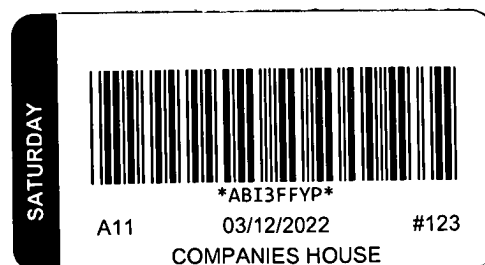


**United Cinemas International (UK)
Limited**

Strategic Report, Directors' Report and
financial statements

Registered number 1732125

31 December 2021



Contents

Strategic Report	1
Directors' Report	4
Corporate Governance Report	7
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	12
Independent Auditor's Report to the members of United Cinemas International (UK) Limited	13
Profit and Loss Account	16
Balance Sheet	17
Statement of Changes in Equity	18
Notes	19

Strategic Report

Business review

Market position

United Cinemas International (UK) Limited ("the Company") operates under the Odeon brand as one part of the wider Odeon UK Group ("the UK Group") which is a market leader in the UK operating 112 cinemas with 894 screens at the year-end date. It also forms a major part of Odeon Cinemas Group, Europe's largest cinema exhibitor, operating in nine countries.

Clear strategy for growth

In 2021, we launched our new brand purpose 'We Make Movies Better', focusing on developing world-class cinemas that deliver memorable entertainment experiences for our guests, whilst offering fantastic careers for our people.

We make movies:

- more immersive: with Luxe fully reclining seats offering optimum space and comfort; coupled with the very best in sight and sound innovation through bigger, better screens, including our own iSense brand and partnerships with IMAX and Dolby Cinema;
- more seamless: through investment in modern digital booking platforms and rewarding great value membership & subscription schemes;
- more delicious: with our wide selection of food and beverage options; and
- more memorable: thanks to our passionate and dedicated teams.

In 2020, due to the impact of the COVID-19 pandemic, the business put the five year strategy, the 'Big Plan', on hold and replaced it with the 'Recovery Plan' focusing on safety, managing costs and protecting the business, underpinned by our key values. In 2021, we evolved the Recovery Plan adding a focus on the guest as we reopened our doors.

Portfolio development – Luxe refurbishment and other initiatives

No cinema refurbishments were completed in the year, however capital investment in retail facilities continued as an integral part of the strategy to maximise future retail profitability. In addition, we have invested in the capital maintenance of our existing estate.

Further estate development activity is planned for 2022 and beyond including the introduction of recliner seating in selected cinemas.

The total United Cinemas International (UK) Limited Luxe estate includes 6 cinemas with no further cinemas being refurbished to our Luxe format in 2021. Each Luxe cinema has recliner seats throughout, and is extensively refurbished from the auditoria and technology, to the foyer areas and bathrooms.

Main market attendance

In 2021, our cinemas were closed due to the national government lockdown until 17 May 2021. As we continue our recovery from the impacts of the COVID-19 pandemic on our business, our aggregate attendance levels are significantly behind pre-pandemic levels. However, a more robust slate of major film releases is expected during 2022, which has generated optimism that cinema attendance levels will continue to improve gradually, as we experienced in 2021. Attendance figures for the entire market (source DCM - the market leader in cinema advertising):

Market Attendance (millions)	2019	2020	2021	2020 vs 2021
UK	176.0	44.0	74.0	30.0

The strongest performing films in the year included *No Time To Die*, *Spider-Man: No Way Home*, *Dune*, *Shang Chi And The Legend Of The Ten Rings* and *Peter Rabbit 2*.

Strategic Report *(continued)*

Financial results and KPIs

Turnover for the year was up 113% at £52.9m (2020: £24.8m), an operating loss pre-exceptional items was reported of £10.4m (2020: £35.7m loss) and the loss after taxation for the year was £15.0m (2020: £44.8m loss). Shareholders' Funds at the end of the current year were £37.4m (2020: £52.4m). The reduced losses have occurred due to greater opportunities for trade in 2021, following the rollout of the COVID-19 vaccination programme and reductions in government imposed restrictions.

The business is managed on a combined basis with KPIs measured on the wider UK Group rather than at an individual entity level. Included below are the KPIs for United Cinemas International (UK) Limited (the "Company") regarding attendance, average ticket price and food & beverage spend per person.

	2021	2020
Attendance	3,951,996	2,211,034
Average Ticket Price	£7.57	£6.48
Food & Beverage Spend Per Person	£4.34	£3.72

Investment

Due to the pandemic, in 2021 minimal funds were invested into developing the existing estate. In terms of asset additions, £1.5m was invested in existing sites, other revenue-generating projects and in capital maintenance of the estate. The Company plans to continue to invest to grow future earnings and enhance the quality of the existing estate in 2022.

Going concern and liquidity management

Liquidity management is performed on a group-wide basis for Odeon Cinemas Group ("the Group") by regularly forecasting and assessing the cashflows of the Group on a country-by-country basis and maximising the cash that is available, whilst complying with any related local legal or regulatory requirements.

Odeon Cinemas Group Limited ("OCGL") acts as the treasury company of the Group. OCGL maintains both external financing and financing from American Multi-Cinema, Inc. ("AMCI"), a direct subsidiary of the ultimate parent company, AMC Entertainment Holdings, Inc. ("AMC"). This financing is made available to the subsidiaries of the Group, including the Company, via intercompany loan facility agreements and/or capital contributions.

OCGL had an external £400.0m term loan (comprised of separate £140.0m and €296.0m tranches) that was drawn on 19 February 2021 and had a quarterly minimum liquidity covenant of £32.5m. The Group maintained compliance with this covenant since inception of the term loan. This term loan was due to mature on 19 August 2023. On 20 October 2022, the Group fully refinanced this term loan. Odeon Finco PLC, a direct subsidiary of OCGL, issued \$400.0m (£351.9m) aggregate principal amount of its 12.75% Odeon Senior Secured Notes due 2027 ("Odeon Notes due 2027") at an issue price of 92.00%. The Odeon Notes due 2027 bear cash interest at a rate of 12.75% per annum and will be payable semi-annually in arrears on 1 May and 1 November, beginning on 1 May 2023. The Odeon Notes due 2027 are guaranteed on a senior secured basis by certain subsidiaries of the Group and do not have a financial maintenance covenant. The Group used the \$368.0m (£323.7m) net proceeds from the new notes and \$146.7m (£129.0m) borrowings from AMCI to fund the full redemption of the term loan and to pay related accrued interest, fees, costs, premiums and expenses.

As at the balance sheet date, OCGL had two £130.0m loan facilities in place from AMCI, the principal and interest owed was £3.8m, leaving £256.2m available to be drawn. On 20 October 2022, £129.0m was drawn to fund the refinancing described above. In addition, on this date, two further facilities with AMCI were executed for \$100.0m and \$50.0m respectively. This gives a total of £259.2m available to be drawn at a USD:GBP exchange rate of 1.1367, represented by £127.2m available on the existing facilities and \$150.0m on the new facilities. The funding available from AMC is not limited to this amount. OCGL and all subsidiaries within the Group have received a letter of support from AMC which confirms that AMC has the ability to, and will provide the financial support required, for the Company to meet its liabilities as and when they fall due for the period to 31 December 2023.

Strategic Report *(continued)*

Going concern and liquidity management *(continued)*

The Directors have prepared cash flow forecasts for the period to 31 December 2023 (the "Review Period"), including scenarios that take into account severe but plausible downsides. These forecasts, including the downside scenario, indicate that the Group will have sufficient funding available through the facilities that are available from AMC to meet Group funding requirements.

In forming their conclusion, the Directors have also reviewed the cashflow forecasts and going concern evaluation of AMC for the Review Period and are comfortable, based on this information, that it is reasonable to expect that AMC will be able to meet its obligations as they become due within the Review Period. Therefore, the Directors believe that AMC will be able to provide the support the Group will require through the Review Period.

On this basis, the Directors have a reasonable expectation that the support from AMC will continue to be available for the Review Period and therefore the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the Directors have prepared the financial statements on the going concern basis.

Further information is set out in Note 1 to the financial statements.

Principal risks and risk management

Cinema is a well established and popular out of home leisure activity.

The principal risk facing the business is a reduction in attendance levels. This is affected by factors including competition, film production and film release. The Company mitigates this risk through our strategies to create the best possible guest experience, drive attendance and loyalty, as well as strategically managing a direct relationship between attendance levels, film costs, and fixed costs.

Foreign exchange rate fluctuations represent a potential risk. However, the majority of the UK Group revenues and costs arise in GBP which provides a natural hedge. Where significant purchases are necessary in a foreign currency, exchange rate hedging contracts are used to manage the risk.

The likelihood of general economic downturn has been increased by the COVID-19 pandemic, the conflict in Ukraine and the general economic and geo-political environment. The Company will continue to monitor this situation and respond as appropriate.

The conflict between Russia and Ukraine does not have a direct impact on the Company. The Group does not operate cinemas in either Russia or Ukraine. The limited impact and associated risks that this conflict presents on the Group is disclosed publicly in AMC's SEC filings.

Corporate Governance


Please see the company's Corporate Governance Report for its section 172 Statement.

Future prospects

Each of the strategic focus areas described earlier is being progressed through a number of current activities; and more are planned for the future.

The UK Group will continue to invest in its existing portfolio of sites and seek new opportunities. This strategy will be driven by the cash generation of our business and will be contingent on maintaining adequate liquidity as well as a required return threshold.

By order of the board

DocuSigned by:

7060B8B65209441...
NJ Williams
Director

28 November 2022

8th Floor
1 Stephen Street
London
W1T 1AT

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is the ownership and operation of cinemas under the Odeon brand.

Directors

The following were directors of the Company during the year and up to the date of this report:

AS Alker
D Ellis (resigned 24 June 2022)
MJ Way
CA Welch
NJ Williams

Directors' indemnities

Third party indemnity provisions for the benefit of the directors were made during the year and remain in force at the date of this report.

Proposed dividends

The directors do not recommend the payment of a dividend (2020: *£nil*).

Employee involvement

Employment in the Company decreased 13.7% to 913 in 2021 compared to 1,058 in 2020 (average number of employees, including part time employees). Meetings are held on a regular basis with employees to review attendance, film slate, financial and operating performance. Information is cascaded from senior management teams to cinema teams. There is an annual cinema manager conference and more frequent regional meetings. There is opportunity at these meetings for managers to be questioned about matters which concern the employees.

Employment of disabled persons

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

Community

The cinema is an important part of social life in local communities. Cinema managers maintain close contact with local community representatives and businesses. Cinemas are used as meeting places for purposes other than only films. Sub-brands have been developed which cater for special interest groups and employees actively participate in charitable fundraising activities.

Health and safety

The policy of the Company is to endeavour at all times to achieve the highest standards of health, safety and welfare for its employees, customers and other visitors. To this end, clearly defined policies, procedures, roles and responsibilities are in place, and supervision, instruction, information and appropriate training are provided. A full management system including monitoring of safety standards, independent audits and review of all key findings by senior management is in place. The system has been independently reviewed to ensure compliance with the relevant standards.

Financial Instrument Risk

The Company finances its activities through a combination of reinvestment of cash generated and credit provided by fellow group undertakings. Financial instruments such as trade debtors and trade creditors arise directly from the Company's operating activities. Any risks associated with financial instruments are managed and reviewed at a UK Group level rather than at an individual entity level.

Directors' Report *(continued)*

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The Company manages this risk via cash generation from its operations, reinvestment of cash generated and credit facilities made available by fellow group undertakings.

Credit Risk

Credit risk is the risk that counterparties to the Company will fail to honour their financial obligations. The nature of operations for the Company means that trade debtors are predominantly short-term with normal credit terms. The Company's exposure to credit risk is diluted across a large number of counterparties and customers, with no single significant debtor.

Competitive and market risk

The principal risk facing the business is a reduction in attendance levels. This is affected by factors including competition, film production and film release. The Company mitigates this risk through our strategies to create the best possible guest experience, drive attendance and loyalty, as well as strategically managing a direct relationship between attendance levels, film costs, and fixed costs.

Environment

The Company continues to take steps to reduce its impact on the environment and remains committed to doing so. In 2021, the business invested in reporting capabilities to improve the energy consumption management processes and has made continued efficiency savings in gas and electricity consumption. Waste reduction is also a priority, in particular through the sourcing of more recyclable and environmentally-friendly products. The UK Group continues to hold the Carbon Trust Standard for reducing its carbon emissions with a benchmarked absolute reduction of 4.7% over last accreditation period through improved carbon management and accounting.

Streamlined Energy and Carbon Reporting

	2021	2020
UK energy use (GWh) ¹	21.053	16.245
Associated Greenhouse gas emissions (tCO ₂ e) ²	5,146	4,080
Intensity ratio – Emissions per £million Revenue (tCO ₂ e/£millions)	97.0	164.5

¹ UK energy use includes gas, electric and transport usage across all activities of the Company. To calculate GWh, we divide the total KWh by a million.

² Greenhouse gas emissions are calculated by converting the usage data for each activity into emissions figures using methodology approved by the Carbon Trust.

Directors' Report *(continued)*


Disclosure of information to auditor

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

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP ("EY") will therefore continue in office.

By order of the board

DocuSigned by:

7060BB865209441...
NJ Williams
Director

Date: 28 November 2022

8th Floor
1 Stephen Street
London
W1T 1AT

Corporate Governance Report

For the year ended 31 December 2021, under The Companies (Miscellaneous Reporting) Regulations 2018, Odeon Cinemas Group Limited and its UK subsidiaries, including Odeon Cinemas Limited (the "Group") has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018) (the "Principles").

Set out below are details on how the Principles were applied during the financial year.

Principle 1 – Purpose and Leadership

The Group puts our key values at the heart of everything we do:

- Fun & Passion;
- Quality & Service;
- Trust & Respect; and
- Cooperation & Accountability.

In 2021, we launched our new brand purpose 'We Make Movies Better', focusing on developing world-class cinemas that deliver memorable entertainment experiences for our guests, whilst offering fantastic careers for our people.

We make movies:

- more immersive: with Luxe fully reclining seats offering optimum space and comfort; coupled with the very best in sight and sound innovation through bigger, better screens, including our own iSense brand and partnerships with IMAX and Dolby Cinema;
- more seamless: through investment in modern digital booking platforms and rewarding great value membership & subscription schemes;
- more delicious: with our wide selection of food and beverage options; and
- more memorable: thanks to our passionate and dedicated teams.

As we changed our ways of working during the COVID-19 pandemic, our key values continued to be brought to life through engagement and communications, both online and in person. In 2020, due to the impact of the COVID-19 pandemic, the business put the five year strategy, the 'Big Plan', on hold and replaced it with the 'Recovery Plan' focusing on safety, managing costs and protecting the business, underpinned by our key values. In 2021, we evolved the Recovery Plan adding a focus on the guest as we reopened our doors. Whilst many support office colleagues continued with some level of remote working throughout 2021, the Recovery Plan has been shared widely via dedicated video calls, briefings, conferences and during team meetings. It has also been shared by managing directors via updates on the Group's Workplace social media platform, reaching all territories including cinema-based colleagues.

The Recovery Plan, purpose and key values all apply at a Group level. They are reviewed regularly, and the Group Executive Committee has a standing agenda to discuss and consider the progress of the Recovery Plan to ensure that the Group's purpose, key values and strategy align.

Corporate Governance Report *(continued)*

The Group has key policies in place including anti-bribery, anti-corruption and travel & expenses policies, amongst others. All policies and procedures are periodically reviewed and updated, approximately every year or 18 months, as deemed appropriate. The Legal and Compliance function of the Group has monitoring systems in place to ensure that regular reviews take place. As part of our continued focus on strong governance, in 2021, a dedicated Senior Policy Manager was appointed to manage the policy approach for the United Kingdom as well as to lead a centre of excellence for all People Policies, implementing and owning a policy framework to be used across the whole Group.

The Group is focused on ensuring that our purpose and key values are always considered and promoted within all of our plans and activities. The Group has delegated certain decisions within the organisation and has reserved specific key matters that require a decision to be made at Group global majority shareholder level.

Principle 2 - Board Composition

The Board of the parent company of the Group comprises six directors: a Managing Director, a Chief Finance Director and four shareholder representatives who act as supervisory directors. The global majority shareholder of the Group has non-executive directors on its Board and is subject to Sarbanes-Oxley ("SOx") control measures and audit requirements.

The Board members have extensive combined experience of managing businesses and the expertise of the Board covers operational and functional elements of the Group. The Board regularly reviews its corporate governance procedures and looks for ways to improve these, as demonstrated by the adoption and implementation of the Principles.

The Group has a recruitment process which we apply in relation to the Board. Any proposed appointments are supported by a final sign off from the global majority shareholder. Throughout the selection process, due consideration is always given to the diversity and skill set those individuals can contribute to the Group.

The Board is provided with training on key areas, such as health & safety, crisis management and GDPR.

The Group has delegated authority levels in place which are communicated throughout the organisation, including in relation to recruitment and pay reviews, which are delegated to Managing Director / Chief Finance Director / departmental heads (as applicable). The Group delegation of authority policy sets out the approval limits including (without limitation) the cut off between (i) approvals permitted within the UK and (ii) those which require shareholder consent. The delegation of authority policy is reviewed on (at least) an annual basis and, communicated to relevant colleagues.

Principle 3 – Director Responsibilities

Each Board member has a clear understanding of their accountability and responsibilities. In addition, regular updates are shared on specific subjects to increase their knowledge and understanding.

All directors make declarations about any potential conflicts of interest at Board meetings.

The directors receive regular and timely information to allow them to undertake proper evaluation and to sufficiently prepare for meetings. Key information is prepared by the relevant internal function and those colleagues who produce documents and information for the Board are appropriately qualified and have sufficient time to prepare, challenge and assess the information prior to submission. Appraisals and performance review conversations are also carried out regularly with colleagues, so that any issues in relation to information being provided may be discussed at this time.

Due to challenges faced by the business as a result of the COVID-19 pandemic, Board meetings have been held on a more regular basis than usual throughout 2021. This has enabled the directors to carefully consider and document all key decisions impacting the Group.

Corporate Governance Report *(continued)*

Principle 4 – Opportunity and Risk

The Board seeks out opportunities through its strategic review process whilst appropriately mitigating risk.

The Group takes a decentralised view on risk in that risk is managed appropriately by all colleagues in the work that they carry out.

The Global Internal Audit team complete an annual risk assessment process which receives input from the senior leadership of the business across the Group. The risks identified are scored against a consistent framework and ranked based on their score. The results are presented to the Group Executive Committee, the Audit Committee and leadership of the Group's global majority shareholder. This assessment is used to determine the Global Internal Audit Plan.

The Recovery Plan has, at its heart, a focus on mitigating risk whilst the Group recovers from the COVID-19 pandemic and it encourages colleagues to look for ways to increase profitability and manage costs. In addition to this, the Group's executive remuneration includes both short-term and long-term incentives to encourage everyone to aspire for long-term sustainable success.

The Group has banding levels in place for operational staff and offers local incentives to encourage the whole work force.

Short-term bonus schemes and long-term bonus plans are in place for senior management, which are assessed and approved at shareholder level. Local executives consider engagement and long-term and short-term aims of all colleagues when putting incentives forward for shareholder approval.

The Group has a delegation of authority policy in place to ensure that the appropriate level of diligence has been performed in understanding the obligations, risks, values and terms of any contracts entered into. In 2020, the business introduced a risk assessment form to be completed by contract owners within the business, in advance of contracts being signed. Completion of the form allows for risk factors to be considered and assessed against a scoring matrix. Once completed, the form needs to be approved by the managing directors of the relevant territories to which it relates, in advance of signature. If the risk score is high, then further internal review is carried out in order to assess whether or not it is appropriate for the contract to be signed. The SOx control measures in place across the Group also provide an additional layer of internal corporate governance controls.

Principle 5 – Remuneration

Senior management remuneration is determined in accordance with the Compensation Committee Charter of the global majority shareholder and by its Compensation Committee. Discussions and work currently remain ongoing in relation to this with the Group's global majority shareholder.

Individual annual pay reviews are undertaken for salaried roles. Such reviews are performance based and benchmarked against the market to ensure that they are appropriate. Regarding annual general pay increases, these are benchmarked against the Consumer Price Index in each country or determined by national collective bargaining agreements and are approved by the Group's global majority shareholder.

The Group carries out monthly National Minimum Wage audits, reviews holiday pay processes and carries out a gender pay assessment regularly in the UK. The Gender Pay Gap report for 2021 is published on the Group's website and can be found here: <https://www.odeoncinemasgroup.com/cr/odeon-gender-pay-gap-report/>. The Group also complies with an equal opportunities policy.

Remuneration processes are continually reviewed and assessed by the Board and the Compensation Committee of the global majority shareholder (which meets at least twice per year). Aligning the Group's remuneration structures with its long-term sustainable success is an aim and a focus for the Group.

Corporate Governance Report (*continued*)

Principle 6 – Stakeholders

The Board promotes accountability and transparency with all internal and external stakeholders and is constantly looking to improve engagement with all stakeholders.

The strategic focus of the Group is centred on guests and colleagues - knowing that the secret to looking after our guests is looking after our people. In 2021, the Group launched a new listening survey to support our informal approaches. Our 'Be Heard' survey gave every colleague the opportunity to give a score and feedback on around 45 questions about their role and their work environment. The survey also asks key questions about leadership, corporate social responsibility and diversity and inclusion. Results are reviewed by leaders across the business and action planning takes place at all levels, including local teams. We plan to complete a full survey once a year, with pulse surveys in place throughout the year to measure the impact of the actions in place.

In addition to the above surveys, the Group has put increased emphasis on its 'Incredible Differences' campaign, launched in 2017, which promotes equity, inclusion and diversity, and the 'Be Well' programme which encourages colleagues to be mindful about their mental and physical wellbeing and encourages activities to help support it.

Communication with colleagues is carried out in a wide variety of ways via multiple channels – intranet, email, briefings, phone apps, notice boards, letters, conferences and regular team meetings are held across the Group. Colleagues with work email addresses can use the tools in the M365 suite such as video calling, Teams and instant messaging for collaboration and communication. Workplace (internal social media platform) is open to all colleagues and helps to promote colleague engagement, communication, and connection across the whole Group. An online policy hub includes all new and updated policies and notifications are sent to appropriate colleagues informing them of any changes to policies and requesting confirmation they have read and understood them.

A new and improved whistle blowing helpline, provided by an external organisation, was put in place for the Group in 2021. This is one of the ways in which the Group is taking steps to look after our people and our business, improve stakeholder engagement and corporate governance procedures.

The Group is committed to workforce training and development. Colleagues at all levels have an annual performance review with quarterly check ins and a personal development plan. Performance management criteria include behaviours aligned with the Group's key values. Regular training is carried out as needed in various roles, supported by training or learning activities undertaken through each colleague's own development plan. The Group's key values are woven explicitly into the Group's employment policies and procedures.

The impact of the COVID-19 pandemic aside, the Group strives to comply with the Prompt Payment Code when dealing with suppliers and engages with customers via direct interaction with guests in cinemas, as well as through our guest relations teams in some territories.

From an environmental perspective, the business retains its Carbon Trust accreditation in the UK. The business has continued its focus on reducing its environmental emissions footprint with the introduction of new reporting systems and operational practices, trialled during the COVID-19 pandemic lockdown periods. Whilst the levels of consumption are increasing with trade, we continue to see lower overall levels of consumption in electricity, gas and GHG emissions. The business is committing to achieve stage 1 of the new Carbon Trust 'Route to Net Zero' accreditation in 2022, which will provide accreditation for the period since 2019.

Corporate Governance Report *(continued)*

Section 172 Statement

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Group to demonstrate how the Board makes decisions for the long-term success of the company and its stakeholders. It also helps demonstrate how the Board ensures that the Group complies with the requirements of s172(1)(a) to (f) of the Companies Act 2006 as more particularly set out below:

(a) the likely consequences of any decision in the long-term

See commentary on principles 1, 2, 3, 4 and 6 in the Corporate Governance section of the Directors' Report

(b) the interests of the company's employees

See commentary on principles 4, 5 and 6 in the Corporate Governance section of the Directors' Report

(c) the need to foster business relationships with suppliers, customers and others

See commentary on principle 6 in the Corporate Governance section of the Directors' Report

(d) the impact of the company's operations on the community and the environment

See commentary on principles 1 and 6 in the Corporate Governance section of the Directors' Report

(e) the desirability of the company maintaining a reputation for high standards of business conduct

See commentary on principles 1, 3, 4 and 6 in the Corporate Governance section of the Directors' Report

(f) the need to act fairly as between members

See commentary on principles 1, 2 and 3 in the Corporate Governance section of the Directors' Report

Throughout 2022, the Board will continue to review and challenge how the Group can improve engagement with each of its stakeholders and will continue to seek to promote the success of the company in each decision, having regard, at all times, to each of the factors set out in s172 of the Companies Act 2006.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CINEMAS INTERNATIONAL (UK) LIMITED

Opinion

We have audited the financial statements of United Cinemas International (UK) Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment, including the Odeon Cinema Group cash forecast, for which the Company is included within, for the going concern period which covers the period to 31 December 2023.
- We have tested the factors and assumptions included in the cash forecast calculation, including the cash facilities available with the ultimate US parent undertaking, AMC Entertainment Holdings, Inc. ("AMC"). We considered the appropriateness of the methods used to calculate the cash forecasts and determined through testing of the methodology, calculations and sensitivities that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We obtained a copy of the letter of support provided by AMC, the ultimate parent undertaking to the company.
- We held discussions with the EY audit team who conducted the audit work on the AMC going concern assessment. We obtained, and reviewed the audit work conducted, including consideration of the appropriateness of the methods used to calculate the cash forecasts, the covenant calculations and the sufficiency of the headroom and ability to support the Company.
- We read the Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CINEMAS INTERNATIONAL (UK) LIMITED *(continued)*

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED CINEMAS INTERNATIONAL (UK) LIMITED *(continued)*

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

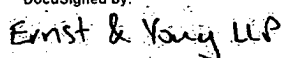
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to United Cinemas International (UK) Limited and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, anti-bribery and corruption regulations and GDPR.
- We understood how United Cinemas International (UK) Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures, including the Head of Legal. We corroborated our enquiries through reading the minutes of board meetings and those of the senior leadership team.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. Where the risk was considered to be higher, we performed audit procedures to address each identified risk. These procedures included journal entry testing by selecting samples from the entire population of journals; identifying transactions that did not meet our expectations based on specified criteria and investigating these to gain an understanding and agreement to source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included enquiry of senior management, and when applicable, those charged with governance, and reviewing of board meeting minutes to identify any non-compliance. We also verified that the Company's material transactions were recorded in compliance with FRS 102 and, where appropriate, the Companies Act 2006.

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

Use of our report

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

DocuSigned by:


DC8725244F9540F...
Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

28 November 2022

Profit and Loss Account
for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	2	52,871	24,794
Cost of sales		(16,836)	(8,795)
		<hr/>	<hr/>
Gross profit		36,035	15,999
Distribution costs and administration expenses		(54,164)	(63,932)
Other operating income		2,661	5,416
Operating loss analysed as:			
Before exceptional items:		(10,400)	(35,656)
Exceptional income	5	-	-
Exceptional costs	5	(5,068)	(6,861)
		<hr/>	<hr/>
		(15,468)	(42,517)
Operating loss		(15,468)	(42,517)
Loss on disposal of fixed assets		(47)	(65)
		<hr/>	<hr/>
Loss before interest and taxation		(15,515)	(42,582)
Interest receivable and similar income	7	699	678
Interest payable and similar expenses	8	(155)	-
		<hr/>	<hr/>
Loss before taxation	4	(14,971)	(41,904)
Tax on loss	9	-	(2,882)
		<hr/>	<hr/>
Loss after taxation and for the financial year		(14,971)	(44,786)
		<hr/>	<hr/>

All turnover and profits related to continuing activities.


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

The notes on pages 19-32 form an integral part of these financial statements.

Balance Sheet
at 31 December 2021

	<i>Note</i>	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible assets	10		31,568		35,489
Current assets					
Stocks	11	914		280	
Debtors:	12				
Amounts falling due within one year		33,621		25,055	
Amounts falling due after one year	13	18,420		27,517	
Cash at bank and in hand		-		43	
		<u>52,955</u>		<u>52,895</u>	
Creditors: amounts due within one year	14	(24,224)		(15,232)	
Net current assets			28,731		37,663
Total assets less current liabilities			60,299		73,152
Creditors: amounts due after more than one year	15		(13,117)		(14,223)
Provisions for liabilities					
Onerous lease provision	18	(9,768)		(6,544)	
			<u>(9,768)</u>	<u>(6,544)</u>	
Net assets			37,414		52,385
Capital and reserves					
Called up share capital	19		10		10
Capital contributions reserve			26,987		26,987
Profit and loss account			10,417		25,388
Shareholders' funds			37,414		52,385

These financial statements were approved by the board of directors on 28 November 2022 and
 were signed on its behalf by:

DocuSigned by:

 706088B65209441...
Neil Williams
 Director

The notes on pages 19-32 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital	Capital contributions reserve	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000
Balance at 1 January 2020	10	26,987	70,174	97,171
Total comprehensive loss for the year				
Loss in the period	-	-	(44,786)	(44,786)
Total comprehensive loss for the year	-	-	(44,786)	(44,786)
Balance at 31 December 2020	10	26,987	25,388	52,385

	Called up share capital	Capital contributions reserve	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000
Balance at 1 January 2021	10	26,987	25,388	52,385
Total comprehensive loss for the year				
Loss in the period	-	-	(14,971)	(14,971)
Total comprehensive loss for the year	-	-	(14,971)	(14,971)
Balance at 31 December 2021	10	26,987	10,417	37,414

The notes on pages 19-32 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

United Cinemas International (UK) Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in the UK. The registered number is 1732125 and the registered address is 8th Floor 1 Stephen Street, London, United Kingdom, W1T 1AT.

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

The Company's parent undertaking, AMC Entertainment Holdings, Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of AMC Entertainment Holdings, Inc. are prepared in accordance with US GAAP and are available to the public and may be obtained from the address shown in note 25. Those consolidated financial statements are drawn up in a manner equivalent to consolidated accounts and consolidated annual returns drawn up in accordance with the provision of the Seventh Directive (83/349/EEC). In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period as required by paragraph 4.12(a)(iv) of FRS 102;
- Cash Flow Statement and related notes as required by paragraph 3.17(d) of FRS 102; and
- Key Management Personnel compensation as required by paragraph 33.7 of FRS 102.

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern and liquidity management

In common with many other businesses, the COVID-19 pandemic had a major impact on the Company and the Group, causing temporary closures of cinemas, reduced capacity, and adversely impacting liquidity in 2020 and 2021. However, following the relaxation of restrictions, substantially all of the Group's cinemas have been open during 2022 to date. At the date of this report, there are no restrictions on operations in any of the Group's cinemas.

In response to the COVID-19 pandemic, the Group promptly adopted important measures aimed at preserving liquidity including eliminating, reducing, and suspending non-essential expenditure and utilising government assistance wherever possible (including participating in furlough schemes to support payroll costs, applying for other government funding to support on-going operational costs and deferring tax payments where local tax authorities allowed this). Where appropriate, the Group continues to adopt such measures to further strengthen its financial position.

On 15 February 2021, OCGL entered into a new £140.0m and €296.0m external term loan facility agreement, which was fully drawn on 19 February 2021. Approximately £100.0m of the net proceeds were used to discharge in full the Group's obligations under the existing Revolving Credit Facility (including principal, interest, fees and to cash collateralise letters of credit) with the remaining net proceeds available for the general corporate purposes of the Group.

The term loan facility has a maturity of 2.5 years from the date on which it is first drawn. Borrowings bear interest at a rate equal to 10.75% per annum during the first year and 11.25% thereafter. OCGL has the ability to elect to pay interest in cash or Payment in Kind ("PIK") for each interest period. The facility contains financial covenants including a minimum liquidity covenant of £32.5m, tested quarterly. All obligations under the term loan facility are guaranteed by certain subsidiaries of the Group. This is the only external debt facility in the Group.

On 20 October 2022, the Group fully refinanced this term loan. Odeon Finco PLC, a direct subsidiary of OCGL, issued \$400.0m (£351.9m) aggregate principal amount of its 12.75% Odeon Senior Secured Notes due 2027 ("Odeon Notes due 2027") at an issue price of 92.00%. The Odeon Notes due 2027 bear cash interest at a rate of 12.75% per annum and will be payable semi-annually in arrears on 1 May and 1 November, beginning on 1 May 2023. The Odeon Notes due 2027 are guaranteed on a senior secured basis by certain subsidiaries of the Group and do not have a financial maintenance covenant.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern and liquidity management (continued)

The Group used the \$368.0m (£323.7m) net proceeds from the new notes and \$146.7m (£129.0m) borrowings from AMCI to fund the full redemption of the term loan and to pay related accrued interest, fees, costs, premiums and expenses.

As at the balance sheet date, OCGL had two £130.0m loan facilities in place from AMCI, the principal and interest owed was £3.8m, leaving £256.2m available to be drawn. On 20 October 2022, £129.0m was drawn to fund the refinancing described above. In addition, on this date, two further facilities with AMCI were executed for \$100.0m and \$50.0m respectively. This gives a total of £259.2m available to be drawn at a USD:GBP exchange rate of 1.1367, represented by £127.2m available on the existing facilities and \$150.0m on the new facilities. The funding available from AMC is not limited to this amount. OCGL and all subsidiaries within the Group have received a letter of support from AMC which confirms that AMC has the ability to, and will provide the financial support required, for the Company to meet its liabilities as and when they fall due for the period to 31 December 2023.

The Directors have prepared cash flow forecasts for the period to 31 December 2023 (the "Review Period"), based on the known film slate and a realistic expectation of industry recovery following the COVID-19 pandemic, including scenarios that take into account severe but plausible downsides. These forecasts indicate that, through this recovery period, the Group will likely require temporary funding from AMC. In all scenarios, the loan facilities that are available from AMC are more than adequate to cover the funding required.

Therefore, the Company is reliant on the financial support of AMC in order to continue as a going concern. As well as receiving the letter of support from AMC, the Directors have reviewed AMC's going concern evaluation and cashflow forecasts for the Review Period and as a result believe that AMC will be able to provide such support.

As at 30 September 2022, AMC had cash and cash equivalents, excluding restricted cash, of \$684.6m. AMC does not have any significant debt maturities in the Review Period. AMC believes its existing cash and cash equivalents, together with cash generated from operations, will be sufficient to fund its operations, satisfy its obligations, including cash outflows to repay rent amounts that were deferred during the COVID-19 pandemic and planned capital expenditures, and comply with minimum liquidity and financial covenant requirements under its debt covenants related to borrowings for the Review Period. In order to achieve net positive operating cash flows and long-term profitability, AMC believes that box office revenues will need to increase significantly compared to 2021, to levels in line with pre COVID-19 box office revenues. AMC believes the global re-opening of its cinemas, the anticipated volume of titles available for cinema release, and the anticipated broad appeal of many of those titles will support increased attendance levels. AMC believes that recent attendance levels are positive signs of continued demand for the cinema-going experience. However, there remain significant risks that may negatively impact attendance, including a potential resurgence of COVID-19 related restrictions, potential cinema-goer reluctance to attend cinemas due to concerns about COVID-19 variant strains, film studios release schedules, the production and cinema release of fewer films compared to levels before the onset of the COVID-19 pandemic, and direct to streaming or other changing film studio practices. More recently, risks that may negatively impact discretionary income and attendance levels include general and international economic, political, regulatory, social and financial market conditions, including potential economic recession, inflation, and the potential for political, social, or economic unrest, terrorism, hostilities, cyber-attacks or war, including the conflict between Russia and Ukraine and the potential for financial and economic sanctions. The availability and/or cost of energy in Europe may also negatively impact operating results.

In conclusion, the Directors have a reasonable expectation that the support from AMC will continue to be available for the Review Period and therefore the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the Directors have prepared the financial statements on the going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

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

1.4 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets are impaired. An impairment would be recorded when an assets carrying amount exceeds its recoverable value. The recoverable value is the higher of the assets fair value less cost to sell and its value in use.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives or depreciation rate are as follows:

- Long leasehold property - over the period of the lease to a maximum of 50 years
- Short leasehold property - over the period of the lease
- Vehicles, fixtures and equipment - 3 – 20 years

Land is not depreciated. Assets under construction (the construction and redevelopment of cinemas) are not depreciated as these assets are not available for use in the business.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes (continued)

1 Accounting policies (continued)

1.7 Impairment

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances up to the year end indicate that the carrying amount of the fixed assets of income-generating units may not be recoverable. Indications include the recognition of an onerous lease provision in relation to specific income-generating units. If this or any other such indication exists, the recoverable amount is estimated and an appropriate impairment loss is recognised.

Reversals of impairment

An impairment loss is reversed where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset.

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.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.9 Turnover

Turnover represents amounts charged to customers for goods, services and property rental income, stated net of value added tax. Box office revenue is recognised on the date of film showing, food and beverage revenue at the point of sale, and screen advertising and rental income over the period which the income relates to. Gift card revenue is recognised on redemption and via breakage to reflect expiry of unused gift cards.

1.10 Expenses

Operating leases

Rental costs under operating leases are charged to the profit and loss account over the period of the lease on a straight line basis. Certain leases contain inflation-driven rental uplifts with pre-determined minimums and the amount payable in respect of these uplifts is charged to the profit and loss account as it arises. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Provision is made for lease commitments on certain leasehold properties based on the expected exposure. The amount provided is based either on the future rental net of risk adjusted anticipated operating profit from trading, discounted using a risk free discount rate, or management's best estimate of the expected exposure. Provision is made for the remaining period of the leases identified, subject to a maximum of 25 years, after which the directors consider the impact of discounting upon the rental and trading projections renders them immaterial.

Exceptional items

In order for items to be classified as exceptional in the financial statements, they must be significant in value and be one-off or non-recurring.

Pre-opening costs

Operating costs incurred before a new cinema is opened are written off to the profit and loss account as incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

Notes (continued)

1 Accounting policies (continued)

1.11 Taxation

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

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

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

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

1.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.13 Government Grants

Government grants are recognised where there is reasonable certainty that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods that the related costs, for which it is intended to compensate, are expensed.

2 Turnover

	2021 £000	2020 £000
Admissions revenue	29,897	14,324
Food and beverage revenue	17,159	8,235
Screen advertising income	1,524	826
Other revenues	4,291	1,409
	<hr/>	<hr/>
Total turnover	52,871	24,794
	<hr/>	<hr/>

Notes (continued)**3 Directors' remuneration**

	2021 £000	2020 £000
Directors' remuneration	634	378
Company contributions to defined contribution pension schemes	46	76
	<u>680</u>	<u>454</u>

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

The remuneration of the highest paid director was £1,169,000 (2020: £750,000).

	Number of directors 2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	-
	<u>-</u>	<u>-</u>
The number of directors in respect of whose service shares were received or receivable under long-term incentive schemes	4	5
	<u>4</u>	<u>5</u>

4 Loss on ordinary activities before taxation

	2021 £000	2020 £000
<i>Loss before taxation is stated after charging / (crediting):</i>		
Depreciation:		
- Owned assets	3,842	6,031
- Leased assets	2	2
- Impairment	-	8,162
- Digital projection equipment deferred income release	-	(731)
Loss on disposal of fixed assets	47	65
Property rental income	(144)	(200)
Operating lease rentals:		
- Property	16,746	15,421
Government grants received	(2,661)	(5,416)
Exceptional items		
- Net operating expense: change in provision for onerous lease commitments	3,069	6,544
- Net operating expenses: net impairment of assets at onerous lease sites	1,514	317
- Net operating expenses: stock compensation scheme / EIP vesting / professional fees	485	-
	<u>485</u>	<u>-</u>

The audit costs for 2021 & 2020 were borne by a fellow subsidiary.

In 2021 the Company's share of auditor's remuneration was £40,000 (2020: £38,000).

Notes (continued)

5 Exceptional items

Updates to the provision for onerous lease commitments resulted in an exceptional charge to the Profit and Loss Account of £3,069,000 (2020: £6,544,000).

The exceptional net impairment of the assets at these sites totalled £1,514,000 (2020: £317,000).

Stock compensation, EIP vesting and professional fees incurred relating to one off accounting projects and other projects amounted to an exceptional charge to the Profit and Loss Account of £485,000 (2020: £nil).

6 Staff numbers and costs

The average number of persons employed by the Company during the year was as follows:

	Number of employees	
	2021	2020
Cinema & other	913	1,058

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	11,546	12,480
Social security costs	417	387
Pension costs	222	240
	12,185	13,107

7 Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from fellow subsidiary undertakings	699	674
Foreign exchange gains	-	4
	699	678

8 Interest payable and similar expenses

	2021 £000	2020 £000
Foreign exchange losses	-	-
Unwinding of discount on provisions	155	-
	155	-

Notes (continued)

9 Taxation

Total tax charge / (credit) recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2021 £000	2020 £000	2020 £000
<i>Current tax</i>				
Current tax on income for the period	-		-	
Total current tax		-		-
<i>Deferred tax (see note 17)</i>				
Origination and reversal of timing differences	-		2,882	
Total deferred tax				2,882
Total tax		-		2,882

	2021 £000	2021 £000	2021 £000	2020 £000	2020 £000	2020 £000
	Current tax	Deferred tax	Total Tax	Current tax	Deferred tax	Total Tax
Recognised in Profit and loss account	-	-	-	-	2,882	2,882

Reconciliation of effective tax rate

	2021 £000	2020 £000
Loss before taxation	(14,971)	(41,904)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(2,844)	(7,962)
Expenses not deductible for tax purposes	218	667
Group relief	-	-
Capital allowances in excess of depreciation	2,626	7,295
Recognition of previously unrecognised deferred tax	-	-
De-recognition of previously recognised deferred tax	-	2,882
Total tax charge / (credit) included in profit or loss	-	2,882

The 2020 budget announced that the previously enacted reduction to the main rate of corporation tax to 17% would not be enforced, with the rate remaining at 19%. The Finance Bill 2021 included provisions for the main UK Corporation tax rate to increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021 and therefore is reflected as appropriate in the deferred tax calculations.

Notes (continued)**10 Tangible assets**

	Leasehold land & buildings £000	Vehicles, fixtures & equipment £000	Assets in the course of construction £000	Total £000
<i>Cost</i>				
At beginning of year	52,673	64,172	169	117,014
Additions	121	535	855	1,511
Transfers from assets in the course of construction	(4,613)	5,321	(708)	-
Disposals	(9)	(155)	-	(164)
At end of year	48,172	69,873	316	118,361
<i>Depreciation</i>				
At beginning of year	27,806	53,719	-	81,525
Charge for the year	1,433	2,411	-	3,844
Impairment	929	1,033	-	1,962
Reversal of impairment	(213)	(235)	-	(448)
On disposals	(2)	(88)	-	(90)
At end of year	29,953	56,840	-	86,793
<i>Net book value</i>				
At 31 December 2021	18,219	13,033	316	31,568
At 31 December 2020	24,866	10,454	169	35,489

The net book value of land and buildings comprises:

	2021 £000	2020 £000
Short leasehold	18,219	24,866

As at 31 December 2021, a review was performed to establish whether or not there were any indications of impairment to the carrying amount of tangible fixed assets. The review concluded that an impairment charge of £1,962,000 was required for sites included in the onerous lease provision, whose tangible fixed asset values have been written down. Following the review, £448,000 of prior year impairment was released. The approach to asset impairment reviews is described in more detail in note 1.

11 Stocks

	2021 £000	2020 £000
Goods for resale	914	280

Notes (continued)**12 Debtors: amounts due within one year**

	2021 £000	2020 £000
Trade debtors	-	-
Other debtors	1,241	26
Amounts owed by fellow subsidiary undertakings	27,792	21,365
Prepayments and accrued income	4,588	3,664
	<u>33,621</u>	<u>25,055</u>

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

13 Debtors: amounts due after more than one year

	2021 £000	2020 £000
Amounts owed by fellow subsidiary undertakings	18,420	27,517
Deferred tax (<i>see note 17</i>)	-	-
	<u>18,420</u>	<u>27,517</u>

The intra-group loans are either non-interest bearing or interest is receivable at 4%.

14 Creditors: amounts due within one year

	2021 £000	2020 £000
Trade creditors	11,733	10,396
Other creditors	78	1
Amounts owed to fellow subsidiary undertakings	1,651	365
Accruals and deferred income	10,762	4,470
	<u>24,224</u>	<u>15,232</u>

The intra-group loans are non-interest bearing and payable on demand.

15 Creditors: amounts due after more than one year

	2021 £000	2020 £000
Deferred income	<u>13,117</u>	<u>14,223</u>

16 Interest-bearing loans and borrowings

As at 31 December 2021, the Company had no interest-bearing loans and borrowings (2020: £nil).

Notes (continued)

17 Deferred tax assets and liabilities

A deferred tax asset of £14,224,000 (2020: £10,395,000) has not been recognised on the basis that the Company is not expected to generate sufficient taxable profits in future years that will not be covered by group relief with which to offset losses.

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2021 £000	2020 £000
Accelerated capital allowances	-	2,079
Carried forward capital loss	-	803
	<hr/>	<hr/>
Tax asset	-	2,282
	<hr/>	<hr/>

18 Provisions for liabilities

	Onerous lease provision £000
Balance at 1 January 2021	6,544
Unwinding of discount	155
Adjustment to onerous lease provision	3,069
	<hr/>
Balance at 31 December 2021	9,768
	<hr/>

Onerous lease provision

Provision has been made for lease commitments and claims relating to certain properties. The amount provided is based either on the future rental obligations, net of anticipated operating profit from trading (risk adjusted as appropriate), or management's best estimate of the expected exposure discounted to present value at a discount rate of 0.8% (2020: 0.8%). Provision has been made for the remaining period of the leases identified, subject to a maximum of 25 years, after which the directors consider the impact of discounting upon the rental and trading projections renders them immaterial. Given the long term nature of the leases and the estimates involved in making the provision, there is inherent uncertainty attached to the provision. The leases included within the provision have an end date between Mar 2023 and Nov 2040.

19 Capital

Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid:		
10,000 Ordinary shares of £1 each	10	10
	<hr/>	<hr/>

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

Dividends

After the balance sheet date no dividends (2020: £nil) were proposed by the directors.

Notes (continued)

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	21,251	19,673
Between one and five years	72,794	70,200
More than five years	188,801	181,114
	<u>282,846</u>	<u>270,987</u>

During the year £16,746,000 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £15,421,000)

21 Related parties

Identity of related parties with which the Company has transacted

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

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2021 £000	2020 £000	2021 £000	2020 £000
Entities with control, joint control or significant influence (Joint Ventures)	<u>1,525</u>	<u>826</u>	<u>-</u>	<u>-</u>

	Receivables outstanding		Creditors outstanding	
	2021 £000	2020 £000	2021 £000	2020 £000
Entities with control, joint control or significant influence (Joint Ventures)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

22 Government grants

Government grants have been received during the year under the UK Government's Coronavirus Job Retention Scheme ("CJRS"), from which the Company claimed grants for employees who were placed on furlough. During the year the Company received £2,661,000 of Government grants under the CJRS (2020: £5,416,000).

Notes (continued)

23 Commitments

There were no capital commitments at the end of the financial year (2020: none).

24 Contingencies

As of the balance sheet date, the assets of the Company were pledged as collateral against the £140m and €296m external term loan facility that was held by Odeon Cinemas Group Limited. See note 25.

25 Post balance sheet events

On 20 October 2022, Odeon Finco PLC, a direct subsidiary of OCGL, issued \$400.0m (£351.9m) aggregate principal amount of its 12.75% Odeon Senior Secured Notes due 2027 ("Odeon Notes due 2027") at an issue price of 92.00%. The Odeon Notes due 2027 bear cash interest at a rate of 12.75% per annum and will be payable semi-annually in arrears on 1 May and 1 November, beginning on 1 May 2023. The Odeon Notes due 2027 are guaranteed on a senior secured basis by certain subsidiaries of the Group, including this Company. The Group used the \$368.0m (£323.7m) net proceeds from the new notes and \$146.7m (£129.0m) borrowings from AMC to fund the full redemption of the term loan and to pay related accrued interest, fees, costs, premiums and expenses.

On 20 October 2022, AMCI extended the maturity date of all its existing shareholder loan facilities with OCGL to 29 November 2028. In addition, two further facilities with AMCI as Lender and OCGL as borrower were executed for \$100.0m and \$50.0m respectively, also with a maturity date of 29 November 2028.

On 20 October 2022, the charges disclosed in Note 24 were released and replaced with charges to US Bank Trust Company, National Association as Security Trustee for itself and the other secured parties in relation to the Odeon Notes due 2027.

26 Ultimate parent company and controlling party

The Directors regarded Dalian Hexing Investment Co Limited, a company registered in People's Republic of China, as having significant influence over AMC and the Company during part of the year and in the prior year. During the year, following changes in AMC shareholdings and new equity raises, Dalian Hexing Investment Co. Limited no longer has a significant influence over AMC or the Company and there is not one entity or individual that has overall control.

The results of this Company are consolidated into the results of AMC Entertainment Holdings, Inc. The registered office is 11500 Ash Street, Leawood, KS 66211, USA. The consolidated financial statements of this group are available to the public and can be obtained from <http://investor.amctheatres.com/sec-filings>.