

**Odeon & UCI Digital Operations
Limited**

Directors' Report and financial
statements

Registered number 4241287

31 December 2018



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Directors' Report

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

Principal activity

The principal activity of Odeon & UCI Digital Operations Limited ("the Company") is the provision of administrative and technical support services to the Odeon digital project.

Business review

As at the 31 December 2018, the Company had supported the deployment of over 800 digital screens in the exhibitor companies. The Company will continue to support the exhibitor companies and their digital operations across Odeon during 2019.

Financial results

The Profit and Loss Account for the year is set out on page 6. The profit after taxation for the year amounted to £1,374,000 (2017: £2,968,000).

Directors

The following were directors of the Company during the year:

AS Alker
MJ Way
NJ Williams

Going concern and liquidity management

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

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

Dividends

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

Employee involvement

Employment in the Company was 2 in 2018 and 2 in 2017 (average number of employees).

Employment of disabled persons

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

Directors' Report *(continued)*

Environment

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

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of accounts before the Company in general meetings and the appointment of the auditor annually. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



NJ Williams
Director

28th June 2019

8th Floor
1 Stephen Street
London
W1T 1AT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ODEON & UCI DIGITAL OPERATIONS LIMITED

Opinion

We have audited the financial statements of Odeon & UCI Digital Operations Limited ("the company") for the year ended 31 December 2018 which comprise the profit and loss account, the statement of other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ODEON & UCI DIGITAL OPERATIONS LIMITED *(continued)*

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

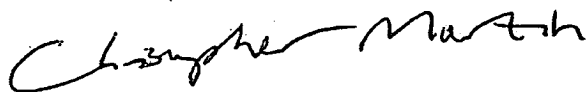
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Christopher Martin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

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

2 July 2019

Profit and Loss Account
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	2,784	4,584
Distribution costs, administrative expenses and other operating income		(1,379)	(1,542)
Operating profit		1,405	3,042
Interest payable and similar expenses	6	(31)	(74)
Profit before taxation	4	1,374	2,968
Taxation	7	-	-
Profit after taxation and for the financial year		1,374	2,968

All turnover and profits related to continuing activities.

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

The notes on pages 9-14 form an integral part of these financial statements.

Balance Sheet
 at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Current assets					
Debtors: amounts due within one year	8	10,208		9,465	
Debtors: amounts due after one year	9	149		232	
Cash at bank and in hand		328		280	
		<u>10,685</u>		<u>9,977</u>	
Creditors: amounts due within one year	10	<u>(2,114)</u>		<u>(2,614)</u>	
Net current assets			8,571		7,363
Creditors: amounts due after more than one year	11		-		(166)
Net assets			<u>8,571</u>		<u>7,197</u>
Capital and reserves					
Called up share capital	13		-		-
Profit and Loss account			8,571		7,197
Shareholders' funds			<u>8,571</u>		<u>7,197</u>

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



NJ Williams
 Director

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total shareholders' equity
	£000	£000	£000
Balance at 1 January 2017	-	4,229	4,229
Total comprehensive income for the period			
Profit	-	2,968	2,968
Total comprehensive income for the period	-	2,968	2,968
Balance at 31 December 2017	-	7,197	7,197

	Called up share capital	Profit and loss account	Total shareholders' equity
	£000	£000	£000
Balance at 1 January 2018	-	7,197	7,197
Total comprehensive income for the period			
Profit	-	1,374	1,374
Total comprehensive income for the period	-	1,374	1,374
Balance at 31 December 2018	-	8,571	8,571

The notes on pages 9-14 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Odeon & UCI Digital Operations Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in the UK. The registered number is 4241287 and the registered address is 8th Floor, 1 Stephen Street, London, W1T 1AT.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, AMC Entertainment Holdings Inc includes the Company in its consolidated financial statements. The consolidated financial statements of AMC Entertainment Holdings Inc are prepared in accordance with US GAAP and are available to the public and may be obtained from the address shown in note 15. Those consolidated financial statements are drawn up in a manner equivalent to consolidated accounts and consolidated annual returns drawn up in accordance with the provision of the Seventh Directive (83/349/EEC). In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

As the consolidated financial statements of AMC Entertainment Holdings Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

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

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern and liquidity management

The financial statements have been prepared on a going concern basis. The directors have formally considered and concluded that this remains appropriate.

Following the 2016 acquisition by AMC Entertainment Holdings (AMC) of the larger group headed by Odeon Cinemas Group Limited, the Company is now part of the largest theatre exhibitor in the world and AMC are committed to bringing innovation and investment to European cinemas.

1.3 Foreign currency

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

Notes (continued)

Accounting policies (continued)

1.4 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

1.5 Turnover

Turnover represents amounts charged to customers for goods and services, stated net of value added tax, which is recognised based on the date the goods and services are received.

1.6 Expenses

Interest receivable and interest payable

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

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

1.7 Taxation

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

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

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

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

Notes (continued)

2 Turnover

All turnover derives wholly from the provision of digital services within the United Kingdom. As a result, no segmental analysis has been provided.

3 Remuneration of directors

	2018 £000	2017 £000
Directors' remuneration	9	13
Company contributions to defined contribution pension schemes	1	1
	<u>10</u>	<u>14</u>

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

The remuneration of the highest paid director was £781,000 (2017: £658,000).

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>1</u>	<u>1</u>

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

4 Profit on ordinary activities before taxation

Auditor's remuneration:

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

In 2018 the Company's share of auditor's remuneration was £16,000 (2017: £18,000).

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	Number of employees 2018	2017
Administrative and technical	<u>2</u>	<u>2</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	257	253
Social security costs	15	15
Pension costs	8	8
	<u>280</u>	<u>276</u>

Notes (continued)

6 Interest payable and similar expenses

	2018 £000	2017 £000
Foreign exchange losses	31	74

7 Taxation

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

	2018 £000	£000	2017 £000	£000
<i>Current tax</i>				
Current tax on income for the period		-		-
Adjustments in respect of prior periods		-		-
Total current tax		-		-
<i>Deferred tax (see note 12)</i>				
Origination and reversal of timing differences	-		-	
Total deferred tax		-		-
Total tax		-		-

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	1,374	2,968
Total tax expense	-	-
Profit excluding taxation	1,374	2,968
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	261	571
Group relief (claimed) / surrendered for nil payment	(251)	(571)
Deferred Tax not provided	(10)	-
Total tax expense included in profit or loss	-	-

Effective from 1 April 2017, the corporation tax rate reduced from 20% to 19%. A further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October 2016, and an additional reduction to 17% from 1 April 2020 was subsequently enacted on 6 September 2017. The deferred tax balance included on the balance sheet has been calculated based on these rates. This will reduce the Company's future tax charge accordingly. The unrecognised deferred tax asset at 31 December 2018 (see note 12) has been calculated based on the rate of 17% substantively enacted at the Balance Sheet date.

Notes (continued)

8 Debtors: amounts due within one year

	2018 £000	2017 £000
Trade debtors	386	508
Prepayments & accrued income	306	3,877
Other debtors	-	37
Amounts owed from Group undertakings	9,516	5,043
	<u>10,208</u>	<u>9,465</u>

9 Debtors: amounts due after one year

	2018 £000	2017 £000
Prepayments and accrued income	<u>149</u>	<u>232</u>

10 Creditors: amounts due within one year

	2018 £000	2017 £000
Trade creditors	60	60
Amounts owed to Group undertakings	1,888	1,862
Accruals and deferred income	64	95
Taxation and social security	102	597
	<u>2,114</u>	<u>2,614</u>

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

11 Creditors: amounts due after more than one year

	2018 £000	2017 £000
Accruals and deferred income	<u>-</u>	<u>166</u>

Notes (continued)

12 Deferred tax assets and liabilities

A deferred tax asset of £47,000 (2017: £70,000) in relation to accelerated capital allowances has not been recognised on the basis that the company is not expected to generate sufficient taxable profits in the future.

13 Capital

Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid:</i>		
1 Ordinary share of £1	-	-

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

Dividends

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

14 Related parties

Identity of related parties with which the Company has transacted

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

15 Ultimate parent company and controlling party

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

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

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

16 Commitments

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