

Registration number: 03664605

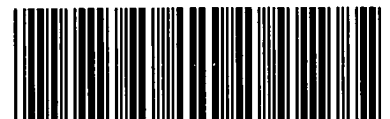
Merlin Cinemas Limited

Annual Report and Financial Statements

for the Period from 1 April 2022 to 30 March 2023

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

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Merlin Cinemas Limited

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Merlin Cinemas Limited

Company Information

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

Merlin Cinemas Limited

Strategic Report for the Period from 1 April 2022 to 30 March 2023

The directors present their strategic report for the period from 1 April 2022 to 30 March 2023.

Principal activity

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

Fair review of the business

Merlin Cinemas operates cinemas, some with bars and restaurants, mainly in Devon and Cornwall, but now also across several mainly coastal and rural locations in the UK as far as Thurso in Scotland. Operating from Land's End to John O'Groats, the company continues to harbour the ambition to grow our very traditional cinema brand further in the future.

The hospitality and leisure industry, is still recovering from the disruption caused by the recent pandemic and in spite of a few cinematic highlights this has been another tough, challenging period with significantly increased operating costs. Fortunately, we have been able to keep all of our experienced and skilled team of support office personnel and long-serving cinema staff on board during and post pandemic, partly due to the government's generous furlough scheme, whilst new part time staff have been recruited to fill the vacancies at local level.

Business levels continue to be erratic, depending on the film product available from the distributors, however audiences have this year returned in large numbers for popular product, proving that when the films are strong, they will come back to the experience of the big screen, as examples Avatar: The Way of Water in December and Top Gun Maverick in May, were both enormously successful at cinemas across the UK. These successes help to retain confidence in our business model, even if the product and the attendances generally were less consistent than we had become accustomed to before the pandemic. The box-office successes at the cinema and the failure of some films that went straight to streaming, have encouraged a re-think by the film studios, to once again support a cinema focused release, ahead of any streaming plans. The cinema provides a film title raising awareness, that no other platform can do, so cost effectively.

The company enjoys a good trading relationship with the many distributors we rent films from and the range of new films available to screen in our cinemas continues to be rich and varied. Films generally divide between those few which are extremely successful, and those films that achieve a much smaller return at the box-office but provide for a varied offering of subject matter and satisfy a broader audience. It is accepted that a small number of film releases account for the majority of the annual UK box office and the first week of release of new films is frequently, but not always, responsible for almost 50% of the total take from a film, so booking of films for week one of release, is in the main, at most locations, very important to us. Event cinema, recorded, or delivered live from satellite to screen, offering choices of ballet, opera and concerts has also now returned to cinemas and is again a regular part of our big screen offering at most of our cinemas.

Merlin Cinemas Limited

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The Merlin Cinemas Movie Magic Card, at an annual subscription of £15.00 increased from £12.50 this year, generates considerable loyalty to individual cinemas, encouraging more regular attendance by saving customers at least £2.50 on every visit as well as offering a 10% discount in our bars and restaurants. Adding great value, it rewards our regular local cinemagoers, whilst maintaining the sale of full price tickets to occasional patrons, or those who only go if the weather is inclement, particularly relevant in coastal situations. The card also helps in that many of our cinemas that we operate, are in economically deprived areas, especially some of the coastal towns. We have again this year and in spite of inflation, with one or two exceptions, resisted increasing our regular ticket prices, in fact we are in some cases offering considerably reduced price tickets to some films and performances, aware of the cost-of-living crisis that is affecting a significant part of our potential audience. These performances have certainly resulted in extra admissions and generated considerable local goodwill. We often offer the card at half price when we launch a new cinema site. Before lockdown, around 70,000 regular customers from Penzance to Thurso had our loyalty cards and we are slowly rebuilding membership currently with 37,000 active card holders.

Our preferred box-office system ADMIT ONE continues to provide excellent up-to-date reporting in detail of all of our box-office and sales income, feeding directly into QuickBooks which we use as our main accounting package. This, in conjunction with software from Showtime Analytics, supplies helpful and informative statistical information and knowledge of our audience, to allow us to monitor and develop the business further.

Income from admissions and hires, at our live theatre located in the Regal Redruth, has recovered more rapidly than the cinema, with capacity attendees for many of the live shows that we have hosted or booked and promoted ourselves. These are a mixture of local stage and operatic or drama society shows, usually of surprisingly good and professional quality, good musical tribute acts and original artists, as well as some touring top national comedians. This element of our operation had experienced substantial disruption during the period of lockdown and resulted in a slow restart as live theatre cannot be switched back on as quickly as cinema can. This year has also seen us stage many shows that have been rescheduled from the covid lockdown. Live audiences at the theatre have returned with enthusiasm, and we are now again booking shows up to and over a year in advance with renewed confidence. Whilst we are essentially a cinema company, the live theatre helps keep the Regal in Redruth centre and front stage locally and further drives considerable extra income from the restaurant and bars at this location.

Our bars and restaurants across the group generally provide a strong source of extra income for the company and offer our customers the opportunity to enhance the experience of a trip to the cinema or theatre all under one roof. These extra facilities, where we are able to offer them, create a one-stop destination for a complete night out. Our concessions sales - popcorn, soft drinks, confectionery etc. - remain vital to our overall profitability. Improved and refurbished bar facilities at some locations have resulted in a significant increase in the spend per customer achieved at these sites. This programme of improvements to sales facilities will continue during the coming year.

We have an excellent relationship with our screen advertising partner DCM and this income is a valuable part of our total revenue. Early indications are that advertiser's confidence in cinema as a medium is still strong, and revenue from this element is expected to recover soon to pre-covid levels. Cinemas provide a captive and attentive audience, more likely to give their attention to the often entertaining and innovative adverts, making them more memorable and delivering value for money for advertisers.

In April of 2022 we opened the first three screens in our new high street cinema in Torquay, a converted BHS department store, at the same time selling our old poorly located cinema, to a local theatre company. Then in February this year we opened within the same building our largest yet HOLLYWOOD PIZZA bar and restaurant, adjoining the cinema foyer and with a presence also onto the high street. Though initially slow to take off, it has seen steadily increasing business as people become aware of its presence. There is still considerable potential to expand the number of screens at this site, with a fourth screen, due to open in August 2023 and with others envisaged to follow as the business builds. In October we opened a new three screen cinema in the seaside town of Redcar Yorkshire, built by the local authority it is in a stunning location and has opened to and continues to achieve high levels of admissions. This is our seventeenth location with fifty-four screens now in operation across the estate.

In spite of many operating uncertainties this year we have been able to carry out some minor and some major refurbishments at our cinemas and we hope to continue this programme during the coming year, as well as perhaps adding a further cinema or two to the group.

Merlin Cinemas Limited

Strategic Report for the Period from 1 April 2022 to 30 March 2023

In spite of a reasonably strong line up of films for the coming year 2023-2024, it is likely it will be at least 2025 before we again see the level of admissions that we were achieving in 2019-2020. We believe that smaller more local cinemas may well bounce back quicker than the large city centre multiplexes situated edge of town or in shopping centres, these locations are suffering from the change in consumer spending patterns with the advent of home shopping. Further the rents for these leased multi-screen cinemas are often simply unaffordable, given fewer admissions, hugely increased energy and staff employment costs and for companies with heavy borrowing, significantly higher interest rates. Smaller local cinemas, involving less travelling and offering a more friendly and personal customer experience stand to gain from this situation. With the current economic stresses, we can at least take comfort from the fact that cinema-going is a relatively affordable, indeed a cheap form of entertainment and that historically cinema has always held up well during periods of recession. We ended the year at around 80% of pre-covid turnover but expect this to increase substantially in the next financial year for the reasons described above.

Continued holiday flight cancellations, increasing overseas holiday prices and exceptional weather events, like fires and floods, as well as other external factors will again result in an increase in people taking their holidays in the UK at the seaside, benefitting many of our coastal locations, especially in Devon and Cornwall but as ever, we will still be subject to the vagaries of the weather.

The company has an experienced senior management team based mainly at Redruth in Cornwall where all of our main operating functions are covered in house: accounts, programming, technical and IT support, marketing and customer services. We outsource legal support and less frequently needed special support services. The company continues to be steered by two long serving directors with years of experience in cinema exhibition.

We continue to work closely with our sister company Onscreen Magazine, provided free to customers at all our cinemas as well as being available at many other cinemas across the UK. In spite of increased paper and print prices and it having been more difficult to sell local advertising in the current financial circumstances, we are confident the magazine which has a long table top life, will continue to be popular with cinema-goers and able to attract many local advertisers as well as maintaining the continued support of our cinema partners in distribution. Local businesses like to be associated with other successful and high-profile businesses and there is also a desire to be seen to support their own local cinemas.

Merlin Cinemas Limited

Strategic Report for the Period from 1 April 2022 to 30 March 2023

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

	Unit	2023	2022
Increase/(decrease) in turnover	£	1,278,345	5,979,876
Gross profit margin	%	63	60
Profit/(loss) before taxation	£	296,713	811,328

Principal risks and uncertainties

The following are the identified principal risks and uncertainties facing the business:

Increasing employment costs

The cinema and catering business is very labour intensive, with few opportunities to increase productivity, yet with constantly increasing wage costs. The National Minimum Wage increases pose challenges especially in the smaller less profitable sites. Salary increases for full time staff especially, result in the need to increase pay rates throughout the team in order to avoid resentment caused by eroded differentials. Along with company pension contributions, there continues to be a constant upward pressure on payroll costs. Increased employment costs, cannot easily be passed on by raising ticket prices which could be detrimental to the business.

Energy costs

Whilst forward purchasing of energy has helped to defer some of the worst increases in electricity and gas costs, at least for the past year, contracts are subject to periodic review and undoubtedly, we will have to sign up for increased unit costs this year at some locations, eating further into sometimes slim profits. Oil used for heating two of our larger venues has more than doubled in price that may well result in offering fewer performances in order to reduce opening hours at these locations in the winter months.

Interest rates

Greatly increased interest rates this last year have placed a heavy financial burden on companies of all sizes with borrowings, reducing the cash available for acquisitions and improvements. We must hope that rates start to reduce to a more reasonable and stable level in 2024. It is not however likely we will see a return to the cheap borrowing costs of recent years.

Merlin Cinemas Limited

Strategic Report for the Period from 1 April 2022 to 30 March 2023

Alternative media

The rise of social media, online streaming of films sometimes concurrent with cinema release, and the availability of so much home screen entertainment generally creates a threat to attendances. Film distributors may decide to release their films through alternative channels other than exhibition at cinemas more frequently, or at least sooner in the distribution cycle. The cinema industry has long been required to work beside the existence of home media and has proven its ability to adapt and co-exist alongside this. The company has invested at many sites in improvements intended to enhance the "cinema experience". Better seating, improved picture and sound quality, the ability to enjoy good food in adjacent company restaurants and licencing all of the company screens (so audiences can enjoy a glass of wine or a beer whilst watching a film) are all aimed at encouraging people to see films at the cinema and to persuade the distributors to maintain their relationship with cinemas as the primary channel for releases.

Weather conditions

Unusual or extreme weather patterns, for example unseasonably warm summers or severe snowfall in winter, can impact upon audience numbers. Where this coincides with major film releases, the impact can be very significant. The company, with mainly coastal locations, is much more affected by the vagaries of the weather than most cinema groups. It can, however, be either a very positive, or negative factor. We continue to increase and invest the number of our screens with air conditioning offering customers greater comfort during warm weather.

Film piracy

Film piracy is an ever-changing and very damaging threat to the film industry due to constantly-evolving technologies and the availability of smaller, and therefore less detectable, recording devices. However, most piracy takes place at studio level or at big city centre cinemas, small independents are less frequently targeted for illicit recordings. Nevertheless, we train staff to be vigilant for any recording in our cinemas and have over several years thwarted attempts at piracy.

Failure of information technology

The industry is, especially following digitalisation, more reliant than ever on the use of good IT systems for the delivery of films via the internet, the acceptance of payment (increasingly online or by card transactions at site), and internet-based live communication between cinemas and the support office hub. A failure in technology could impact upon the company's profitability and reputation. The company invests in the regular maintenance of systems and in thorough training of all staff involved in using these systems.

Selection of new locations

The company is always looking for appropriate potential new locations in which to expand. The selection of a poor location, or of a site of poor construction, is likely to result in lower activity and therefore difficulty in receiving returns on that investment. The management of the company are experienced in the choice of location and development of new sites.

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 Period from 1 April 2022 to 30 March 2023

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.

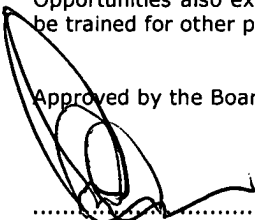
Employment of disabled persons

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 26/10/23 and signed on its behalf by:


.....
Mr Geoffrey Greaves
Director

Merlin Cinemas Limited

Directors' Report for the Period from 1 April 2022 to 30 March 2023

The directors present their report and the financial statements for the period from 1 April 2022 to 30 March 2023.

Directors of the company

The directors who held office during the period 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. Following the COVID-19 pandemic trading conditions have started to return to normal, however there are still some ongoing after effects.

The long-term finance of the company matures within twelve months of the year end, this has caused the shift from long term to current liabilities. The company is currently in advanced discussions with its loan provider with a view of re-financing the loans due to mature within twelve months. The bank has confirmed that there is nothing to suggest that this will not be achievable.

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 twelve 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.

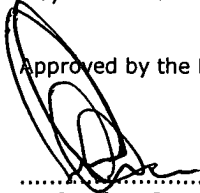
Disclosure of information to the auditors

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.

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 26/10/23 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 period from 1 April 2022 to 30 March 2023, 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 30 March 2023 and of its profit for the period 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

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

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 matter 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 period 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.

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:

Merlin Cinemas Limited

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company at the planning stage of the audit. The company is subject to laws and regulations that directly affect the financial statements, specifically the Companies Act 2006. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. The company is also subject to laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or loss of the company's ability to operate. In making this assessment we determined that the most significant elements of legislation include those relating to employment laws and regulations, health and safety standards and video piracy.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Making enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries, we also discussed with management changes in risk assessment relating to fraud, and whether there have been any known instances, allegations or suspicions of fraud.
- Considering the filings made at Companies House and any omissions thereon.
- Discussing with management compliance with health and safety legislation.
- Making enquiries of management and reviewing company expenditure for any evidence of disputes, actual or potential litigations and claims, with regulators or any other such body.
- Audited the risk of management override of controls, including through testing of journal entries and other adjustments for appropriateness, and evaluating the rationale for significant transactions outside the normal course of trading activities, of which there were none.
- Reviewed estimates and judgements made in the financial statements for any indication of bias and challenged assumptions used by management in making the estimates.

Due to the inherent limitations of an audit, there remains a risk that we may have not detected some material misstatements in the financial statements or non-compliance with laws and regulations. This is despite the fact that we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed irregularities are from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. As with any audit, there remained a high risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. This risk was reduced by a thorough review of all controls in place that monitor items and transactions affecting the financial statements. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors of the company.

All relevant laws, regulations, and significant risks of fraud identified have been clearly communicated to each member of the audit engagement team.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

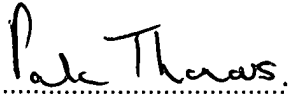
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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: 27 October 2023

Merlin Cinemas Limited

Profit and Loss Account for the Period from 1 April 2022 to 30 March 2023

	Note	1 April 2022 to 30 March 2023 £	Year ended 31 March 2022 £
TURNOVER	3	8,082,557	6,804,212
Cost of sales		<u>(2,994,068)</u>	<u>(2,743,911)</u>
GROSS PROFIT		5,088,489	4,060,301
Administrative expenses		(4,546,482)	(4,305,169)
Other operating income	4	<u>-</u>	<u>1,210,544</u>
OPERATING PROFIT	5	<u>542,007</u>	<u>965,676</u>
Other interest receivable and similar income	6	1,806	4
Interest payable and similar charges	7	<u>(247,100)</u>	<u>(154,352)</u>
		<u>(245,294)</u>	<u>(154,348)</u>
PROFIT BEFORE TAX		296,713	811,328
Taxation	11	<u>(76,076)</u>	<u>(231,183)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>220,637</u></u>	<u><u>580,145</u></u>

The above results were derived from continuing operations.

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

Merlin Cinemas Limited

Statement of Comprehensive Income for the Period from 1 April 2022 to 30 March 2023

	2023 £	2022 £
Profit for the period	<u>220,637</u>	<u>580,145</u>
Total comprehensive income for the period	<u><u>220,637</u></u>	<u><u>580,145</u></u>

Merlin Cinemas Limited
(Registration number: 03664605)
Balance Sheet as at 30 March 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	12	80,335	113,610
Tangible assets	13	11,455,439	11,185,751
Investment property	14	603,150	812,325
Investments	15	2	2
Other financial assets	16	<u>5</u>	<u>6</u>
		<u>12,138,931</u>	<u>12,111,694</u>
Current assets			
Stocks	17	446,804	507,515
Debtors	18	792,539	1,067,319
Cash at bank and in hand		<u>1,127,654</u>	<u>549,518</u>
		2,366,997	2,124,352
Creditors: Amounts falling due within one year	20	<u>(5,803,268)</u>	<u>(1,414,283)</u>
Net current (liabilities)/assets		<u>(3,436,271)</u>	<u>710,069</u>
Total assets less current liabilities		8,702,660	12,821,763
Creditors: Amounts falling due after more than one year	20	(618,334)	(4,981,833)
Provisions for liabilities	21	<u>(389,691)</u>	<u>(329,932)</u>
Net assets		<u>7,694,635</u>	<u>7,509,998</u>
Capital and reserves			
Called up share capital		1	1
Profit and loss account	24	<u>7,694,634</u>	<u>7,509,997</u>
Shareholders' funds		<u>7,694,635</u>	<u>7,509,998</u>

Approved and authorised by the Board on 26/10/23 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 Period from 1 April 2022 to 30 March 2023

	Share capital £	Profit and loss account £	Total £
At 1 April 2022	1	7,509,997	7,509,998
Profit for the period	-	220,637	220,637
	-	220,637	220,637
Total comprehensive income	-	220,637	220,637
Dividends	-	(36,000)	(36,000)
At 30 March 2023	1	7,694,634	7,694,635

	Share capital £	Profit and loss account £	Total £
At 1 April 2021	1	6,965,852	6,965,853
Profit for the period	-	580,145	580,145
	-	580,145	580,145
Total comprehensive income	-	580,145	580,145
Dividends	-	(36,000)	(36,000)
At 31 March 2022	1	7,509,997	7,509,998

Merlin Cinemas Limited

Statement of Cash Flows for the Period from 1 April 2022 to 30 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Profit for the period		220,637	580,145
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	420,542	467,168
(Profit)/loss on disposal of tangible assets		(320)	134,650
Loss from sales of investment properties		19,698	-
Finance income	6	(1,806)	(4)
Finance costs	7	247,100	154,352
Income tax expense	11	76,076	231,183
Freehold property reclassified as P&L expense		-	6,090
		<u>981,927</u>	<u>1,573,584</u>
Working capital adjustments			
Decrease in stocks	17	60,711	318,057
Decrease/(increase) in trade debtors	18	274,780	(444,441)
Increase in trade creditors	20	<u>335,631</u>	<u>328,895</u>
Cash generated from operations		1,653,049	1,776,095
Income taxes (paid)/received	11	<u>(39,833)</u>	<u>37</u>
Net cash flow from operating activities		<u>1,613,216</u>	<u>1,776,132</u>
Cash flows from investing activities			
Interest received	6	1,806	4
Acquisitions of tangible assets		(663,365)	(582,373)
Proceeds from sale of tangible assets		6,731	347,223
Acquisition of investment properties		-	(151,432)
Proceeds from sale of investment properties		189,477	-
Disposal of unlisted shares		<u>1</u>	<u>4</u>
Net cash flows from investing activities		<u>(465,350)</u>	<u>(386,574)</u>
Cash flows from financing activities			
Interest paid	7	(247,100)	(154,352)
Proceeds from bank borrowing draw downs		-	4,164,525
Repayment of bank borrowing		(286,630)	(4,649,236)
Dividends paid	27	<u>(36,000)</u>	<u>(36,000)</u>
Net cash flows from financing activities		<u>(569,730)</u>	<u>(675,063)</u>
Net increase in cash and cash equivalents		578,136	714,495
Cash and cash equivalents at 1 April		<u>549,518</u>	<u>(164,977)</u>
Cash and cash equivalents at 30 March		<u>1,127,654</u>	<u>549,518</u>

The notes on pages 19 to 36 form an integral part of these financial statements.

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

1 General information

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

The address of its registered office is:

Regal Cinema & Theatre
Fore Street
Redruth
Cornwall
TR15 2AZ
England

These financial statements comprise Merlin Cinemas only. The sole subsidiary is a dormant company and exempt from consolidation under section 405.

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' and the Companies Act 2006.

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 company has elected to draw up its accounts to the nearest Thursday to the 31st March each year. This will be no more than seven days before or after the accounting reference date.

These 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. Following the COVID-19 pandemic trading conditions have started to return to normal, however there are still some ongoing after effects.

The long-term finance of the company matures within twelve months of the year-end, this has caused the shift from long term to current liabilities. The company is currently in advanced discussions with its loan provider with a view of re-financing the loans due to mature within twelve months. The bank has confirmed that there is nothing to suggest that this will not be achievable.

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 twelve months from the date of approval of these financial statements.

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

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 the 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 from these streams 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 the company'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.

Income from sales of property stock have been included in turnover figure. Property sales income is recognised on the date of unconditional sale.

Other income of the company includes; Theatre booking fees, Advertising income, Sale of gift cards, Rental of various commercial and residential properties.

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 the 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.

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

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

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.

Depreciation

Freehold buildings are depreciated on a straight line basis over 100 years. Given that the buildings are kept in full repair the directors consider whether the residual value is no less than the cost each year and include a depreciation charge accordingly. This year a depreciation charge has been included with respect to one of the properties.

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

Plant and machinery

Motor vehicles

Office equipment

Digitalisation costs

Short leasehold property

Freehold buildings

Freehold land

Depreciation method and rate

15% on a straight line basis (additions after 1 April 2021) & 15% on a reducing balance basis (additions before 1 April 2021)

25% on a reducing balance basis

33% on a reducing balance basis

10% on cost on a straight line basis

Straight line basis over the length of the lease

1% per annum on cost

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 directors. The directors use 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

Goodwill

Amortisation method and rate

10 years on a straight line basis

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

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.

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.

Finished goods are 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.

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

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.

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 companies 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 in initial recognition.

Impairment

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

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

3 Revenue

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

	2023 £	2022 £
Sale of goods and services	7,977,710	6,689,960
Rental income from investment property	104,847	114,252
	<u>8,082,557</u>	<u>6,804,212</u>

4 Other operating income

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

	2023 £	2022 £
Government grants	<u>-</u>	<u>1,210,544</u>

The grants recognised in the financial statements in the previous year consisted of amounts receivable relating to; the Coronavirus Job Retention Scheme (£139,806), Cultural Recovery Grants delivered by the BFI and which was made available by the Department for Digital, Culture, Media and Sport (£851,648), Retail, Hospitality and Leisure Grants delivered by local councils (£205,681) and Interest on Coronavirus Business Interruption Loans covered by the government (£13,409).

5 Operating profit

Arrived at after charging/(crediting)

	2023 £	2022 £
Depreciation expense	387,267	433,891
Amortisation expense	33,275	33,277
Operating lease expense - property	83,490	73,371
Operating lease expense - plant and machinery	2,441	2,403
(Profit)/loss on disposal of property, plant and equipment	<u>(320)</u>	<u>134,650</u>

6 Other interest receivable and similar income

	2023 £	2022 £
Interest income on bank deposits	<u>1,806</u>	<u>4</u>

7 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank overdrafts and borrowings	247,100	153,947
Interest expense on other finance liabilities	<u>-</u>	<u>405</u>
	<u>247,100</u>	<u>154,352</u>

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

8 Staff costs

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

	2023 £	2022 £
Wages and salaries	2,637,464	2,147,950
Social security costs	147,967	113,697
Pension costs, defined contribution scheme	37,083	30,854
	<u>2,822,514</u>	<u>2,292,501</u>

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

	2023 No.	2022 No.
Administration and support	15	15
Marketing	1	1
Other departments	251	217
	<u>267</u>	<u>233</u>

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	2023 £	2022 £
Remuneration	<u>23,320</u>	<u>19,570</u>

10 Auditors' remuneration

	2023 £	2022 £
Audit of the financial statements	<u>23,225</u>	<u>13,950</u>

11 Taxation

Tax charged/(credited) in the income statement

	2023 £	2022 £
Current taxation		
UK corporation tax	16,317	116,813
Deferred taxation		
Arising from origination and reversal of timing differences	<u>59,759</u>	<u>114,370</u>
Tax expense in the income statement	<u>76,076</u>	<u>231,183</u>

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

The tax on profit before tax for the period is the same as the standard rate of corporation tax in the UK (2022 - the same as the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £	2022 £
Profit before tax	<u>296,713</u>	<u>811,328</u>
Corporation tax at standard rate	56,376	154,152
Effect of expense not deductible in determining taxable profit (tax loss)	816	269
Deferred tax expense relating to changes in tax rates or laws	59,759	114,370
Decrease in UK and foreign current tax from adjustment for prior periods	(760)	(12,057)
Tax decrease from effect of capital allowances and depreciation	<u>(40,115)</u>	<u>(25,551)</u>
Total tax charge	<u>76,076</u>	<u>231,183</u>

Deferred tax

Deferred tax assets and liabilities

	Liability £
2023	
Accelerated capital allowance	<u>389,691</u>
2022	
Accelerated capital allowance	<u>329,932</u>

12 Intangible assets

	Goodwill £	Other intangible assets £	Total £
Cost or valuation			
At 1 April 2022	<u>476,175</u>	<u>6,000</u>	<u>482,175</u>
At 30 March 2023	<u>476,175</u>	<u>6,000</u>	<u>482,175</u>
Amortisation			
At 1 April 2022	368,565	-	368,565
Amortisation charge	<u>33,275</u>	<u>-</u>	<u>33,275</u>
At 30 March 2023	<u>401,840</u>	<u>-</u>	<u>401,840</u>
Carrying amount			
At 30 March 2023	<u>74,335</u>	<u>6,000</u>	<u>80,335</u>
At 31 March 2022	<u>107,610</u>	<u>6,000</u>	<u>113,610</u>

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

13 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Digitalisation costs £	Total £
Cost					
At 1 April 2022	10,359,691	3,680,774	73,090	1,330,805	15,444,360
Additions	351,167	288,949	23,249	-	663,365
Disposals	-	(42,901)	(16,325)	-	(59,226)
At 30 March 2023	<u>10,710,858</u>	<u>3,926,822</u>	<u>80,014</u>	<u>1,330,805</u>	<u>16,048,499</u>
Depreciation					
At 1 April 2022	359,901	2,645,682	55,301	1,197,725	4,258,609
Charge for the period	42,013	202,437	9,737	133,080	387,267
Eliminated on disposal	-	(38,582)	(14,234)	-	(52,816)
At 30 March 2023	<u>401,914</u>	<u>2,809,537</u>	<u>50,804</u>	<u>1,330,805</u>	<u>4,593,060</u>
Carrying amount					
At 30 March 2023	<u>10,308,944</u>	<u>1,117,285</u>	<u>29,210</u>	<u>-</u>	<u>11,455,439</u>
At 31 March 2022	<u>9,999,790</u>	<u>1,035,092</u>	<u>17,789</u>	<u>133,080</u>	<u>11,185,751</u>

Included within the net book value of land and buildings above is £10,018,612 (2022 - £9,672,662) in respect of freehold land and buildings and £290,332 (2022 - £327,127) in respect of leasehold improvements.

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

14 Investment properties

	2023 £
At 1 April 2022	812,325
Disposals	<u>(209,175)</u>
At 30 March 2023	<u>603,150</u>
There has been no valuation of investment property by an independent valuer. The Directors consider investment properties are shown at their fair value.	

15 Investments

	2023 £	2022 £
Investments in subsidiaries	<u>2</u>	<u>2</u>
Subsidiaries		£
Cost or valuation		
At 1 April 2022		<u>2</u>
Provision		
Carrying amount		
At 30 March 2023		<u>2</u>
At 31 March 2022		<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	
			2023	2022
Subsidiary undertakings				
S and K Entertainment Ltd	Regal Theatre & Cinema Fore Street Redruth Cornwall TR15 2AZ England and Wales	Ordinary Shares	100%	100%

Subsidiary undertakings

S and K Entertainment Ltd

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

For the year ending 31 March 2023 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 Period from 1 April 2022 to 30 March 2023

16 Other financial assets (current and non-current)

	Financial assets at fair value through profit and loss £	Total £
Non-current financial assets		
Cost or valuation		
Additions	6	6
Disposals	(1)	(1)
At 30 March 2023	5	5
Impairment		
Carrying amount		
At 30 March 2023	5	5

17 Stocks

	2023 £	2022 £
Finished goods and goods for resale	246,918	380,959
Other inventories	199,886	126,556
	446,804	507,515

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

18 Debtors

	2023 £	2022 £
Trade debtors	48,497	49,549
Other debtors	630,119	930,126
Prepayments	111,433	87,228
Accrued income	2,490	416
	792,539	1,067,319

19 Cash and cash equivalents

	2023 £	2022 £
Cash on hand	35,617	19,180
Cash at bank	1,092,037	530,338
	1,127,654	549,518

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

20 Creditors

	Note	2023 £	2022 £
Due within one year			
Loans and borrowings	25	4,465,895	389,025
Trade creditors		493,964	625,587
Amounts due to related parties	29	121,670	108,468
Social security and other taxes		179,899	67,610
Outstanding defined contribution pension costs		8,714	6,573
Other payables		243,478	2,975
Accruals		272,570	173,451
Corporation tax liability	11	17,078	40,594
		<u>5,803,268</u>	<u>1,414,283</u>
Due after one year			
Loans and borrowings	25	<u>618,334</u>	<u>4,981,833</u>

21 Provisions for liabilities

	Deferred tax £	Total £
At 1 April 2022	329,932	329,932
Increase (decrease) in existing provisions	<u>59,759</u>	<u>59,759</u>
At 30 March 2023	<u>389,691</u>	<u>389,691</u>

22 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £37,083 (2022 - £30,854).

One director benefits from the defined contribution pension scheme. The amount of the charge relating to the director is £263 (2022 - £150).

Contributions totalling £8,714 (2022 - £6,573) were payable to the scheme at the end of the period and are included in creditors.

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

23 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	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.

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

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

	2023 £	2022 £
Non-current loans and borrowings		
Bank borrowings	<u>618,334</u>	<u>4,981,833</u>
Current loans and borrowings		
Bank borrowings	4,397,895	321,025
Other borrowings	<u>68,000</u>	<u>68,000</u>
	<u>4,465,895</u>	<u>389,025</u>

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

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 31 January 2024. The carrying amount at period end is £4,137,985 (2022 - £4,164,525).

The above bank loan is secured via a floating charge on the property and undertakings of the company.

CBILS loan 1 is denominated in sterling with a nominal interest rate of 2.39%, and the final instalment is due on 14 June 2026. The carrying amount at period end is £520,000 (2022 - £680,000).

The above bank loan is secured on the company's land and buildings which have a carrying value of £10,457,739.

CBILS loan 2 is denominated in Sterling with a nominal interest rate of 2.79%, and the final instalment is due on 15 October 2026. The carrying amount at period end is £358,333 (2022 - £458,333).

The above bank loan is secured on the company's land and buildings which have a carrying value of £10,457,739.

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

26 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2023 £	2022 £
Not later than one year	57,013	46,931
Later than one year and not later than five years	123,985	113,812
Later than five years	16,795	-
	<u>197,793</u>	<u>160,743</u>

The amount of non-cancellable operating lease payments recognised as an expense during the period was £80,179 (2022 - £68,440).

27 Dividends

	2023 £	2022 £
Interim dividend of £36,000 (2022 - £36,000) per ordinary share	<u>36,000</u>	<u>36,000</u>

28 Commitments

Capital commitments

£5,972 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 £5,972 (2022 - £11,721).

29 Related party transactions

	2023 £	2022 £
Mr Geoffrey Greaves		
Dividends paid	<u>36,000</u>	<u>36,000</u>

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

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 on a commercial basis totalling £54,261 (2022: £17,748) (including VAT) to Onscreen Magazine Limited. During the year, Merlin Cinemas received repayments of £37,800 (2022: £67,555) from Onscreen Magazine Limited. At the Balance Sheet date, the amount owing to Merlin Cinemas Limited from Onscreen Magazine Limited was £23,322 (2022: £6,861). These payments were made under normal market conditions.

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 on a commercial basis totalling £109,093 (2022: £100,561) (including VAT) to Inn Angarrack Limited. During the year, Merlin Cinemas Limited received repayments of £112,375 (2022: £185,170) from Inn Angarrack Limited. At the Balance Sheet date, the amount owing to Merlin Cinemas Limited by Inn Angarrack Limited was £49,513 (2022: £52,795). These payments were made under normal market conditions.

K & G Developments St Ives Limited

Mr G Greaves is a director of both K & G Developments St Ives Limited and Merlin Cinemas Limited. During the year, Merlin Cinemas Limited recharged costs on a commercial basis totalling £27,858 (2022: £520,707) (including VAT) to K & G Developments St Ives Limited. During the year, Merlin Cinemas Limited received repayments of £1,525 (2022: £nil) from K & G Developments Limited. At the Balance Sheet date, the amount owing to Merlin Cinemas Limited by K & G Developments St Ives Limited was £547,039 (2022: £520,707). These payments were made under normal market conditions.

Savoy Court (Penzance) Management Company Limited

Mr G Greaves and Mr C May are directors of both Savoy Court (Penzance) Management Company Limited and Merlin Cinemas Limited. During the year, Merlin Cinemas Limited recharged costs on a commercial basis totalling £894 (2022: £591) (including VAT) to Savoy Court (Penzance) Management Company Limited. During the year, Merlin Cinemas Limited received net repayments of £374 (2022: £1,111) from Savoy Court (Penzance) Management Company Limited. At the Balance Sheet date, the amount owing from Merlin Cinemas Limited to Savoy Court (Penzance) Management Company Limited was £nil (2022: £520). During the year, Merlin Cinemas Limited made payments totalling £4,750 (2022: £nil) to Savoy Court (Penzance) Management Company Limited with respect to service charges relating to the properties owned by Merlin Cinemas Limited. These payments were made under normal market conditions.

30 Financial instruments

Categorisation of financial instruments

	30 March 2023 £	31 March 2022 £
Financial assets that are debt instruments measured at fair value through profit or loss	1,805,501	1,528,695
Financial liabilities measured at fair value through profit or loss	(5,944,803)	(6,006,139)

Items of income, expense, gains or losses

	Income £	Expense £	Net gains £	Net losses £
2023				
Financial assets measured at amortised cost	1,806	-	-	-
Financial liabilities measured at amortised cost	-	247,100	-	-
	<u>1,806</u>	<u>247,100</u>	<u>-</u>	<u>-</u>

Merlin Cinemas Limited

Notes to the Financial Statements for the Period from 1 April 2022 to 30 March 2023

	Income £	Expense £	Net gains £	Net losses £
2022				
Financial assets measured at amortised cost	4	-	-	-
Financial liabilities measured at amortised cost	-	153,947	-	-
	<u>4</u>	<u>153,947</u>	<u>-</u>	<u>-</u>