the cinema and some people who probably rarely went to the cinema previously. This development, should it in the future involve major releases, could have a serious detrimental effect on cinema exhibition revenues.

Event cinema, opera, ballet, live theatre and music, often with product delivered live by satellite continues to be an important part of the programme schedule, more recently this content needs to be booked more sparingly, as some of the same product albeit produced by different companies, is presented too frequently, diluting audiences. This medium is still especially appreciated away from the major cities where travelling to these events is simply not very often practical, it also allows performers to reach a far larger audience and access extra revenue.

Admit One our chosen box office software system continues to perform well whilst Showtime Analytics which we started to work with last year continues to provide valuable information about our customer profile and their preferences.

## Merlin Cinemas Limited

### Strategic Report for the Year Ended 31 March 2020

Our multi-purpose cinema and live theatre venue the Regal Redruth enjoyed another good year in terms of successful stage shows, with increased sales of seats for most performances, a mixture of local shows, mainly musicals, drama and pantomime, well known comedians and original and tribute artists. This element of our programme is however very labour intensive and costly in terms of marketing costs and precarious in terms of making a reasonable profit. It is often only the sales revenue from the bars and the restaurant on show night that make our efforts in this medium worthwhile.

Our concession sales revenue, the spend per person of customers on popcorn, drinks and confectionery is strong, with increased profitability achieved as we cook most of our popcorn at a number of our key sites and then distribute this to our smaller locations.

We continued this year to work closely with our sister company Onscreen Magazine, this is distributed bi-monthly to almost 100 cinemas in the UK including our own group. The magazine has the potential for increased penetration into the UK cinema market and the team operating the business has been increased in anticipation of further growth.

As the year ends work on our new multi-screen cinema in Torquay, the conversion of a closed BHS department store in the high street, and the development of three extra screens at our Thurso cinema have both come to a halt because of the current pandemic. Work on these projects will re-start as soon as this situation is over. We have several other development schemes under consideration but nothing is likely to move forward until at least one of the two current large projects is completed and trading.

The company has an experienced senior management team mostly based at Redruth, where all of the main operating functions are covered in house, accounts, programming, technical and IT, marketing and customer services, there are also long-standing business relationships with mainly local professional companies, to whom we outsource legal and some other less frequent support services. The company continues to be steered by two long serving directors with plans to increase the number of cinemas the company operates. The company is always looking for acquisitions, or new locations that would fit well into the portfolio of cinemas which operate mainly in underserved areas.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Increase in turnover	£	1,064,355	338,951
Gross profit margin	%	61	60
Profit before taxation	£	895,249	945,136

#### 2020-2021 The Lost Year

Looking at the hugely disrupted trading pattern caused by the Coronavirus Pandemic, affecting all hospitality businesses from April 2020, we have now had a whole year with only a few of our cinemas open for a very limited number of weeks, between intermittent government lockdowns. We are now aware that it is unlikely that cinemas and hospitality will return to normal trading until early in the next financial year. This year will largely have been a lost year, though financial losses will have been likely reduced and made manageable, due to significant grant assistance. The company has had support from local authority business interruption grants and also from the CRF (Cultural Recovery Fund) made available from the Department of Culture Media and Sport.

Further financial assistance came in the form of the Job Retention Scheme which has funded furlough payments to many of our staff, keeping key personnel on the payroll ready to resume business when this is possible. Retaining local skilled and knowledgeable people is an important part of our recovery plan. This policy still involved the company in paying a small part of the furloughed employees salary costs and in addition a small number of the administration and maintenance teams have worked flexibly throughout the year.

The suspension of Uniform Business Rates throughout the entire year was majorly beneficial in reducing costs and assisting with cash flow, though the VAT reduction for hospitality businesses to mainly 5%, whilst welcome, had little benefit as our income will prove so much reduced this year.

## **Merlin Cinemas Limited**

### **Strategic Report for the Year Ended 31 March 2020**

#### **2021-2022 Getting Back to Business - Risks and Opportunities**

The cinema industry has the last year received a serious and disruptive shock. There are likely to be a number of changes in the business model to contend with uncertainty in many areas. Distribution of films going forward may be very different, the studios have experimented during this period of cinemas being closed with more streaming, often through their own platforms. There are also newcomers to making films in the form of Netflix and other new age companies, all of which are providing better and more varied content for home consumption.

Nevertheless the profit from a successful cinema release can be a major and desirable component in financing films. A cinema release can provide a shop window for the film and has a huge title awareness raising factor, which creates increased value to the film as it moves later to other platforms. Whilst this is somewhat reassuring for cinemas, there is also the fact that people still like to go out to be entertained, whether with family, friends or partners, films seen at the cinema are more memorable, impactful and offer an increased sense of occasion. Cinema visits are often linked to eating out and a whole night out experience. Together these amenities may prove a vital part of sustaining town centres and this will hopefully be supported by government in a more favourable review of business rates.

Whilst we believe that our younger and family audience will return to the cinema once the pandemic has subsided, though perhaps initially less frequently, as they may want to max out their streaming subscriptions, older audiences who may well be feeling less safe and many could be more wary of returning for some time.

In spite of a strong line up of product when cinemas re-open I think it likely will be two or three years before we are able to return to the admission numbers that we were achieving in 2019-2020. This argument may however not be taking sufficient cognizance of the impact of the last year of lockdown on people psychologically, it may well be people are keen to escape the recent memories of being cooped up at home and will quickly embrace going out again with greater passion.

One negative issue that we may well have to contend with is face masks in public areas and social distancing in auditoria continuing for some months yet. These measures have a significant impact on box office potential for blockbusters when capacity is important, as well as continuing a feeling of unease with audiences. The balance between demonstrating visible good safety and hygiene practice, whilst still creating a welcoming environment escaping from the worries of the present world, is a delicate one.

This year will see a considerably reduced number of loyalty card sales, which will have to follow a free extension of those that were circulating when we closed before. We will also receive far less screen advertising revenue, reduced both by lower admission numbers and initially by advertisers' value-perception of cinema as a medium. Hopefully in time both these revenue drivers will return to previous levels.

Opinion in the industry as to projected business levels next year vary considerably. I believe cinema going will bounce back significantly, although not all cinemas will be able to open until social distancing measures are at least eased. Forecasting is not easy but I would expect that the overall level of business will, set against last year, reduce by a third in our first return year of trading, taking into consideration all of the factors above.

On a positive note, I believe that smaller more local cinemas with fewer screens than the large multi-screen city centre cinemas, have a greater chance of returning to profitability more quickly. In addition, the national staycation element this summer, will likely result in bumper summer visitor numbers to Devon and Cornwall a situation that should prove beneficial to our West Country based cinema group but is still subject to the vagaries of the weather, adding to the uncertainty of business next year.

# **Merlin Cinemas Limited**

## **Strategic Report for the Year Ended 31 March 2020**

### **Principal risks and uncertainties**

The following are the principle risks and uncertainties

#### **Availability of film content**

With the primary output of films coming in the main from a small number of large distributors, a situation made worse by the merger of Disney and Twentieth Century Fox in the previous year, there is always going to be a risk that the studios will try and increase their percentage share of the box office. This risk may have been mitigated by the end of the VPF digital funding arrangements as the distributors no longer have to pay into this fund.

#### **Increasing employment costs**

Cinema and catering as a service industry is very labour intensive. There is little room left to further reduce labour costs by reducing staff numbers, without this having a negative effect on service levels and sales achieved. The present government proposals to increase the National Minimum Wage to over £10 an hour over the next three years will likely result in us having to increase our ticket prices. Pay rates throughout the team are affected by NMW as it is important to maintain differentials. Along with recent increases in employer pension contributions, there continues to be constant upward pressure on payroll costs.

#### **Film Piracy**

This is a constant threat to the film industry, both production and exhibition. Some major films fail to achieve their full potential as a result of illegal copies on the internet or DVD, depriving both partners in the industry of a better share of the possible revenue. Most piracy takes place at studio level or in city centre cinemas. Smaller out of town cinemas are less frequently targeted for illicit recordings. Nevertheless, we train the staff to look out for people trying to make illegal recordings. If a cinema fails to stop recordings at that site it is possible that the film distributors would no longer supply product to that location.

#### **Weather conditions**

Unusual or extreme weather patterns, unseasonably warm summers or severe snowfall in winter, can impact upon audience numbers. Where this coincides with a major film release the impact can be considerable. The company as it has several coastal and rural locations, is more affected by the vagaries of the weather than most cinema groups. The weather can prove either a very positive, or negative factor.

#### **Selection of new locations**

The company is always prepared to look at and consider new locations. Investment must however be balanced between fully developing and refurbishing existing sites, as well as taking on new ones. The management of the company are experienced in the choice of location and development of new sites.

#### **Failure of information technology**

The cinema company is like many businesses, ever more dependent on complex IT systems, from the delivery of films and live event content by satellite, or the internet, to the increasing acceptance of payments on line or by card at the cinema. Communication between cinemas and support office, is also internet based along with all accounting and payroll dependant on office-based software. Any failure in the technology impacts on the company's ability to fully function and its reputation. The management invest in regular maintenance and security of the systems and in the training of staff in the use of the technology in the cinemas.

### **Financial instruments**

#### **Objectives and policies**

The company finances its operations through a mixture of retained profits and bank borrowings. When managing the financial risks faced by the company, the directors aim to retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds and match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected.

Hedge accounting is not used by the company.

## Merlin Cinemas Limited

### Strategic Report for the Year Ended 31 March 2020

#### ***Price risk, credit risk, liquidity risk and cash flow risk***

- a) Price Risk – The Directors of the company actively manage price risk by means of constant review of cost bases and negotiating agreements with suppliers. Film hire is set and non-negotiable.
- b) Credit Risk – The Directors of the company actively manage credit risk by means of continual monitoring of customer credit and use of internal credit control.
- c) Liquidity Risk – The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansion.
- d) Cash Flow Risk – The company has interest-bearing liabilities and has selected a mixture of short and longer term liabilities to ensure that the company can meet its working capital requirements. The directors will revisit the appropriateness of this policy should the company's situation change.


#### **Employment of disabled persons**

It is the company's policy to give full and fair consideration to suitable applications for employment by disabled persons.

The company is an equal opportunities employer providing employment and development opportunities to suitably skilled people regardless of age, race, colour, religion, gender, sexual orientation, ethnic origin, nationality, marital status or disability.

Disabled employees are eligible to participate in all suitable career development opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue in employment or to be trained for other positions in the company.

Approved by the Board on 23/03/21 and signed on its behalf by:

  
.....  
Mr Geoffrey Greaves  
Director



# **Merlin Cinemas Limited**

## **Directors' Report for the Year Ended 31 March 2020**

The directors present their report and the financial statements for the year ended 31 March 2020.

### **Directors of the company**

The directors who held office during the year were as follows:

Mr Geoffrey Greaves

Mr Craig Thomas May

### **Strategic Report**

A fair review of the business, details of the principal risks facing the business and the company's policies to address those risks are set out within the Strategic Report.

### **Going concern**

In preparing and approving these financial statements the Directors have given due consideration to going concern risks, and in particular the impact of the Coronavirus pandemic. The pandemic has significantly curtailed the operational activities of the company. In reaching a conclusion on the going concern assumption the Directors considered and factored in the following matters:

- i) The company has been able to access grant funding from The Cultural Recovery fund.
- ii) The company successfully applied for Coronavirus Business Interruption Loans following the year-end.
- iii) The Company has also benefited from the suspension of Uniform Business Rates after the year-end and has implemented various cost saving measures to minimise losses.
- iv) The company has prepared budgets and forecasts which consider the level of activity that is expected following the easing of National lockdown restrictions in the Spring and Summer months of 2021. The Directors are mindful that due to the nature of the cinema experience it will likely take time before activity levels are comparable to periods prior to the Coronavirus pandemic.
- v) The company has accessed the Government's Job Retention Scheme which has assisted with reducing the costs incurred by the company following the year-end. A significant number of the company's staff have been furloughed following the rise of the Coronavirus pandemic.
- vi) The company has undertaken negotiations with lenders in order to ease pressures on meeting reporting deadlines and financial covenants during this extended period of low activity.

After due consideration of these factors, the Directors consider that there are no material uncertainties about the company's ability to continue as a going concern and are satisfied that the company will be able to operate within the available facilities for the foreseeable future, being a period no less than 12 months from the date of approval of these financial statements.

### **Directors' liabilities**

The company has taken out qualifying third party indemnity insurance in respect of the directors and officers of the company.

### **Disclosure of information to the auditors**

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

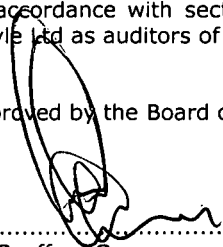
## Merlin Cinemas Limited

### Directors' Report for the Year Ended 31 March 2020

#### Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Walker Moyle Ltd as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 23/03/20 and signed on its behalf by:

  
.....  
Mr Geoffrey Greaves  
Director

## **Merlin Cinemas Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Merlin Cinemas Limited**

### **Independent Auditor's Report to the Members of Merlin Cinemas Limited**

#### **Opinion**

We have audited the financial statements of Merlin Cinemas Limited (the 'company') for the year ended 31 March 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

## **Merlin Cinemas Limited**

### **Independent Auditor's Report to the Members of Merlin Cinemas Limited**

#### **Opinion on other matters prescribed by the Companies Act 2006**

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities [set out on page 9], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

#### **Auditor's 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 auditor's 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.

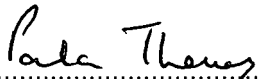
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Merlin Cinemas Limited

### Independent Auditor's Report to the Members of Merlin Cinemas Limited

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paula Thomas BA FCA DChA (Senior Statutory Auditor)  
For and on behalf of Walker Moyle Ltd, Statutory Auditor

Alverton Pavilion  
Trewithen Road  
Penzance  
Cornwall  
TR18 4LS

Date: 23<sup>rd</sup> March 2021

## Merlin Cinemas Limited

### Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover	3	9,935,934	8,871,579
Cost of sales		<u>(3,905,997)</u>	<u>(3,572,847)</u>
Gross profit		6,029,937	5,298,732
Administrative expenses		(5,021,215)	(4,200,814)
Other operating income	4	<u>39,762</u>	<u>19,682</u>
Operating profit	5	<u>1,048,484</u>	<u>1,117,600</u>
Other interest receivable and similar income	6	-	9
Interest payable and similar charges	7	<u>(153,235)</u>	<u>(172,473)</u>
		<u>(153,235)</u>	<u>(172,464)</u>
Profit before tax		895,249	945,136
Taxation	11	<u>(193,621)</u>	<u>(164,484)</u>
Profit for the financial year		<u><u>701,628</u></u>	<u><u>780,652</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 18 to 35 form an integral part of these financial statements.

## **Merlin Cinemas Limited**

### **Statement of Comprehensive Income for the Year Ended 31 March 2020**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit for the year	<u>701,628</u>	<u>780,652</u>
Total comprehensive income for the year	<u><u>701,628</u></u>	<u><u>780,652</u></u>

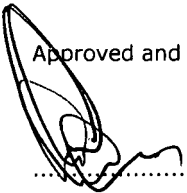


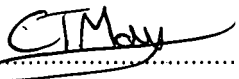
# Merlin Cinemas Limited

## (Registration number: 03664605) Balance Sheet as at 31 March 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	12	188,074	229,263
Tangible assets	13	11,358,723	10,476,455
Investment property	14	660,893	660,893
Investments	15	2	2
Other financial assets	16	12	13
		<u>12,207,704</u>	<u>11,366,626</u>
<b>Current assets</b>			
Stocks	17	1,079,379	1,209,861
Debtors	18	347,253	340,176
Cash at bank and in hand		20,729	410,930
		<u>1,447,361</u>	<u>1,960,967</u>
<b>Creditors: Amounts falling due within one year</b>	20	<u>(1,851,344)</u>	<u>(1,798,449)</u>
<b>Net current (liabilities)/assets</b>		<u>(403,983)</u>	<u>162,518</u>
<b>Total assets less current liabilities</b>		11,803,721	11,529,144
<b>Creditors: Amounts falling due after more than one year</b>	20	(4,055,080)	(4,494,582)
<b>Provisions for liabilities</b>	21	<u>(221,733)</u>	<u>(156,282)</u>
<b>Net assets</b>		<u>7,526,908</u>	<u>6,878,280</u>
<b>Capital and reserves</b>			
Called up share capital		1	1
Profit and loss account	24	<u>7,526,907</u>	<u>6,878,279</u>
Shareholders' funds		<u>7,526,908</u>	<u>6,878,280</u>

Approved and authorised by the Board on 23/2/24 and signed on its behalf by:

  
Mr Geoffrey Greaves  
Director

  
Mr Craig Thomas May  
Director

## Merlin Cinemas Limited

### Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital	Profit and loss account	Total
	£	£	£
At 1 April 2019	1	6,878,279	6,878,280
Profit for the year	-	701,628	701,628
Total comprehensive income	-	701,628	701,628
Dividends	-	(53,000)	(53,000)
At 31 March 2020	1	7,526,907	7,526,908
	Share capital	Profit and loss account	Total
	£	£	£
At 1 April 2018	1	6,161,627	6,161,628
Profit for the year	-	780,652	780,652
Total comprehensive income	-	780,652	780,652
Dividends	-	(64,000)	(64,000)
At 31 March 2019	1	6,878,279	6,878,280

# Merlin Cinemas Limited

## Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Profit for the year		701,628	780,652
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	604,459	412,719
Loss on disposal of tangible assets		128	-
Finance income	6	-	(9)
Finance costs	7	153,235	172,473
Income tax expense	11	193,621	164,484
		<u>1,653,071</u>	<u>1,530,319</u>
Working capital adjustments			
Decrease/(increase) in stocks	17	130,482	(285,165)
(Increase)/decrease in trade debtors	18	(7,077)	59,035
Decrease in trade creditors	20	<u>(23,572)</u>	<u>(153,726)</u>
Cash generated from operations		1,752,904	1,150,463
Income taxes paid	11	<u>(153,076)</u>	<u>(218,898)</u>
Net cash flow from operating activities		<u>1,599,828</u>	<u>931,565</u>
<b>Cash flows from investing activities</b>			
Interest received	6	-	9
Acquisitions of tangible assets		(1,445,665)	(1,799,903)
Acquisition of investment properties		-	(116,644)
Acquisition of unlisted shares		<u>-</u>	<u>(13)</u>
Net cash flows from investing activities		<u>(1,445,665)</u>	<u>(1,916,551)</u>
<b>Cash flows from financing activities</b>			
Interest paid	7	(153,235)	(172,473)
Proceeds from bank borrowing draw downs		-	2,176,550
Repayment of bank borrowing		(432,162)	(383,856)
Repayment of other borrowing		-	(304,997)
Dividends paid	27	<u>(53,000)</u>	<u>(64,000)</u>
Net cash flows from financing activities		<u>(638,397)</u>	<u>1,251,224</u>
Net (decrease)/increase in cash and cash equivalents		(484,234)	266,238
Cash and cash equivalents at 1 April		<u>410,481</u>	<u>144,243</u>
Cash and cash equivalents at 31 March		<u><u>(73,753)</u></u>	<u><u>410,481</u></u>

The notes on pages 18 to 35 form an integral part of these financial statements.

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

Regal Theatre & Cinema  
Fore Street  
Redruth  
Cornwall  
TR15 2AZ

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Statement of compliance

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

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest whole £1.

#### Going concern

In preparing and approving these financial statements the Directors have given due consideration to going concern risks, and in particular the impact of the Coronavirus pandemic. The pandemic has significantly curtailed the operational activities of the company. In reaching a conclusion on the going concern assumption the Directors considered and factored in the following matters:

- i) The company has been able to access grant funding from The Cultural Recovery fund.
- ii) The company successfully applied for Coronavirus Business Interruption Loans following the year-end.
- iii) The Company has also benefited from the suspension of Uniform Business Rates after the year-end and has implemented various cost saving measures to minimise losses.
- iv) The company has prepared budgets and forecasts which consider the level of activity that is expected following the easing of National lockdown restrictions in the Spring and Summer months of 2021. The Directors are mindful that due to the nature of the cinema experience it will likely take time before activity levels are comparable to periods prior to the Coronavirus pandemic.
- v) The company has accessed the Government's Job Retention Scheme which has assisted with reducing the costs incurred by the company following the year-end. A significant number of the company's staff have been furloughed following the rise of the Coronavirus pandemic.
- vi) The company has undertaken negotiations with lenders in order to ease pressures on meeting reporting deadlines and financial covenants during this extended period of low activity.

After due consideration of these factors, the Directors consider that there are no material uncertainties about the company's ability to continue as a going concern and are satisfied that the company will be able to operate within the available facilities for the foreseeable future, being a period no less than 12 months from the date of approval of these financial statements.

# **Merlin Cinemas Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2020**

### **Judgements**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

During the course of preparing the accounts the following key estimates were made by directors; the ongoing values of the investment properties have been reviewed with the decision made that no change to the values should be recognised in the year; the directors consider all of the debts to be fully recoverable so no provision has been made.

### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:  
the amount of revenue can be reliably measured;  
it is probable that future economic benefits will flow to the entity; and  
specific criteria have been met for each of entity's activities.

The main source of revenue for the company is cinema ticket sales. These sales are recognised on the date of the screening, this being the date when the ticket becomes non-refundable. A provision has been made for advanced ticket sales, being where customers have booked and paid for tickets in advance of the screening.

Restaurant and concession revenue is recognised when the transfer of the goods to the customer has occurred.

### **Government grants**

Government grants are recognised at fair value when there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the Profit and Loss Account over the useful lives of the related assets while grants related to expenses are treated as Other operating income in the Profit and Loss Account.

### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary timing differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits. Deferred income tax is determined using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current of future taxable profit.

### **Tangible assets**

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### Depreciation

Freehold buildings are depreciated on a straight line basis over 100 years. Given that the buildings are kept in full repair the director is of the opinion that the residual value is not less than the cost and therefore no depreciation charge for the year ended 31 March 2020 actually arises.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	15% on a reducing balance basis
Motor vehicles	25% on a reducing balance basis
Office equipment	33% on a reducing balance basis
Digitalisation costs	10% on cost on a straight line basis
Short leasehold property	Straight line basis over the length of the lease
Freehold buildings	1% per annum on cost
Freehold land	Not depreciated, owing to indefinite useful economic life

### Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by the director. The director uses observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

### Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

### Intangible assets

Intangible assets are stated in the statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10 years on a straight line basis

### Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

# **Merlin Cinemas Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2020**

### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

### **Inventories**

Stocks are stated at the lower of cost and estimated selling price less costs to sell, after due regard for slow moving stocks.

Work in progress is stated at cost and comprises direct materials and direct labour costs and those overheads that have been incurred in bringing the inventories to their present condition.

### **Creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **Provisions**

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

### Financial instruments

#### Classification

Financial assets are classified into either basic or other financial assets. Financial liabilities are classified into either basic or other financial liabilities. These classifications depend on certain criteria determined at the time of recognition.

The company holds only basic financial instruments.

#### Recognition and measurement

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Basic financial assets, which include trade and other debtors, cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is initially measured at the present value of the future receipts discounted at a market rate of interest and subsequently held at amortised cost.

Basic financial liabilities, including trade and other payables are initially measured at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

#### Impairment

Basic financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

### 3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £	2019 £
Sale of goods and services	9,866,107	8,805,535
Rental income	69,827	66,044
	<u>9,935,934</u>	<u>8,871,579</u>



# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Government grants	39,762	-
Miscellaneous other operating income	-	19,682
	<u>39,762</u>	<u>19,682</u>

The company has applied for furlough grants from the Government in order to support the Wage costs during the extended period of restrictions following the rise of coronavirus. The first of these was applied for during the year and was received after the year-end.

### 5 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	563,270	371,530
Amortisation expense	41,189	41,189
Operating lease expense - property	68,736	73,116
Operating lease expense - plant and machinery	50,787	46,030
Loss on disposal of property, plant and equipment	<u>128</u>	<u>-</u>

### 6 Other interest receivable and similar income

	2020 £	2019 £
Interest income on bank deposits	<u>-</u>	<u>9</u>

### 7 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	152,893	172,447
Interest expense on other finance liabilities	<u>342</u>	<u>26</u>
	<u>153,235</u>	<u>172,473</u>

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £	2019 £
Wages and salaries	2,437,270	2,184,700
Social security costs	124,469	111,170
Pension costs, defined contribution scheme	33,593	19,402
	<u>2,595,332</u>	<u>2,315,272</u>

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

	2020 No.	2019 No.
Administration and support	12	8
Marketing	1	1
Other departments	273	280
	<u>286</u>	<u>289</u>

### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	<u>17,472</u>	<u>8,320</u>

### 10 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	<u>9,125</u>	<u>8,000</u>
<b>Other fees to auditors</b>		
All other non-audit services	<u>2,950</u>	<u>3,250</u>

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 11 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
<b>Current taxation</b>		
UK corporation tax	128,170	153,075
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	65,451	11,409
Tax expense in the income statement	<u>193,621</u>	<u>164,484</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>895,249</u>	<u>945,136</u>
Corporation tax at standard rate	170,097	179,576
Effect of expense not deductible in determining taxable profit (tax loss)	5,138	10,537
UK deferred tax expense (credit) relating to changes in tax rates or laws	<u>18,386</u>	<u>(25,629)</u>
Total tax charge	<u>193,621</u>	<u>164,484</u>

### Deferred tax

Deferred tax assets and liabilities

	Liability £
<b>2020</b>	
Accelerated capital allowances	<u>221,733</u>
<b>2019</b>	
Accelerated capital allowances	<u>156,282</u>

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 12 Intangible assets

	Goodwill £	Other intangible assets £	Total £
<b>Cost or valuation</b>			
At 1 April 2019	476,175	6,000	482,175
At 31 March 2020	476,175	6,000	482,175
<b>Amortisation</b>			
At 1 April 2019	252,912	-	252,912
Amortisation charge	41,189	-	41,189
At 31 March 2020	294,101	-	294,101
<b>Carrying amount</b>			
At 31 March 2020	182,074	6,000	188,074
At 31 March 2019	223,263	6,000	229,263

## Merlin Cinemas Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

#### 13 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Digitalisation costs £	Other tangible assets £	Total £
<b>Cost or valuation</b>						
At 1 April 2019	8,942,983	106,273	70,090	1,695,875	2,939,827	13,755,048
Additions	1,133,216	979	15,500	-	295,970	1,445,665
Disposals	-	-	(2,800)	-	-	(2,800)
At 31 March 2020	<u>10,076,199</u>	<u>107,252</u>	<u>82,790</u>	<u>1,695,875</u>	<u>3,235,797</u>	<u>15,197,913</u>
<b>Depreciation</b>						
At 1 April 2019	70,640	91,091	42,209	1,017,525	2,057,128	3,278,593
Charge for the year	78,567	8,486	10,813	169,588	295,815	563,269
Eliminated on disposal	-	-	(2,672)	-	-	(2,672)
At 31 March 2020	<u>149,207</u>	<u>99,577</u>	<u>50,350</u>	<u>1,187,113</u>	<u>2,352,943</u>	<u>3,839,190</u>
<b>Carrying amount</b>						
At 31 March 2020	<u>9,926,992</u>	<u>7,675</u>	<u>32,440</u>	<u>508,762</u>	<u>882,854</u>	<u>11,358,723</u>
At 31 March 2019	<u>8,872,343</u>	<u>15,182</u>	<u>27,881</u>	<u>678,350</u>	<u>882,699</u>	<u>10,476,455</u>

Included within the net book value of land and buildings above is £9,512,489 (2019 - £8,627,104) in respect of freehold land and buildings and £414,503 (2019 - £245,239) in respect of short leasehold land and buildings.

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 14 Investment properties

	2020 £
At 1 April 2020	<u>660,893</u>

There has been no valuation of investment property by an independent valuer during the year. The Directors consider investment properties are shown at their fair value.

### 15 Investments

	2020 £	2019 £
Investments in subsidiaries	<u>2</u>	<u>2</u>

<b>Subsidiaries</b>	<b>£</b>
<b>Cost or valuation</b>	
At 1 April 2019	<u>2</u>
<b>Provision</b>	
<b>Carrying amount</b>	
At 31 March 2020	<u>2</u>
At 31 March 2019	<u>2</u>

### Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
<b>Subsidiary undertakings</b>				
S and K Entertainment Ltd	Regal Theatre & Cinema Fore Street Redruth Cornwall TR15 2AZ England and Wales	Ordinary Shares	100%	100%

The principal activity of S and K Entertainment Ltd is that of a dormant company.

For the year ending 31 March 2020 the subsidiary S and K Entertainment Ltd was dormant and entitled to exemption from audit.

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 16 Other financial assets (current and non-current)

	Financial assets at cost less impairment £	Total £
<b>Non-current financial assets</b>		
<b>Cost or valuation</b>		
At 1 April 2019	13	13
Disposals	(1)	(1)
At 31 March 2020	12	12
<b>Impairment</b>		
<b>Carrying amount</b>		
At 31 March 2020	12	12

### 17 Stocks

	2020 £	2019 £
Finished goods and goods for resale	1,029,429	1,136,661
Other inventories	49,950	73,200
	<u>1,079,379</u>	<u>1,209,861</u>

'Finished goods and goods for resale' represents the cost of properties for sale.

### 18 Debtors

	2020 £	2019 £
Trade debtors	30,579	34,021
Other debtors	231,378	255,460
Prepayments	43,451	50,695
Accrued income	41,845	-
	<u>347,253</u>	<u>340,176</u>

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 19 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	15,229	42,555
Cash at bank	<u>5,500</u>	<u>368,375</u>
	20,729	410,930
Bank overdrafts	<u>(94,482)</u>	<u>(449)</u>
Cash and cash equivalents in statement of cash flows	<u>(73,753)</u>	<u>410,481</u>

### 20 Creditors

	Note	2020 £	2019 £
<b>Due within one year</b>			
Loans and borrowings	25	594,972	493,599
Trade creditors		714,456	673,261
Director's loan account	29	68,844	60,516
Social security and other taxes		197,363	223,967
Outstanding defined contribution pension costs		5,791	4,011
Other payables		63,404	48,563
Accruals		78,344	141,456
Corporation tax liability	11	<u>128,170</u>	<u>153,076</u>
		<u>1,851,344</u>	<u>1,798,449</u>
<b>Due after one year</b>			
Loans and borrowings	25	<u>4,055,080</u>	<u>4,494,582</u>

### 21 Provisions for liabilities

	Deferred tax £	Total £
At 1 April 2019	156,282	156,282
Increase (decrease) in existing provisions	<u>65,451</u>	<u>65,451</u>
At 31 March 2020	<u>221,733</u>	<u>221,733</u>

### 22 Pension and other schemes

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £33,593 (2019 - £19,402).

Contributions totalling £5,791 (2019 - £4,011) were payable to the scheme at the end of the year and are included in creditors.



# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 23 Share capital

#### Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

#### Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

### 24 Reserves

#### Profit and loss account

The profit and loss account represents cumulative profit or losses, net of dividends paid and other adjustments.

### 25 Loans and borrowings

	2020 £	2019 £
<b>Non-current loans and borrowings</b>		
Bank borrowings	<u>4,055,080</u>	<u>4,494,582</u>

	2020 £	2019 £
<b>Current loans and borrowings</b>		
Bank borrowings	432,490	425,150
Bank overdrafts	94,482	449
Other borrowings	<u>68,000</u>	<u>68,000</u>
	<u>594,972</u>	<u>493,599</u>

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### Bank borrowings

Bank term loan 1 is denominated in sterling with a nominal interest rate of 2.5% above base rate, and the final instalment is due on 1 February 2022. The carrying amount at year end is £2,162,006 (2019 - £2,433,150).

The above bank loan is secured on the company's land and buildings which have a carrying value of £7,180,147.

Bank term loan 2 is denominated in sterling with a nominal interest rate of 2.8% above base rate, and the final instalment is due on 1 February 2022. The carrying amount at year end is £347,651 (2019 - £391,363).

The above bank loan is secured on the company's land and buildings which have a carrying value of £7,180,147.

Bank term loan 3 is denominated in sterling with a nominal interest rate of 2.5% above base rate, and the final instalment is due on 1 February 2023. The carrying amount at year end is £1,362,955 (2019 - £1,445,124).

The above bank loan is secured on the company's land and buildings which have a carrying value of £7,180,147.

Bank term loan 4 is denominated in sterling with a nominal interest rate of 2.5% above base rate, and the final instalment is due on 16 November 2023. The carrying amount at year end is £614,957 (2019 - £650,094).

The above bank loan is secured on the company's land and buildings which have a carrying value of £7,404,202.

### 26 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	43,436	43,436
Later than one year and not later than five years	136,795	150,231
Later than five years	15,000	45,000
	<u>195,231</u>	<u>238,667</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £70,898 (2019 - £75,563).

### 27 Dividends

#### Interim dividends paid

	2020 £	2019 £
Interim dividend of £53,000 (2019 - £64,000) per each Ordinary share	<u>53,000</u>	<u>64,000</u>

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 28 Commitments

#### Capital commitments

£120,236 has been committed in relation to building work following the year end.

The total amount contracted for but not provided in the financial statements was £120,236 (2019 - £190,000).

### 29 Related party transactions

#### Transactions with directors

	At 1 April 2019 £	Advances by director £	Repayments to director £	At 31 March 2020 £
<b>2020</b>				
<b>Mr Geoffrey Greaves</b>				
Interest free loan to company, repayable on demand	<u>60,516</u>	<u>78,640</u>	<u>(70,312)</u>	<u>68,844</u>
	At 1 April 2018 £	Advances to directors £	Repayments to director £	At 31 March 2019 £
<b>2019</b>				
<b>Mr Geoffrey Greaves</b>				
Interest free loan to company, repayable on demand	<u>49,576</u>	<u>86,179</u>	<u>(75,239)</u>	<u>60,516</u>
			<b>2020 £</b>	<b>2019 £</b>
<b>Mr Geoffrey Greaves</b>				
Dividends paid			<u>53,000</u>	<u>64,000</u>

## **Merlin Cinemas Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020**

#### **Summary of transactions with other related parties**

##### **Onscreen Magazine Limited**

Mr G Greaves and Mr C May are directors of both Onscreen Magazine Limited and Merlin Cinemas Limited.

During the year, Merlin Cinemas Limited recharged costs totalling £7,495 (2019: £14,459) (including VAT) to Onscreen Magazine Limited.

During the year, Merlin Cinemas Limited received repayments of £22,500 (2019: £22,500) from Onscreen Magazine Limited.

At the balance sheet date, the amount owing from Merlin Cinemas Limited to Onscreen Magazine Limited was £23,661 (2019: £8,655).

##### **Inn Angarrack Limited**

Mr G Greaves is a director of both Inn Angarrack Limited and Merlin Cinemas Limited.

During the year, Merlin Cinemas Limited recharged costs totalling £7,054 (2019: £49,874) (including VAT) to Inn Angarrack Limited.

During the year, Merlin Cinemas Limited received repayments of £7,173 (2019: £nil) from Inn Angarrack Limited.

At the balance sheet date, the amount owing to Merlin Cinemas Limited by Inn Angarrack Limited was £98,352 (2019: £98,471).

# Merlin Cinemas Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020

### 30 Financial instruments

#### Categorisation of financial instruments

	2020 £	2019 £
Financial assets that are debt instruments measured at amortised cost	276,187	693,911
Financial liabilities measured at amortised cost	(4,916,259)	(5,273,006)

#### Items of income, expense, gains or losses

	Income £	Expense £	Net gains £	Net losses £
<b>2020</b>				
Financial liabilities measured at amortised cost	-	152,893	-	-
<b>2019</b>				
Financial liabilities measured at amortised cost	-	172,447	-	-

### 31 Non adjusting events after the financial period

The cinemas were forced to close on 18 March 2020 as a result of the national lockdown imposed. Some cinemas reopened for a short period in 2020 when the restrictions were eased. The company has not been able to generate any trading income during lockdown periods, and is anticipating a net loss for the year ended 31 March 2021. The cinemas intend to re-open in May 2021 when the current lockdown measures are lifted.

After the year-end, the company was the recipient of economic benefits of £906,524 as a result of a grant from the CRF (Cultural Recovery Fund) which was made available from the Department for Digital, Culture, Media and Sport.

After the year-end, the company continued to be the recipient of economic benefits as a result of participating in the UK Government's Coronavirus Job Retention Scheme.

The company has applied for Coronavirus Business Interruption Loans following the year end, and has been the recipient of a total of £1.3 million from these loans.

After the year-end, the company was able to negotiate capital repayment holidays with the bank for each of its outstanding loans. This was due to last for a minimum of 12 months.