# *Pearl & Dean Cinemas Limited*

## *Directors' report and financial statements for the year ended 31 December 2017*

Registered number 00614063

## *Pearl & Dean Cinemas Limited*

## *Directors' report for the year ended 31 December 2017*

The directors present their report and the audited financial statements of the company (registered number 00614063) for the year ended 31 December 2017.

**Principal activity**
The principal activity of the company during the year was to provide cinema advertising.

**Results and dividends**
The company's profit for the year after taxation amounted to £507,000 (2016: profit £408,000).

The directors do not recommend the payment of a dividend (2016: £nil), leaving a profit of £507,000 to be transferred to reserves (2016: profit of £408,000).

**Going concern**
The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors have reviewed the working capital requirements of the company and have considered the available loan facilities over the next 12 months and believe that the actions commenced in earlier years will continue to flow through and secure the company's future. Whilst market volatility can lead to uncertainty in generating future cash resources, the directors nevertheless believe that the company will have adequate resources to continue; therefore these financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result if the company were unable to continue as a going concern.

**Directors**
The directors who held office during the year and up to the date of signing the financial statements are given below:

Dermot Hanrahan
Kathryn Jacob
Justin Ribbons
Paresh Thakrar
Howard Warren
Robert Wrixon

In accordance with the Articles of Association, the directors do not retire by rotation.

**Directors' interests**
The directors do not hold any shares in the company.

**Registered office:**
Corinthian House
279 Tottenham Court Road
London
W1T 7RJ

# *Pearl & Dean Cinemas Limited*

## *Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements*

The directors are responsible for preparing the Directors' 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 102, 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 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.

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

This report has been prepared in accordance with the special provisions relating to medium-sized companies within Part 15 of the Companies Act 2006.

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.

**Independent auditor**
A resolution to reappoint PricewaterhouseCoopers LLC will be proposed at the forthcoming Annual General Meeting.

**On behalf of the Board**

Kathryn Jacob

**Kathryn Jacob**
**Director**

25 January 2019

# *Pearl & Dean Cinemas Limited*

## *Directors' strategic report for the year ended 31 December 2017*

**Business review and future developments**
The company derives its income from marketing cinema screen advertisements to media and creative agencies and their clients. The directors have considered the results for the year and the financial position as at 31 December 2017. Following continued improved profitability the directors look forward to further growing and improving the business in the future particularly focussing on alternative but related revenue streams.

**Financial risk factors**
The company is exposed to a variety of financial risks that arise from and apply to the company's activities: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The company's risk management programme focuses on the unpredictability of the advertising and cinema admissions markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by management under policies reviewed and approved by the directors, covering foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

(a) **Currency risk**
The company operates almost wholly within the UK and is exposed to minimal foreign exchange risk. Foreign exchange risk arises primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions and trade assets and liabilities in foreign currencies.

(b) **Credit risk**
The company has no significant concentration of credit risk. It has policies in place to ensure that sales are made to agencies and customers with an appropriate credit history and the company has a policy of only banking with reputable financial institutions.

(c) **Liquidity risk**
Prudent liquidity management implies maintaining sufficient cash and the availability of funding as set out in the going concern paragraph above.

(d) **Cash flow interest rate risk**
The company's policy is to monitor interest rate risk exposures on long-term financing. Longer-term borrowings are issued at variable rates which expose the company to cash flow interest rate risk. The company manages interest rate risk on borrowings by ensuring access to diverse sources of funding, reducing risks of refinancing by establishing and managing operational cash flows in accordance with target maturity profiles. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing.

**Key performance indicators**
The largest impact on the company's performance is the economy and its effect upon the advertising market generally. However, subject to that, the directors' focus on ensuring that the company, as a minimum, achieves its appropriate share of revenue within the cinema advertising market by reviewing externally produced data. Although the available data can only be used for guidance purposes the indications are that this has been achieved. The Company continues to focus on the development of new revenue streams with encouraging progress so far in brand partnerships and mobile. The remaining KPI concerns the number of screens within our direct franchise which decreased from 1067 to 1052 screens during the year.

**On behalf of the Board**

**Kathryn Jacob**
**Director**

25 January 2019

# *Independent auditor's report to the members of Pearl & Dean Cinemas Limited*

## Report on the audit of the financial statements

### Opinion

In our opinion, Pearl & Dean Cinemas Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the cash flow statement, 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 opinion

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 Auditor's 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 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.

### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

**Responsibilities for the financial statements and the audit**

***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, 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.

***Auditor's responsibilities for the audit of the financial statements***

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

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

## *Independent auditor's report to the members of Pearl & Dean Cinemas Limited* *(continued)*

***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**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or 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.

**Andrew Dunn BSc FCA (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants and Statutory Auditors
Sixty Circular Road
Douglas, Isle of Man
IM1 1SA

25 January 2019

# *Pearl & Dean Cinemas Limited*

## *Statement of comprehensive income for the year ended 31 December 2017*

| | Note | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Turnover** | | **18,028** | 18,411 |
| Cost of sales | | **(15,992)** | (16,645) |
| **Gross profit** | | **2,036** | 1,766 |
| Administration expenses | | **(1,452)** | (1,318) |
| Finance costs | | **(12)** | - |
| **Operating profit** | | **572** | 448 |
| **Profit on ordinary activities before taxation** | 4 | **572** | 448 |
| Tax on profit on ordinary activities | 5 | **(65)** | (40) |
| **Profit for the financial year** | | **507** | 408 |
| **Total comprehensive income for the year** | | **507** | 408 |

The notes on pages 10 to 20 form an integral part of the financial statements.

The above results are derived from continuing operations.

## *Pearl & Dean Cinemas Limited*

## *Balance sheet as at 31 December 2017*

| | Note | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 6 | 38 | 12 |
| Loans to group undertakings | 15 | 5,804 | - |
| Other related loans | 15 | 255 | - |
| | | 6,097 | 12 |
| **Current assets** | | | |
| Debtors | 7 | 6,967 | 8,721 |
| Cash at bank and in hand | | 1,071 | 69 |
| | | 8,038 | 8,790 |
| **Creditors: amounts falling due within one year** | 8 | (13,151) | (9,325) |
| **Net current liabilities** | | (5,113) | (535) |
| **Creditors: amounts falling due after more than one year** | 9 | (1,000) | - |
| **Net liabilities** | | (16) | (523) |
| **Capital and reserves** | | | |
| Called up share capital | 11 | 4,912 | 4,912 |
| Profit and loss deficit | | (4,928) | (5,435) |
| **Total shareholders' deficit** | | (16) | (523) |
| **Shareholders' deficit attributable to:** | | | |
| Equity shareholders' deficit | | (20) | (527) |
| Non-equity shareholders' funds | | 4 | 4 |
| | | (16) | (523) |

The financial statements on pages 7 to 20 were approved and authorised for issue by the board on 25 January 2019 and signed on its behalf by:

Kathryn Jacob
**Director**

(registered number 00614063)

## *Pearl & Dean Cinemas Limited*

## *Statement of changes in equity for the year ended 31 December 2017*

| | Share capital £ | Profit and loss deficit £ | Total £ |
|---|---|---|---|
| Balance as at 1 January 2016 | 4,912 | (5,843) | (931) |
| Total comprehensive income for the year | - | 408 | 408 |
| Balance as at 31 December 2016 | 4,912 | (5,435) | (523) |
| **Balance at 1 January 2017** | **4,912** | **(5,435)** | **(523)** |
| Total comprehensive income for the year | - | 507 | 507 |
| **Balance as at 31 December 2017** | **4,912** | **(4,928)** | **(16)** |

## *Cash flow statement for the year ended 31 December 2017*

| | Note | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Net cash generated from / (used in) operating activities** | 12(a) | **2,240** | (128) |
| **Cash flow from investing activities** | | | |
| Purchase of tangible fixed assets | 6 | **(36)** | (2) |
| Loan to parent company | | **(5,480)** | - |
| **Net cash used in investing activities** | | **(5,516)** | (2) |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | | **1,515** | - |
| Net proceeds from invoice discounting | | **2,763** | - |
| **Net cash generated from financing activities** | | **4,278** | - |
| **Net increase / (decrease) in cash and cash equivalents** | | **1,002** | (130) |
| Cash and cash equivalents at the beginning of the year | | **69** | 199 |
| **Cash and cash equivalents at the end of the year** | | **1,071** | 69 |

The notes on pages 10 to 20 form an integral part of the financial statements.

# *Notes to the financial statements for the year ended 31 December 2017*

## 1 *General information*

Pearl & Dean Cinemas Limited provides cinema advertising through a network of cinemas in the United Kingdom and Ireland. The company is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is Corinthian House, 279 Tottenham Court Road, London W1T 7RJ.

## *Statement of compliance*

The financial statements of Pearl & Dean Cinemas Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

## *Summary of significant accounting policies*

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

**Basis of preparation**
These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 13.

**Going concern**
The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors have reviewed the working capital requirements of the company and have considered the available loan facilities over the next 12 months and believe that the company's future is secure. Whilst market volatility can lead to uncertainty in generating future cash resources, the directors nevertheless believe that the company will have adequate resources to continue, therefore these financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result if the company were unable to continue as a going concern.

**Exemptions for qualifying entities under FRS 102**
FRS 102 allows a qualifying entity certain disclosure exemptions. The company has not taken advantage of any available exemption for qualifying entities.

**Turnover**
Turnover represents the gross value of cinema advertising contracts, net of trade discounts and less any sales taxes. Turnover is recognised evenly over the duration of the contracts, commencing on the date that the advertising campaign is first played.

**Expenses**
Cost of sales and administrative expenses are accounted for on an accruals basis. Cost of sales includes service and support fees, contractual payments due to cinemas payable for each cinema's agreed share of the cinema advertising contracts purchased by the company, production and sales payroll related costs.

## 1 General information (continued)

**Tangible assets and depreciation**
Tangible assets are stated at cost less accumulated depreciation and any provision for impairment.

The cost of fixtures, fittings and office equipment is written off using the following annual depreciation rates, which reflect the useful lives of the assets concerned:

Fixtures, fittings and office equipment 20-25%

**Tax**
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted. Deferred tax assets are only recognised when there is sufficient evidence of recoverability in future periods.

**Employee benefits**
The Company provides a range of benefits to employees, including annual bonus arrangements and paid holiday arrangements.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**Pensions**
The company makes contributions to a defined contribution scheme, the assets of the scheme being held separately from the assets of the company. The pension cost charge represents contributions payable to the scheme.

**Operating leases**
Rental payments due under operating leases are charged in arriving at profit or loss on ordinary activities on a basis representative of the benefit of the asset, which normally corresponds to the year to which they accrue.

**Foreign currency**
Transactions denominated in currencies other than Sterling are transactions in foreign currencies. Monetary assets and liabilities held in foreign currency are translated into Sterling at the exchange rate ruling at the balance sheet date. Revenue transactions have been translated into Sterling at the exchange rate in operation on a monthly average rate. Gains and losses on exchange are dealt with in the profit and loss account.

**Functional and presentational currency**
The Company's functional and presentational currency is Pounds Sterling (£).

**Financial instruments**

i) **Financial assets**
Basic financial assets, including trade debtors, accrued income and cash at bank, are initially recognised at transaction price, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of

## 1 General information *(continued)*

interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured as amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of ownership of the asset are transferred to another party or (iii) despite having retained some significant risk and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Trade debtors that are factored out to financial institutions with recourse to the company are not derecognised because the company retains substantially all of the risks and rewards – primarily credit risk. The corresponding cash received from financial institutions is presented as part of invoice discounting under creditors: amounts falling due within one year in the balance sheet.

**ii) Financial liabilities**

Basic financial liabilities, including trade creditors, amounts due to group undertakings, amounts due to related companies and accruals and deferred income are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Interest expense is presented as part of finance costs in the statement of comprehensive income.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when the liability is extinguished, which is when the contractual obligation is discharged, cancelled or expires.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

# 1 General information (continued)

## Critical accounting judgements and estimation uncertainty

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Impairment of receivables**

The Company makes an estimate of the recoverable value of trade and other debtors. Provisions are made specifically against receivables where there is evidence of a dispute or inability to pay. In making this assessment, management considers a number of factors including the ageing profile and historical experience.

# 2 Directors' emoluments

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Aggregate emoluments | 335 | 504 |
| Money purchase scheme: | | |
| Company pension contributions | 7 | 14 |

**Highest paid director**

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Aggregate emoluments | 154 | 266 |

# 3 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

| | 2017 Number | 2016 Number |
|---|---|---|
| By activity: | | |
| Sales | 30 | 32 |
| Other | 4 | 3 |
| | 34 | 35 |

## 3 Employee information *(continued)*

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Staff costs during the year were as follows: | | |
| Wages and salaries | 2,030 | 2,001 |
| Social security costs | 225 | 237 |
| Other pension costs (note 13) | 104 | 100 |
| | 2,359 | 2,338 |

## 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| Depreciation of owned fixed assets | | 10 | 18 |
| Operating lease costs | | 149 | 147 |
| Auditor's remuneration | - for audit services | 26 | 28 |
| | - for tax compliance services | 3 | 4 |

## 5 Tax on profit on ordinary activities

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax at 19.25% (2016: 20.00%) | 105 | 64 |
| Adjustments to tax charge in respect of previous periods | (49) | (12) |
| | 56 | 52 |
| **Deferred tax** | | |
| Excess of capital allowances over depreciation / (excess of depreciation over capital allowances) | 8 | (11) |
| Short term timing differences | 1 | (1) |
| | 9 | (12) |
| **Tax on profit on ordinary activities** | 65 | 40 |

## 5 *Tax on profit on ordinary activities (continued)*

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19.25% (2016: 20.00%). The actual tax for the current and prior years differs to the standard rate for the reasons set out in the following reconciliation:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Profit on ordinary activities before tax** | 572 | 448 |
| Expected tax charge on profit on ordinary activities at 19.25% (2016: 20.00%) | 110 | 90 |
| Expenses not deductible for tax purposes | 21 | 16 |
| Adjustments to tax charge in respect of previous periods | (49) | (12) |
| Re-measurement of deferred tax – change in UK tax rate | (1) | - |
| Deferred tax not recognised | - | (12) |
| Group relief claimed | (16) | (42) |
| **Total current tax charge** | 65 | 40 |

**Factors affecting current and future tax charges**
It was announced in the 2015 UK Budget that the UK corporation tax rate will be reduced to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. At Budget 2016, the Government announced a further reduction to the corporation tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020 settling the rate at 17%. These were substantially enacted at the balance sheet date.

## 6 *Tangible assets*

| | Fixtures, fittings and office equipment £'000 |
|---|---|
| **Cost** | |
| At 1 January 2017 | 683 |
| Additions | 36 |
| Disposals | - |
| **At 31 December 2017** | 719 |
| **Depreciation** | |
| At 1 January 2017 | 671 |
| Charge for the year | 10 |
| Disposals | - |
| **At 31 December 2017** | 681 |
| **Net book amount** | |
| **At 31 December 2017** | 38 |
| At 31 December 2016 | 12 |

## 7 Debtors

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Trade debtors | 6,686 | 7,725 |
| Amount due from parent company (note 15) | - | 603 |
| Amounts due from related parties under common control (note 15) | 80 | 205 |
| Prepayments and accrued income | 198 | 176 |
| Deferred tax asset (notes 5 and 10) | 3 | 12 |
| | 6,967 | 8,721 |

Amounts due from related parties are unsecured, interest free and repayable on demand.

On 22 December 2017, the company entered into a debt purchase agreement for its UK debts up to a maximum of £4,000,000. This facility is available for a minimum of 24 months and bears interest of 4.5% above LIBOR with a minimum rate of 4.75% being applied to the purchased debt.

The carrying amounts of the trade debtors include receivables which are subject to the debt purchase agreement. Under the agreement, the company has transferred the relevant receivables to a financial institution in exchange for cash and is prevented from selling or pledging them. However, the company has retained the credit risk under a 120-day recourse period and therefore it continues to recognise the transferred assets in their entirety in the balance sheet. The £2,763,043 (2016: £nil) proceeds from transferring the debts are included within creditors: amounts falling due within one year (note 8) until the debts are collected or the company makes good any losses incurred by the lender. Trade debtors secured against the borrowing amounted to £6,504,195 (2016: £nil).

## 8 Creditors: amounts falling due within one year

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Trade creditors | 3,299 | 2,666 |
| Accruals and deferred income | 5,297 | 4,829 |
| Other creditors including taxation and social security | 1,292 | 1,830 |
| Invoice discounting (note 9) | 2,763 | - |
| Current portion of long-term loan (note 9) | 500 | - |
| | 13,151 | 9,325 |

The company uses an invoice discounting arrangement secured by trade receivables as disclosed in note 7.

## 9 Creditors: amounts falling due after more than one year

On 22 December 2017, the company entered into a loan agreement for an amount of £1,500,000 secured by a fixed and floating charge over the company's assets. Variable interest is accrued at a rate of 5.5% above LIBOR per annum. The loan is to be repaid in equal monthly instalments over 36 months.

## 10 *Deferred taxation*

At 31 December 2017, deferred tax asset recognised consists of:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Deferred tax** | | |
| Excess of depreciation over capital allowance | 3 | 11 |
| Short term timing difference | - | 1 |
| **Total deferred tax asset** | 3 | 12 |

Movement in provision

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Provision at start of year | 12 | - |
| Deferred tax charged in the profit and loss account for the year | (9) | 12 |
| **Total deferred tax asset** | 3 | 12 |

## 11 *Called up share capital*

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Authorised** | | |
| 5,309,000 ordinary shares of £1 each | 5,309 | 5,309 |
| 2,500 5% cumulative preference shares of £1 each | 3 | 3 |
| | 5,312 | 5,312 |
| **Allotted and fully paid** | | |
| 4,909,000 ordinary shares of £1 each | 4,909 | 4,909 |
| 2,500 5% cumulative preference shares of £1 each | 3 | 3 |
| | 4,912 | 4,912 |

The 5% cumulative preference shares carry a fixed cumulative preference dividend at the rate of 5% per annum. On a winding up the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. The cumulative preference shares shall not normally confer the right to vote at any General Meeting. No dividend has been paid on the preference shares for this or the previous year as the holders have waived payment. The cumulative, waived arrears as at 31 December 2017 amounted to £3,225 (2016: £3,100).

# 12 Notes to the cash flow statement

**a) Net cash flow from operating activities**

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Profit for the financial year** | 507 | 408 |
| Adjustment for: | | |
| Tax on profit on ordinary activities | 65 | 40 |
| Operating profit | 572 | 448 |
| Depreciation of tangible fixed assets (note 6) | 10 | 18 |
| Interest expense | 12 | - |
| Income taxes paid | (23) | - |
| Increase in loans to group undertakings | (324) | - |
| Increase in other loans | (255) | - |
| Decrease / (increase) in debtors | 1,745 | (1,287) |
| Increase in creditors | 503 | 693 |
| **Net cash generated from / (used in) from operating activities** | 2,240 | (128) |

**b) Major non cash transactions**

There were no non cash transactions during the year ended 31 December 2017 (2016: £nil).

# 13 Pension commitments

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund that is independent from those of the company.

The profit and loss expense for the company during 2017 was £103,840 (2016: £99,670). As at 31 December 2017 the company had unpaid pension commitments of £24,840 (2016: £14,761).

# 14 Operating lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for land and buildings and other operating leases for each of the following periods:

| | Land and buildings 2017 £'000 | Other 2017 £'000 | Land and buildings 2016 £'000 | Other 2016 £'000 |
|---|---|---|---|---|
| Payments due: | | | | |
| - not later than one year | 192 | 13 | 192 | 7 |
| - later than one year and not later than five years | 497 | 7 | 721 | 10 |
| - over five years | - | - | - | - |
| | 689 | 20 | 913 | 17 |

# *Notes to the financial statements for the year ended 31 December 2017 (continued)*

## 15 *Related party transactions*

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Loans to group undertakings: | | |
| Parent company (a) | 5,480 | - |
| Loan to entites under common control: | | |
| - Castleforbes Investments Limited ("Castleforbes") (b) | 204 | - |
| - Mepro Ltd T/A Wide Eye Media ("Mepro") (c) | 120 | - |
| | 5,804 | - |
| Other related loans (d) | 255 | - |
| | 255 | - |

The following are significant transactions with related parties and the outstanding balances as at 31 December 2017 and 2016:

a) As at 31 December 2017, receivables from the parent company amounted to £5,479,837. As at 31 December 2016, the receivables from the parent company of £603,343 were presented as part of debtors in the balance sheet (note 7).

   Amounts due from the parent company are unsecured subject to 6% interest per annum.

b) During the year, the company provided a loan to Castleforbes, a company under common control, for £203,743 (2016: nil) which remained outstanding as at 31 December 2017. The loan is subject to 13% interest per annum.

c) The company provided a loan to Mepro, a company under common control, amounting to £120,000 (2016: £120,000) which remained outstanding as at 31 December 2017 and 2016. As at 31 December 2016, the outstanding loan from Mepro of £120,000 was presented as part of debtors in the balance sheet (note 7). Revenue recognised from transactions with Mepro amounted to £109,558 (2016: £135,436), of which £80,908 (2016: £85,305) remained outstanding at balance sheet date.

   Amounts due from entities under common control are unsecured and interest free.

d) The company has provided a £255,191 (2016: nil) loan to a third party for which a repayment commitment has been obtained from Step Investments Limited, a company under common control. The loan is secured and subject to 13% interest per annum.

The directors do not intend to call on the amounts due from group undertakings and other related loans within the next 12 months.

## 16 Immediate and ultimate parent undertaking and controlling party

The immediate parent undertaking from 21 July 2015 is Willowbrook Investments Limited, a company incorporated in England. The ultimate parent undertaking is Verana Trust Limited, a company incorporated in Ireland, which is owned by The Oxford Trust. The ultimate controlling party is Prism Trustees Limited, a company incorporated in the Isle of Man and the trustee of the Oxford Trust.

As part of change in ownership on 21 July 2015, should Pearl & Dean Cinemas Limited become unable to pay its debts as they fall due, they are entitled to deliver a Cashflow Deficit Certificate by no later than 31 July 2019, the former owner is required to provide an interest free and unsecured loan of an amount equal to the Cashflow Deficit, up to an aggregate maximum of £1,750,000.

## 17 Subsequent events

On 15 June 2018, the parent company entered into a loan agreement with a financial institution, Capital Step Funding Limited, for a £2,500,000 loan facility to refinance certain related party debts. The agreement contains fixed and floating charges covering all the property/undertakings of the company. Such charge was summarised in a debenture agreement which the company signed on 3 September 2018.