C S (EXETER) LIMITED

Annual report and financial statements

Registered number 05500963

For the year ended 31 December 2021

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Company Information

DIRECTORS	C Binns R Kaufman
COMPANY SECRETARY	S Brooker (appointed on 1 March 2022) N Kravitz (appointed 27 January 2022, resigned 1 March 2022) F Smith (resigned on 27 January 2022)
REGISTERED NUMBER	05500963
REGISTERED OFFICE	8th Floor Vantage London Great West Road Brentford TW8 9AG
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Directors' report for the year ended 31 December 2021

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

Principal activities
The principal activity of the Company comprised the operation of a cinema. The directors do not expect any change in the principal activity during the next financial period.

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

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

Revenue in the year increased to £369,009 (2020 restated: £351,342) following the reopening of cinemas in England in May 2021 having been closed for the majority of the prior year due to lockdown measures as a result of the COVID-19 pandemic. Despite the re-opening of cinemas, the COVID-19 pandemic continues to have a significant impact on the performance of the Company's trading activity. The loss for the year before taxation amounted to £61,943 (2020: loss of £139,494). At 31 December 2021 the Company had net assets of £191,520 (2020: £261,909).

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

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

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

These include:

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

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows;

C Binns
R Kaufman

Directors' and Officers' Insurance and Indemnity

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

Political donations

The Company's policy is to make no donations to political parties (2020: £nil).

Employees

Staff are employed by Picturehouse Cinemas Limited, the immediate parent company, and costs are recharged to the Company. The policy is to recruit, employ and develop staff on the basis of the suitability of their qualifications and experience, regardless of sex, marital status, race, nationality, age, sexual orientation or religion. It is Company policy to give full and fair consideration to applications for employment from disabled people, having regard to their particular abilities and aptitudes. Full consideration is given to continuing the employment of staff who become disabled, including considering them for other reasonable positions and arranging appropriate training. The health, welfare and development of the Group's employees remain a priority. With the intent of attracting, recruiting, developing and retaining key employees, Cineworld maintains a number of policies and procedures for the benefit of its employees, which are available to all employees across the Company. Continuing education, training and development are important to the future success of the Company and employee development is encouraged through appropriate training. The Company supports individuals who wish to obtain appropriate further education or qualifications and reimburses tuition fees up to a specified level. Regular and open communication between Management and employees is essential for motivating the workforce. Briefings are held regularly to provide updates on the Companies business and to provide the opportunity for questions and feedback. The Company encourages the involvement of employees in its performance through the operation of bonus schemes throughout the Group.

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

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

Strategic report
The Company is classified as a small company under the Companies Act 2006 and as a result has met the requirements in Companies Act 2006 section 414B to obtain the exemption provided from the presentation of a strategic report.

The directors have also taken advantage of the small company exemptions in the Companies Act 2006 in preparing this Directors' report.

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

Future developments
Despite the re-opening of cinemas, the COVID-19 pandemic continues to have a significant impact on the performance of the Company's trading activity.

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

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

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

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the board and signed on its behalf.

On behalf of the Board

R Kaufman
Director
30 June 2023

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

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

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

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

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

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

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

On behalf of the Board

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

R Kaufman
Director
309 June 2023

Independent auditors' report to the members of C S (Exeter) Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, C S (Exeter) Limited's financial statements:

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

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

Basis for qualified opinion

The company's property, plant and equipment ("PPE") is held on the balance sheet at a Net Book Value of £715,264. £368,732 of this balance (with cost of £972,898 and accumulated depreciation of £604,167) was purchased before 2016 and sufficient accounting records have not been maintained to understand what assets are held in PPE. As such the classification of assets between categories and the depreciation policy applied to these assets may not be appropriate. Furthermore, management is unable to verify the existence of any of these assets. We are unable to quantify the impact on the financial statements of allocating the cost between asset categories and the resulting impact on annual and cumulative depreciation, or on disposals of cost and cumulative depreciation; however, based on the different depreciation policies by category, and the quantum of the pre-2016 additions, we can conclude it would likely be material. Our opinion is therefore qualified in respect of this matter.

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

Independence

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

Material uncertainty related to going concern

Without further modifying our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. As set out in Note 1, on 2 April 2023 the Cineworld Group plc and certain of its subsidiaries', including the company, (collectively, the "Group Chapter 11 companies") announced a proposed restructuring (the "Proposed Restructuring") through a plan of reorganisation (the "Plan") to enable an exit from the voluntary petitions for relief under title 11 of the United States Code (the "Chapter 11 Cases") of the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"), which was entered into on 7 September 2022. The Plan includes a debt write off of $4.53bn, new equity of $800m and new debt of $1.46bn, both of which are subject to committed backstop agreements. The Plan also includes partial settlement of certain unsecured creditors including in relation to the litigation contingent liabilities in respect of Cineplex. The company is loss making and in a net current liability position, and therefore reliant on Group support. The Group's ability to exit the Chapter 11 proceedings is critical for the ongoing operations of the company. The Proposed Restructuring remains subject to a number of conditions to its successful execution including, among other things: (i) approval of the Plan by the requisite thresholds of the Group Chapter 11 companies' creditors; (ii) confirmation of the Plan by the Bankruptcy Court); (iii) execution of ancillary implementation proceedings; (iv) entry into, and filing of, the definitive documents required to implement the Proposed Restructuring; and (v) meeting certain milestones as discussed above. In connection with the consummation of the Proposed Restructuring, the Group also has the ability to enter into a revolving credit facility of up to $200 million (which is subject to certain approval rights of the Legacy Lenders that have signed the RSA and the Legacy Lenders that have agreed to fully backstop the Backstopped Rights Offering). Whilst the required majority of the relevant groups of creditors have given approval to the Proposed Restructuring, there can be no certainty that the other conditions will be met or that the Bankruptcy Court will approve the Plan. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

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

Reporting on other information

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

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

With respect to the Directors' report for the year ended 31 December 2021, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Directors' report for the year ended 31 December 2021

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report for the year ended 31 December 2021.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Review of the financial statement disclosures to underlying supporting documentation;
- Enquiry of management, those charged with governance, the group's legal counsel and the company's tax and compliance functions in respect of any actual or potential fraud and non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to the recoverability of the company's goodwill; and
- As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and accounting estimates, and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report for the year ended 31 December 2021; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Steve Reid (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 June 2023

Statement of Comprehensive Income
for year ended 31 December 2021

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 Restated £
Revenue	2	**369,009**	351,342
Cost of sales		**(400,886)**	(443,929)
Gross loss		**(31,877)**	(92,587)
Other operating income		**162,323**	189,184
Expected loss provision credit / (charge)	9	**17,468**	(11,394)
Administrative expenses		**(209,857)**	(224,697)
Operating loss	3	**(61,943)**	(139,494)
Loss before taxation		**(61,943)**	(139,494)
Tax (charge) / credit on loss	5	**(8,446)**	9,156
Loss and total comprehensive expense for the financial year		**(70,389)**	(130,338)

The notes on pages 14 to 31 form part of these financial statements.
See note 19 for further detail relating to the prior year restatement.

Balance Sheet
at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
Fixed assets			
Goodwill	*6*	**29,226**	29,226
Property, plant and equipment	*7*	**715,264**	735,054
		744,490	764,280
Current assets			
Inventories	*8*	**7,675**	1,481
Trade and other receivables	*9*	**60,413**	228,241
Cash and cash equivalents	*10*	**2,338**	2,131
		70,426	231,853
Current liabilities			
Creditors: amounts falling due within one year	*11*	**(614,950)**	(734,224)
Net current liabilities		**(544,524)**	(502,371)
Total assets less current liabilities		**199,966**	261,909
Non-current liabilities			
Deferred tax	*12*	**(8,446)**	-
Net assets		**191,520**	261,909
Capital and reserves			
Ordinary shares	*13*	**4,530**	4,530
Share premium account		**224,235**	224,235
Retained earnings		**(37,245)**	33,144
Total shareholders' funds		**191,520**	261,909

The financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The notes from pages 14 to 31 form part of these financial statements.

The financial statements on pages 11 to 31 were approved by the board of Directors on 30 June 2023 and were signed on its behalf by:

R Kaufman
Director

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

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 January 2020	4,530	224,235	163,482	392,247
Comprehensive loss for the financial year				
Loss for the year	-	-	(130,338)	(130,338)
Total comprehensive loss for the financial year	-	-	**(130,338)**	**(130,338)**
At 1 January 2021	**4,530**	**224,235**	**33,144**	**261,909**
Comprehensive loss for the financial year				
Loss for the year	-	-	(70,389)	(70,389)
Total comprehensive loss for the financial year	-	-	**(70,389)**	**(70,389)**
At 31 December 2021	**4,530**	**224,235**	**(37,245)**	**191,520**

The notes on pages 14 to 31 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information

C S (Exeter) Limited is a private limited company limited by shares incorporated and domiciled in the UK. The Companies registered address is 8th Floor Vantage London, Great West Road, United Kingdom, TW8 9AG.

Basis of preparation

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

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

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

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

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

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

Going concern

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

On a stand-alone basis, the Company's operations have been significant impacted by the COVID-19 pandemic with revenue severely lower in 2020 following the closure of cinemas for most of the year. Revenue in 2021 has improved however cinemas were still closed from 1 January 2021 to 7 June 2021. Performance is expected to gradually return to pre-pandemic levels; however this is anticipated to take a number of years. The Company is reliant on financial and other support from a parent entity in order to meet its obligations, specifically relating to matching of amounts due to the Company from fellow parent undertakings with the repayment of amounts advanced to the Company by the parent undertaking and/or other members of the parent undertaking's group.

The directors of the company, as part of their going concern consideration, have therefore performed an assessment of Group plc's (hereafter "the Group") ability to continue as a going concern. The Group's going concern assessment is duly outlined below.

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

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

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

For the duration of the Chapter 11 Cases and the period following the Group Chapter 11 Companies' emergence from the Chapter 11 Cases, the Group's operations, ability to develop and execute its business plan, as well as its continuation as a going concern, are subject to risks and uncertainties associated with the Chapter 11 Cases. These risks include the following:

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

- the Group Chapter 11 Companies' ability to confirm and consummate a plan of reorganisation (the "Plan") pursuant to, and consistent in all material respects with, the Restructuring Support Agreement (the "RSA", as described in more detail below) or an alternative restructuring transaction, which, if unsuccessful, may delay or impede the Group Chapter 11 Companies' ability to emerge from the Chapter 11 Cases;
- the Group's ability to improve its liquidity and long-term capital structure and to address its debt service obligations through the Proposed Restructuring (as defined below);
- the third-party financing, which will allow the Group Chapter 11 Companies to emerge from the Chapter 11 Cases (including as may be provided pursuant to the BCA (as defined below)), remaining sufficient for the Group Chapter 11 Companies to be able to execute its business plan post-emergence from the Chapter 11 Cases;
- the significant administrative costs of bankruptcy proceedings and related fees;
- the Group's ability to maintain relationships with suppliers, service providers, customers, employees, and other third parties;
- the Group's ability to maintain contracts that are critical to its operations; and
- the actions and decisions of the Group's creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Group's plans, including actions pursued outside the U.S. which might have a disruptive effect on the Chapter 11 Cases. For example, two entities within the Group have been issued with winding-up petitions by the landlord of a Picturehouse cinema. These petitions, and the Group's opposition to them, will be heard by the English High Court at a hearing scheduled to take place on 28 July 2023. In any event, the Group expects that these petitions will be resolved as part of the restructuring contemplated in conjunction with the Chapter 11 Cases.

The above factors mean there is a greater level of uncertainty about the prospective trading of the Group, assuming it is able to emerge from Chapter 11. Further, the outcome of the Chapter 11 Cases is dependent upon factors that are outside of the Group's control, including actions of the Bankruptcy Court and the Group Chapter 11 Companies' creditors.

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

When the Group Chapter 11 Companies commenced their Chapter 11 Cases, they secured a superpriority senior secured priming multi-draw term loan credit facility of approximately $1.94 billion (the "DIP Facility"), of which $785 million became available as part of the "first day" hearing on 8 September 2022. Borrowings on the DIP Facility, together with the Group's available cash reserves and cash flows from operations, are expected to provide sufficient liquidity for the Group to meet its ongoing obligations, including post-petition obligations to vendors and suppliers, as well as employee wages, salaries, and benefits programs. The remainder of the DIP Facility subsequently became available upon Court approval on a final basis at a hearing on 3 November 2022. This was primarily used to re-finance the Group's existing prepetition priming loans.

Prior to any emergence from the Chapter 11 Cases and any potential refinancing of the DIP Facility, the ability of the Group to continue as a going concern remains dependent on the DIP Facility being available and sufficient for the Group's needs. The directors are not currently aware of any defaults under the credit agreement governing the DIP Facility that might impede its availability.

The DIP Facility is currently set to mature on 7 September 2023, with the option to extend in certain circumstances. Both the DIP Facility and the RSA establish case milestones to ensure that the Chapter 11 Cases proceed at an appropriate and efficient pace, thereby avoiding unnecessarily prolonged Chapter 11 Cases. The milestones contained in the credit agreement governing the DIP and the RSA are subject to change, as such milestones may be waived or extended in accordance with the terms of the credit agreement governing the DIP and/or the RSA, as applicable.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Restructuring Support Agreement

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

The lenders party to the RSA and the BCA agreed, subject to the execution of definitive documentation and certain other conditions as described below, to support a proposed restructuring of the Group Chapter 11 Companies (the "Proposed Restructuring"), including a commitment to: (i) provide a first lien exit financing facility; and (ii) backstop an equity rights offering in connection with the Proposed Restructuring. The Proposed Restructuring will be implemented primarily through the Plan in the Chapter 11 Cases. Moreover, the Legacy Lenders that have signed the RSA have committed, subject to the terms of the RSA, to vote in favour of the Plan and support the Proposed Restructuring.
If implemented, the Proposed Restructuring is expected to:

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

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

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

Completion of the Proposed Restructuring is subject to a number of conditions as set out in the RSA and the BCA, including, among other things: (i) approval of the Plan by the requisite thresholds of the Group Chapter 11 Companies' creditors (being, in broad terms, at least one half of the Legacy Lenders and those holding two thirds of the claims outstanding under the Legacy Facilities); (ii) confirmation of the Plan by the Bankruptcy Court; (iii) execution of ancillary implementation proceedings; (iv) entry into, and filing of, the definitive documents required to implement the Proposed Restructuring; and (v) meeting certain milestones as discussed above. In connection with the consummation of the Proposed Restructuring, the Group also has the ability to enter into a revolving credit facility of up to $200 million (which is subject to certain approval rights of the Legacy Lenders that have signed the RSA and the Legacy Lenders that have agreed to fully backstop the Backstopped Rights Offering). Further, the BCA and the RSA are subject to termination events customary for these types of agreements. Lastly, upon the occurrence of certain termination events set forth in the BCA, the Group would be required to pay $398.25 million in cash.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

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

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

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

No liability has been recognised in respect of the judgment at the balance sheet date on the basis that payment is not considered probable at this stage, and the directors have not factored any payment of damages within their assessment of whether it is appropriate to adopt the going concern basis for the Group as at 31 December 2022. Any amounts subsequently paid to Cineplex will rank alongside the Group's other unsecured claims within Class 5A – Section 510(b) Claims and will be determined as part of the Chapter 11 Cases.

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

The Directors have determined the going concern basis of accounting in the preparation of these financial statements is appropriate in light of doing so the Directors have considered the current availability of the DIP facility, the Proposed Restructuring and Plan for emergence from Chapter 11, combined with the forecast trading levels and hence the level of liquidity and available finance in making this assessment. However, as described above, completion of the Proposed Restructuring and exit from Chapter 11, which is required for the Group to continue as a going concern, is subject to a number of conditions and approvals, including Creditor and Bankruptcy Court approval which are uncertain at this point in time. The Group's ability to exit the Chapter 11 proceedings is critical for the ongoing operations of the Company.

In addition, during the Chapter 11 Cases and after the Group Chapter 11 Companies' emergence from Chapter 11, the recovery of the Group will remain sensitive to the speed at which admission levels continue to return to pre-pandemic levels (if at all). If admissions fail to reach the Group's forecasts, the recovery of the Group may be slower than anticipated and/or the Group Chapter 11 Companies may become more reliant on funding from the DIP Facility prior to the Proposed Restructuring, or the proposed financing arrangements agreed to under the RSA or such similar financing arrangements (as applicable) after completion of the Proposed Restructuring. In particular, at this point, the Group has not secured the revolving credit facility of up to $200 million referred to above. There remains uncertainty as to, first, whether the Group will have secured sufficient debt for its needs in a severe but plausible downside scenario and, second, on what terms, such that it would remain adequate and committed for not less than 12 months.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

These conditions raise a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern for at least twelve months after the date of signing the financial statements.

The financial statements do not reflect the adjustments to the carrying values of assets, liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Significant accounting policies

The accounting policies set out below have been applied consistently in all the years presented, unless otherwise stated in dealing with items which are considered material in relation to the Company's financial statements.

Revenue

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

Box office revenue

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

Retail revenue

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Advertising revenue

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

Membership revenue

- Membership revenue relates to the purchase of a specific number of tickets along with exclusive offers and is recognised at the point of sale.

Other revenue

Other revenue includes the following:

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

Deferred revenue

Deferred revenue primarily consists of the following:

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

Cost of sales and administrative expenses

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

Management charges

The parent company, Picturehouse Cinemas Limited, initially recognises central costs relating to the overall management and operations of the Picturehouse estate. Picturehouse Cinemas Limited recharges these costs to the company based on the Company's earnings before interest, tax and depreciation ("EBITDA") as a proportion of overall EBITDA of the Picturehouse estate.

Government grants

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

Cash and cash equivalents

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

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

Impairment of Goodwill
The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimate of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating unit that holds the goodwill at a determined discount rate to calculate the present value of those cash flows.

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

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

Land and buildings	30 years or life of lease if shorter
Plant and machinery	3 to 10 years
Fixtures and fittings	4 to 10 years

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

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

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

Impairment tests in respect of property, plant and equipment assets are based on cash flows for the site.

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

Reversals of impairment
An impairment loss is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount, including a change in fair value less costs to sell.
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

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

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

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

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

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

Financial liabilities at amortised cost include trade payables and long-term debt. Trade payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as noncurrent liabilities.

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

Loss allowances will be measured on either of the following basis;

i. 12-month expected credit losses ('ECLs') are the ECLs that result from possible default events within 12 months after the reporting date; and
ii. lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instruments.

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

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

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

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

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

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

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

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

Significant accounting judgements and estimates

Judgements
There are no key accounting judgements.

Estimates
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. In applying the Company's accounting policies described above the Directors have identified that the following areas are the key estimates that could have a significant impact on the amounts recognised in the Financial Statements in the next financial year.

Impairment of goodwill
The Company performs an annual assessment to determine whether goodwill is impaired. This assessment requires an estimate of the value in use of the CGU to which the goodwill is allocated, which is at the individual cinema site level.

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

The Directors consider that the key assumptions made within the cash flow forecasts include admissions levels, average ticket price, concession spend per person, and discount rates. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGU, and that the discount rate used is appropriate given the risks associated with the specific cash flows.

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

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

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

- Amendment to IFRS 16 Leases COVID—9 - Related rent concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- The amendments to FRS 101 provided an exemption from paragraph 74A(b) of IAS 16 Property, Plant and Equipment and maintain consistency with IAS 1 Presentation of Financial Statements.
- Amendments to remove reference to paragraph 39 and 40 of IAS 1. These paragraphs were deleted by Annual Improvements to IFRSs 2009-2011 Cycle, and therefore were only applicable to accounting periods beginning before 1 January 2013.

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

2. Revenue

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

	Year ended 31 December 2021	Year ended 31 December 2020 Restated
	£	£
Revenue by product and service provided		
Box Office	**195,262**	191,991
Retail	**96,062**	91,330
Membership	**63,459**	54,372
Advertising	**12,357**	13,649
Other	**1,869**	-
Total revenue	**369,009**	351,342
Timing of revenue recognition		
At a point in time	**369,009**	351,342
Over time	**-**	-

See note 19 for further detail relating to the prior year restatement.

No revenue recognised during the year was included within the opening contract liability balance (2020 £nil).

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

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

Notes to the financial statements *(continued)*

3. Operating loss

The operating loss is stated after (crediting) / charging:

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Other operating income	**(162,323)**	(189,184)
Depreciation of tangible fixed assets	**19,790**	19,678
Management charges	**124,113**	135,997

Other operating income relates to government grants of £142,657 (2020: £189,184) relating to the furlough of staff and business support during the year as a result of the COVID-19 pandemic. This was received by Picturehouse Cinemas Limited and reallocated to this company.

Auditors' remuneration for 2021 and 2020 was borne by a fellow Group Company. The Company's allocation of the Group audit fee was £3,709 (2020: £1,544). There were no fees paid to the Company's auditors, PricewaterhouseCoopers LLP for 2021 and 2020, and its associates for services other than the statutory audit of the Company. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the Company's ultimate parent company Cineworld Group plc.

4. Employees

Staff costs were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Wages and salaries	**274,388**	299,546
Social security costs	**15,093**	13,942
	289,481	313,488

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

	Year ended 31 December 2021	Year ended 31 December 2020
	No.	No.
Management	**2**	2
Operational	**16**	23
	18	25

All staff costs for the year are recognised in cost of sales.

Staff are employed by Picturehouse Cinemas Limited, the immediate parent company. Where employees work at the site operated by the Company, related costs are recharged from Picturehouse Cinemas Limited to the Company. Employee numbers are presented on a consistent basis.

Notes to the financial statements *(continued)*

5. Tax on loss

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Corporation tax		
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Origination and reversal of temporary differences	**8,446**	(10,233)
Change in tax rate	-	1,077
Total deferred tax	**8,446**	(9,156)
Taxation on loss	**8,446**	(9,156)

The tax assessed for the period is lower than (2020 – lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

Reconciliation of standard tax rate:

	Year ended 31 December 2021	Year ended 31 December 2020
	£	£
Loss before taxation	**(61,943)**	(139,494)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020 – 19%)	**(11,769)**	(26,504)
Group relief	**14,893**	-
(Income) / expenses not deductible for tax purposes	**(499)**	4,968
Movement on deferred tax assets	**4,564**	11,303
Adjustments in respect of prior periods	**1,257**	-
Change in tax rate on deferred tax balances	-	1,077
Total tax charge / (credit) for the period	**8,446**	(9,156)

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

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

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

Notes to the financial statements *(continued)*

6. Goodwill

Cost and net book value	**£**
At 1 January 2021	29,226
At 31 December 2021	29,226
At 1 January 2020	29,226
At 31 December 2020	**29,226**

Goodwill of £50,000 was recognised on acquisition of the trade and assets of the Exeter cinema by C S (Exeter) Limited in 2006. This represented the excess of purchase consideration over the fair value of cinema assets on date of acquisition.

An accumulated amortisation charge of £20,774 had been recognised on this goodwill balance up to 2 January 2015. At this point C S (Exeter) limited changed accounting policies to be in-line with FRS 101. On adoption of FRS 101 amortisation of goodwill ceased.

The carrying value of this goodwill at 31 December 2021 was £29,226.

Impairment
The Company determines whether goodwill is to be impaired on an annual basis. The annual assessment requires an estimate of the value in use of the cinema CGU to which the Company's goodwill is allocated.

Based on the results of this impairment review, no impairment charge was recognised in the year.

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

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

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

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

- Budgeted Adjusted EBITDA for 2022 represents management's best estimate of future cashflows and have therefore been used as the base assumption within the cash flow forecast. The budget assumptions reflect management's assessment of the short-term impact of COVID-19.
- Adjusted EBITDA for the year ended 31 December 2019 is deemed to represent a standard year of cash flows generated under normal operating conditions. Management have therefore used 31 December 2019 actuals as the standard operating conditions for a fully recovered year within the cash flow forecast.
- As part of the Group's assessment of going concern and longer-term viability a forecast reflecting the impact of COVID-19 has been prepared. Management have compared the assumptions used within this model to that of the actuals at 31 December 2019. The differential between 31 December 2019 and the COVID-19 forecast has been deemed to represent a reduction as a result of the virus.

Notes to the financial statements *(continued)*

- For the 2022 forecast period, management used theatre level budget information which includes expected impact to a standard year of cash flow for COVID-19. For the 2023 forecast period, management have applied the respective financial year's hair-cut to the 31 December 2022 budget to generate the forecast Adjusted EBITDA for each financial year on a like for like basis.

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

7. Property, plant and equipment

	Land and buildings £	Plant & machinery £	Fixtures & fittings £	Total £
Cost				
At 1 January 2021	934,739	268,185	211,008	1,413,932
At 31 December 2021	**934,739**	**268,185**	**211,008**	**1,413,932**
Accumulated Depreciation				
At 1 January 2021	209,244	266,783	202,851	678,878
Charge for the year	17,264	507	2,019	19,790
At 31 December 2021	**226,508**	**267,290**	**204,870**	**698,668**
At 31 December 2021	**708,231**	**895**	**6,138**	**715,264**
At 31 December 2020	725,495	1,402	8,157	735,054

During the year a detailed review of the Company's fixed asset register was started. The review is ongoing in respect of assets with a net book value of £368,732 (representing cost of £972,898 and accumulated depreciation of £604,167) and is expected to be completed in the next financial year.

8. Inventories

	31 December 2021 £	31 December 2020 £
Finished goods and goods for resale	**7,675**	1,481

Inventory recognised in cost of sales in the year amounted to £24,337 (2020: £32,408). No items of inventory are carried at fair value less cost to sell or were written down to fair value less costs to sell and recognised as an expense during the year (2020: £nil).

No items of inventory are pledged as security for liabilities.

Notes to the financial statements *(continued)*

9. Trade and other receivables

	31 December 2021 £	31 December 2020 £
Amounts owed by group undertakings	**64,092**	250,387
Expected credit loss provision	**(4,679)**	(22,146)
Prepayments and accrued income	**1,000**	-
	60,413	228,241

An expected credit loss provision of £4,679 (2020: £22,146) has been recognised against amounts owed from Group undertakings. The movement resulted in a release of provisions during the year of £17,468 (2020: £11,394 charge) which has been recognised on the face of the statement of comprehensive income.

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

10. Cash and cash equivalents

	31 December 2021 £	31 December 2020 £
Cash at bank and in hand	**2,337**	2,131

11. Creditors: Amounts falling due within one year

	31 December 2021 £	31 December 2020 £
Amounts owed to group undertakings	**589,029**	725,026
Accruals and deferred income	**25,921**	9,199
	614,950	734,225

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

Notes to the financial statements *(continued)*

12. Deferred tax

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

	31 December 2021	31 December 2020
	£	£
Accelerated capital allowances	**(8,446)**	-
	(8,446)	-

Movement in deferred tax

	31 December 2020	**Recognised in income**	**31 December 2021**
	£	**£**	**£**
Tangible fixed assets	**-**	**(8,446)**	**(8,446)**
	-	**(8,446)**	**(8,446)**

	31 December 2019	Recognised in income	31 December 2020
	£	£	£
Tangible fixed assets	(9,156)	(9,156)	-
	(9,156)	(9,156)	-

13. Share capital

	31 December 2021	31 December 2020
	£	£
Allotted, called up and fully paid		
453,000 (2020: 453,000) - Ordinary shares of £0.01 each	4,530	4,530

14. Related party transactions

As the Company is a wholly owned subsidiary of Cineworld Group Plc, the Company has taken advantage of the exemption contained in FRS 101 8(k) and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) in-line with IAS 24. The consolidated financial statements of Cineworld Group Plc, within which this Company is included, can be obtained from the address given in note 15.

15. Controlling party

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

16. Commitments and contingencies

The Company had no contractual commitments, pension commitments, guarantees and contingencies at 31 December 2021.

Notes to the financial statements *(continued)*

17. Remuneration of directors

Directors received remuneration from other Group companies, none of which is considered to be in respect of services rendered to this Company.

Information on emoluments of Directors of this Company borne by Group entities is disclosed in the consolidated financial statements of the Company's ultimate holding parent company Cineworld Group plc. Where Directors of the Company are not Directors of Cineworld Group plc, their salaries have been disclosed within the financial statements of Cineworld Cinemas Limited. No apportionment to determine the amount attributable to individual entities is performed..

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

18. Post balance sheet events

On 7 September 2022, Cineworld Group plc ("Cineworld") and its subsidiaries (the "Group") announced that Cineworld and certain of its subsidiaries (collectively, the "Group Chapter 11 Companies") had filed a voluntary petition under title 11 of the United States Code (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of Texas (the "Court"). As part of the Chapter 11 Cases, Cineworld, with the expected support of its secured lenders, is seeking to implement a de-leveraging transaction that will significantly reduce the Group's debt, strengthen its balance sheet and provide the financial strength and flexibility to accelerate, and capitalise on, Cineworld's strategy in the cinema industry.

For the duration of the Chapter 11 Cases and the period following the Group's exit from the Chapter 11 Cases, the Group's operations, ability to develop and execute its business plan, as well as its continuation as a going concern, are subject to risks and uncertainties associated with the Chapter 11 Cases. Refer to Going Concern in Note 1 for further details.

19. Prior year restatement

Extract of Statement of Comprehensive income as at 31 December 2020

	Year ended 30 December 2020 As reported £000	Adjustment £000	Year ended 30 December 2020 As restated £000
Revenue	369,089	(17,747)	351,342
Cost of sales	(461,676)	17,747	(443,929)
Gross loss	(92,587)	-	(92,587)
Loss before taxation	(139,494)	-	(139,494)
Tax credit on loss	9,156	-	9,156
Loss and total comprehensive expense for the financial year	(130,338)	-	(130,338)

Adjustment

During the year it was identified that box office revenue was overstated due to the redemption of tickets purchased through Membership. Membership revenue was recognised correctly at the point in time when individuals purchased membership. However, box office revenue was also recognised at the point in time when members utilised their membership benefits to view films, based on a notional amount per ticket for the purpose of external reporting. The other side of the entry was recognised in cost of sales and therefore had a nil impact on profit. Management has restated the prior year financial statements to remove this additional revenue and cost.