Odeon Cinemas Limited

Strategic Report, Directors' Report and financial statements

Registered number 1854132

31 December 2017

Contents

Strategic Report

Business review

Market position

Odeon Cinemas 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 109 cinemas with 864 screens at the year end date. It also forms a major part of Odeon Cinemas Group, Europe's largest cinema exhibitor, operating in fourteen countries.

Clear strategy for growth

The UK Group follows a clear guest-focused strategy to drive growth and profitability from all of its operations. There are three main focus areas:

1. **Transforming the cinema experience** – *investing in refurbishments to install luxury recliner seating, state of the art technology and Premium Large Format screens, upgraded retail and bar offerings, and exceptional service in dozens of cinemas across Europe.*
2. **Expanding our estate** – *opening outstanding new cinemas in attractive local markets*
3. **Elevating the core experience** – *implementing best practice digital, commercial and operating initiatives across all our cinemas which delight our guests and drive profitability*

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

The business has a robust medium-term plan to deliver this strategy, and there are encouraging signs that it is leading to additional returns.2017.

Portfolio development – additional cinemas

One cinema was added to the Company's portfolio in the year, expanding our customer proposition and brand profile in key local markets. This cinema was in Bournemouth *(10 screens).*

Portfolio development – other initiatives

A number of cinema refurbishments were successfully completed in the year and capital investment in retail facilities continued as an integral part of the strategy to maximise future retail profitability.

Further estate development activity is planned for 2018 and beyond including the introduction of recliner seating in selected cinemas.

Main market attendance

The cinema sector remained strong in 2017, attendance figures for the whole UK market were (source DCM):

Market Attendance (millions)	2015	2016	2017	*2016 vs 2017*
UK	171.9	168.3	170.6	*+1%*

The year saw the release of a number of blockbuster films that performed particularly strongly including *Beauty and the Beast, Star Wars: The Last Jedi* and *Dunkirk.*

Financial results and KPIs

Turnover for the year was up 7% at £235.7m (*2016:* £220.1m), an operating profit pre-exceptional items was reported of £19.2m *(2016:* £11.7m*)* and the profit after taxation for the year was £19.1m *(2016:* £9.9m*).*

The business is managed on a combined basis with KPIs measured on the wider UK Group rather than at an individual entity level.

Strategic Report *(continued)*

Investment

The Company continued to invest to grow future earnings and enhance the high quality of the existing estate. In terms of asset additions, £24.7m was invested in existing sites (both for 2017 and future periods), other revenue-generating projects and in capital maintenance of the estate.

Going concern and liquidity management

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

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

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 and film production. 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.

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 business has a robust medium-term plan which is consistent with the strategy for growth.

The UK Group will continue to invest in its existing portfolio of sites and seek new opportunities.

By order of the board

NJ Williams
Director

St Albans House
57-59 Haymarket
London
SW1Y 4QX

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of Odeon Cinemas Limited ("the Company") is the ownership and operation of cinemas under the Odeon brand.

Directors

The following were directors of the Company during the year:

AS Alker	
J Bernhardsson	(Appointed 28 April 2017)
D Reynolds	
MJ Way	
CA Welch	(Appointed 15 February 2017)
NJ Williams	

Proposed dividends

The directors do not recommend the payment of a dividend *(2016: £nil).*

Employee involvement

Employment in the Company increased 3% to 3,176 in 2017 compared to 3,072 in 2016 (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.

Directors' Report *(continued)*

Environment

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

Disclosure of information to auditor

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

Auditor

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

By order of the board

NJ Williams
Director

St Albans House
57-59 Haymarket
London
SW1Y 4QX

Date: 21/06/2018

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

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

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

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

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

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

KPMG LLP

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ODEON CINEMAS LIMITED

Opinion

We have audited the financial statements of Odeon Cinemas Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOKIT LIMITED *(continued)*

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

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

28 June 2018

Profit and Loss Account

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	**235,701**	220,136
Cost of sales		**(88,905)**	(83,721)
Gross profit		**146,796**	136,415
Distribution costs, administration expenses and other operating income		**(127,028)**	(126,483)
Operating profit analysed as:			
Before exceptional items:		**19,226**	11,654
Exceptional income	5	**2,293**	-
Exceptional costs	5	**(1,751)**	(1,722)
		19,768	9,932
Operating profit		**19,768**	9,932
Loss on disposal of fixed assets		**(3,879)**	(83)
Profit before interest and taxation		**15,889**	9,849
Interest receivable and similar income	7	**20,679**	22,129
Interest payable and similar expenses	8	**(17,459)**	(22,094)
Other finance income	9	**-**	-
Profit before taxation	4	**19,109**	9,884
Tax on Profit	10	**-**	-
Profit for the financial year		**19,109**	9,884

All turnover and profits related to continuing activities.

The notes on pages 12-28 form an integral part of these financial statements.

Statement of Other Comprehensive Income
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Profit for the year		**19,109**	9,884
Other comprehensive (expense) / income			
Remeasurement of the net defined benefit pension asset	*21*	**3,280**	(2,472)
Effect of asset limit on remeasurement of net defined pension asset	*21*	**(4,080)**	1,468
Other comprehensive loss for the year, net of income tax		**(800)**	(1,004)
Total comprehensive profit for the year		**18,309**	8,880

There is no difference between the profit before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 12-28 form an integral part of these financial statements.

Balance Sheet
at 31 December 2017

	Note	**2017**	**2017**	2016	2016
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*11*		**124,759**		117,776
Investments	*12*		**24,883**		24,883
			149,642		142,659
Current assets					
Stocks	*13*	**2,106**		2,157	
Debtors: amounts due within one year	*14*	**94,403**		139,758	
Debtors: amounts due after more than one year	*15*	**70,242**		384,544	
Cash at bank and in hand		**72,955**		14,827	
		239,706		541,286	
Creditors: amounts due within one year	*16*	**(162,798)**		(123,687)	
Net current assets			**76,908**		417,599
Total assets less current liabilities			**226,550**		560,258
Creditors: amounts due after more than one year	*17*		**(38,548)**		(343,890)
Provisions for liabilities					
Onerous lease provision	*20*	**(2,875)**		(5,890)	
			(2,875)		(5,890)
Net assets			**185,127**		210,478
Capital and reserves					
Called up share capital	*22*		**15,500**		15,500
Capital Contribution Reserve			**327,725**		-
Profit and loss account			**(158,098)**		194,978
Shareholders' funds			**185,127**		210,478

These financial statements were approved by the board of directors on 21 June 2018 and were signed on its behalf by:

NJ Williams
Director

The notes on pages 12-28 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 2016	15,500	-	186,098	201,598
Total comprehensive income for the period				
Profit	-	-	9,884	9,884
Other comprehensive loss	-	-	(1,004)	(1,004)
Total comprehensive income for the period	-	-	8,880	8,880
Balance at 31 December 2016	**15,500**	-	**194,978**	**210,478**

	Called up share capital	Capital Contributions Reserve	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000
Balance at 1 January 2017	**15,500**	-	**194,978**	**210,478**
Total comprehensive income for the period				
Profit	-	-	19,109	19,109
Other comprehensive loss	-	-	(800)	(800)
Total comprehensive income for the period	-	-	18,309	18,309
Waiver of inter-company debt (see note 17)	-	327,725	-	327,725
Dividends in specie (see note 15)	-	-	(371,385)	(371,385)
Total contributions by and distributions to owners	-	327,725	(371,385)	(43,660)
Balance at 31 December 2017	**15,500**	**327,725**	**(158,098)**	**185,127**

Notes
(forming part of the financial statements)

1 Accounting policies

Odeon Cinemas Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in England & Wales in the UK. The registered number is 1854132 and the registered address is St Albans House, 57-59 Haymarket, London, SW1Y 4QX.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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 26. Those consolidated financial statements are drawn up in a manner equivalent to consolidated accounts and consolidated annual returns drawn up in accordance with the provision of the Seventh Directive (83/349/EEC). In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

- Certain disclosures required by FRS 102.26 *Share Based Payments*

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern and liquidity management

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

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

The business activities of the Company and its future prospects are described within the Strategic Report.

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

Interest-bearing borrowings classified as basic financial instruments

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

Investments

Investments held as fixed assets are stated at cost less provisions for any impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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:

- Freehold buildings - 50 years
- Long leasehold property - over the period of the lease to a maximum of 50 years
- Short leasehold property - over the period of the lease
- Plant, fixtures and fittings - 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.

Digital projection

Certain digital projectors and related assets located and operated in the Company's premises, which are funded by independent third parties, are recognised in the Company's balance sheet and a corresponding deferred income creditor of the same carrying value is recognised. The fixed assets are depreciated over their estimated useful lives and the corresponding deferred income balance is released against this depreciation over the same period.

1.6 Stocks

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

1.7 Impairment

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

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. The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. 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. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Defined benefit plans

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company. The schemes have been closed to future benefit accrual for a number of years.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability / (asset) is recognised in the statement of other comprehensive income.

1.9 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.

1.10 Turnover

Turnover represents amounts charged to customers for goods, services and property rental income, stated net of value added tax, which is recognised based on the date the goods and services are received and the period over which the rental income is earned, and net of loyalty points earned and redeemed.

The cost of loyalty points is treated as a deduction from sales and part of the fair value of the consideration received is deferred and subsequently recognised over the period that the rewards are redeemed or expire. The fair value of the points awarded is determined with reference to the fair value to the customer.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 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.

Finance leases

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

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

1.12 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	2017	2016
	£000	£000
Box Office	**157,454**	146,096
Retail revenue	**59,131**	55,230
Screen advertising income	**10,326**	9,505
Other revenues	**8,790**	9,305
Total turnover	**235,701**	220,136

3 Directors' remuneration

	2017	2016
	£000	£000
Directors' remuneration	**927**	1,295
Company contributions to defined contribution pension schemes	**74**	68
	1,001	1,363

In both the current and the prior period the directors' emoluments were borne by the Company. Remuneration is recharged across the Group based on turnover. The remuneration of the highest paid director was £658,000 *(2016:* £1,036,000*)*.

	Number of directors	
	2017	2016
Retirement benefits were accrued to the following number of directors under:		
Defined benefit schemes	**2**	3

4 Profit before taxation

	2017	2016
	£000	£000
Profit before taxation is stated after charging / (crediting):		
Depreciation:		
- Owned assets	**14,115**	13,884
- Leased assets	**380**	485
- Impairment reversal	**(959)**	-
- Digital projection equipment deferred income release	**(1,472)**	(1,515)
Loss / (Profit) on disposal of fixed assets	**(3,879)**	(83)
Property rental income	**(556)**	(554)
Operating lease rentals:		
- Property	**31,238**	30,439
Exceptional items:		
- Net operating expenses: change in provision for onerous lease commitments	**(2,293)**	692
- Net operating expenses: costs incurred relating to the sale of the business to AMC	**1,751**	1,030

Auditor's remuneration:

The audit costs for 2017 & 2016 were borne by a fellow subsidiary.

In 2017 the Company's share of the audit of these financial statements was £190,000 *(2016:* £178,000*)*.

Notes *(continued)*

5 Exceptional items

The onerous lease provision was revised to reflect the current estimate resulting in a net exceptional credit to the Profit and Loss Account of £2,293,000 *(2016: nil)*.

Costs, including professional fees and bonuses, incurred relating to the sale of the business to AMC in 2016 resulted in an exceptional charge to the Profit and Loss Account for the year of £1,751,000 *(2016: £1,722,000)*.

6 Staff numbers and costs

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

	Number of employees	
	2017	2016
Cinema & other	**2,910**	2,813
Administration	**266**	259
	3,176	3,072

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	**40,791**	39,428
Social security costs	**2,212**	2,122
Pension costs	**998**	782
	44,001	42,332

7 Interest receivable and similar income

	2017	2016
	£000	£000
Bank interest receivable	**45**	74
Interest receivable from Group undertakings	**20,634**	22,022
Other interest	**-**	33
	20,679	22,129

8 Interest payable and similar expenses

	2017	2016
	£000	£000
Bank interest payable	**84**	-
Interest payable to Group undertakings	**16,574**	19,421
Interest on finance leases	**78**	71
Unwinding of discount on provisions	**66**	118
Other interest	**1**	53
Foreign exchange losses	**656**	2,431
	17,459	22,094

Notes *(continued)*

9 Other finance income

	2017	2016
	£000	£000
Expected return on pension scheme assets (note 21)	**1,188**	1,432
Interest on pension scheme liabilities (note 21)	**(1,110)**	(1,275)
Interest effect of asset limit	**(78)**	(157)
	-	-

10 Taxation

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

	2017		2016	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period		-		-
Adjustments in respect of prior periods		-		-
Total current tax		-		-
Deferred tax (see note 19)				
Origination and reversal of timing differences	-		-	
Total deferred tax		-		-
Total tax		-		-

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit for the year	**19,109**	9,884
Total tax income	-	-
Profit excluding taxation	**19,109**	9,884
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	**3,678**	1,977
Expenses not deductible for tax purposes	**1,150**	864
Group relief claimed for nil payment	**(2,270)**	(4,909)
Deferred tax not provided	-	2,068
Utilisation of tax losses	**(2,558)**	-
Total tax expense included in profit or loss	-	-

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

Notes *(continued)*

11 Tangible assets

	Freehold land & buildings £000	Leasehold land & buildings £000	Vehicles, fixtures & equipment £000	Assets in the course of construction £000	Total £000
Cost					
At beginning of year	3,123	93,253	249,966	11,620	357,962
Additions	60	6,134	11,811	6,697	24,702
Transfers from assets in the course of construction	-	2,400	5,173	(7,573)	-
Disposals	(98)	552	(53,685)	(3,691)	(56,922)
At end of year	**3,085**	**102,339**	**213,265**	**7,053**	**325,742**
Depreciation and impairment					
At beginning of year	1,834	47,574	190,778	-	240,186
Charge for the year	29	1,640	12,826	-	14,495
Impairment reversal	-	-	(959)	-	(959)
On disposals	(98)	242	(52,883)	-	(52,739)
At end of year	**1,765**	**49,456**	**149,762**	**-**	**200,983**
Net book value					
At 31 December 2017	**1,320**	**52,883**	**63,503**	**7,053**	**124,759**
At 31 December 2016	1,289	45,679	59,188	11,620	117,776

The net book value of land and buildings comprises:

	2017 £000	2016 £000
Freehold	**1,320**	1,289
Short leasehold	**52,883**	45,679
	54,203	46,968

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 there were no such indications other than for those sites with onerous lease provisions, whose tangible fixed asset values have been written down. The approach to asset impairment reviews is described in more detail in note 1.7.

Notes *(continued)*

12 Investments

	Investments in Group undertakings £000
Cost and net book value	
At beginning and end of year	**24,883**

The undertakings in which the Company had a direct* or indirect interest at the year end are shown below. The investments include both ordinary and preference shares.

Name	Country of incorporation	% interest	Nature of business
Odeon Cinemas (RL) Limited*	St Albans House, 57-59 Haymarket London SW1Y 4QX	100% owned	Operation of cinemas
Odeon and Sky Filmworks Limited*	St Albans House 57-59 Haymarket London SW1Y 4QX	50% owned	Non trading company
Curzon Cinema (Loughborough) Limited	St Albans House, 57-59 Haymarket London SW1Y 4QX	100% owned	Non trading company

13 Stock

	2017 £000	2016 £000
Goods for resale	**2,106**	2,157

14 Debtors: amounts due within one year

	2017 £000	2016 £000
Trade debtors	**5,480**	3,471
Other debtors	**816**	20,305
Amounts owed by Group undertakings	**79,263**	107,276
Prepayments and accrued income	**8,844**	8,706
	94,403	139,758

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

Notes *(continued)*

15 Debtors: amounts due after more than one year

	2017 £000	2016 £000
Amounts owed by Group undertakings[1]	**70,242**	384,496
Long term prepayments	**-**	48
	70,242	384,544

The intra-group loans are due after more than five years. Interest is receivable on the loans at varying rates of 0%, LIBOR plus 2.375% and 9%.

[1] Loan with Cicero Investments Limited for £32,040,636 waived on 19th October 2017
Loan with Bond Midco for £228,830,048 waived on 6th December 2017
Loan with Bond Midco for €85,701,651 waived on 6th December 2017
Loan with Bond Midco for £33,396,864 waived on 6th December 2017

16 Creditors: amounts due within one year

	2017 £000	2016 £000
Trade creditors	**13,001**	7,769
Other creditors	**2,041**	5,540
Amounts owed to Group undertakings	**92,206**	58,294
Obligations under finance leases (note 17)	**623**	534
Taxation and social security	**6,672**	6,555
Accruals and deferred income	**48,255**	44,995
	162,798	123,687

£22,472,000 of the amounts owed to group undertakings bear interest at a rate of 6.375% per annum. The remainder are non-interest bearing. All such amounts are repayable on demand.

17 Creditors: amounts due after more than one year

	2017 £000	2016 £000
Amounts owed to Group undertakings [1]	**120**	306,617
Obligations under finance leases	**603**	989
Deferred income	**37,825**	36,284
	38,548	343,890

Finance leases

Finance lease liabilities are payable as follows:	Minimum lease Payments 2017 £000	Minimum lease Payments 2016 £000
Less than one year	**623**	534
Between one and five years	**603**	989
	1,226	1,523

Notes *(continued)*

17 Creditors: amounts due after more than one year *(continued)*

The intra-group loans are due after more than five years and interest is payable at 9%.

(1) Loan with Bond Midco for £61,230,756 waived on 18th October 2017
Loan with Odeon Bournemouth (ABC) for £508,588 waived on 12th October 2017
Loan with Odeon Bournemouth (Odeon) for £1,575,916 waived on 12th October 2017
Loan with Bond Midco for £170,465,725 waived on 30th November 2017
Loan with Bond Midco for €105,827,535 waived on 30th November 2017

18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £000	2016 £000
Creditors falling due within less than one year		
Amounts Owed to Group undertakings	**22,472**	-
Finance lease liabilities	**623**	534
	23,095	534
Creditors falling due more than one year		
Amounts owed to Group undertakings	**120**	306,617
Finance lease liabilities	**603**	989
	723	307,606
Total	**23,818**	308,140

Terms and debt repayment schedule

	Currency	Nominal interest rate	Years to maturity	2017 £000	2016 £000
Bond Midco(1)	GBP	9%	7 years	-	158,809
Bond Midco(2)	EUR	5.308%	7 years	-	86,577
Cicero Acquisitions(3)	GBP	LIBOR +2.942%	7 years	-	61,231
Nordic Cinema Group(4)	NOC	6.375%	On demand	**5,608**	-
Nordic Cinema Group(5)	SEK	6.375%	On demand	**16,864**	-
UCI Acquisitions(6)	EUR	1.1105%	7 years	**120**	-
Finance lease liabilities	GBP	-	-	**1,226**	1,523

(1) This loan with Bond Midco, the amount denominated in Sterling including accrued interest.

(2) This loan with Bond Midco, the amount denominated in Euros including accrued interest.

Notes *(continued)*

18 Interest-bearing loans and borrowings *(continued)*

[3] This loan with Cicero Acqusitions, the amount denominated in Euros including accrued interest.

[4] This loan with Nordic Cinema Group, the amount denominated in Norwegian Krone including accrued interest, remained outstanding at 31 December 2017.

[5] This loan with Nordic Cinema Group, the amount denominated in Swedish Krona including accrued interest, remained outstanding at 31 December 2017.

[6] This loan with UCI Acquisitions, the amount denominated in Euros including accrued interest, remained outstanding at 31 December 2017.

19 Deferred tax assets and liabilities

A deferred tax asset of £7,161,000 *(2016:£7,875,000)* in relation to accelerated capital allowances has not been recognised on the basis that the company is not expected to generate sufficient taxable profits in the future.

20 Provisions for liabilities and charges

	Onerous lease provision £000
Balance at 1 January 2017	**5,890**
Unwinding of discount	66
Amount utilised during the year	(788)
Change in provision for onerous lease commitments	(2,293)
Balance at 31 December 2017	**2,875**

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 1.1% *(2016: 1.1%)* 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.

Notes *(continued)*

21 Employee benefits

The Company participates in a defined benefit scheme, the Optima 2 Pension Scheme (the "Optima 2 plan"), and one defined contribution scheme (the Odeon DC Stakeholder Pension Scheme). Assets of the schemes are held separately from those of the Company in independently administered funds.

Defined benefit scheme

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension (liability) / asset

The principal assets, liabilities and movements included in these financial statements for the defined benefit scheme are summarised as follows:

	2017	2016
	£000	£000
Defined benefit obligation	**(39,049)**	(43,801)
Plan assets	**45,736**	46,330
Surplus	**6,687**	2,529
Effect of asset limit	**(6,687)**	(2,529)
Net pension asset recognised	**-**	-
Actuarial gain / (loss) in other comprehensive income	**3,280**	(2,472)

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are shown in the table above.

The Optima 2 plan is closed to new members and is closed to future accrual from 1 January 2009. The latest full actuarial valuation for the Optima 2 Plan was carried out at 31 December 2015 and was updated for FRS 102 purposes to 31 December 2017 by a qualified independent actuary.

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation.

Movements in present value of defined benefit obligation

	2017	2016
	£000	£000
At 1 January	**43,801**	33,120
Interest Expense	**1,110**	1,275
Actuarial Loss on scheme liabilities	**(445)**	10,257
Benefits Paid	**(5,417)**	(851)
At 31 December	**39,049**	43,801

Notes *(continued)*

21 Employee benefits *(continued)*

Movements in fair value of plan assets

	2017 £000	2016 £000
At 1 January	**46,330**	36,960
Interest Income	**1,188**	1,432
Actuarial Gain on scheme assets	**2,835**	7,785
Contributions by employer	**800**	1,004
Benefits Paid	**(5,417)**	(851)
At 31 December	**45,736**	46,330

Expense recognised in the profit and loss account

	2017 £000	2016 £000
Net interest on net defined benefit liability	**-**	-

Expense recognised in other comprehensive income

	2017 £000	2016 £000
Actuarial return less expected return on pension scheme assets	**2,835**	7,785
Change in actuarial assumptions	**445**	(10,257)
Actuarial gain / (loss) recognised in other comprehensive income	**3,280**	(2,472)

The fair value of the plan assets and the return on those assets were as follows:

	2017 Fair value £000	2016 Fair value £000
Fair value of plan assets:		
Equity instruments	**21,329**	21,259
Debt instruments	**19,584**	20,536
Cash and cash equivalents	**95**	124
Real Estate	**4,728**	4,411
Total	**45,736**	46,330
Actual return on plan assets	**4,023**	9,217

Notes *(continued)*

21 Employee benefits *(continued)*

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2017 %	2016 %
Discount rate	**2.6**	2.7
Rate of increase in salaries	**2.1**	2.2
Rate of increase in pensions-in-payment	**2.9**	3.1
Rate of increase in pensions in deferred pensions	**2.1**	2.2
Inflation assumption	**3.1**	3.2

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.4 years.

For a member aged 40 in 2017, retiring in 25 years time, the assumptions are that they will live on average for a further 24.8 years after retirement.

The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent qualified actuaries using the projected unit method. As the Optima 2 plan is closed to new members and future accrual, the current service cost is nil. The Company made special deficit reduction contributions of £800,000 in the year. These rates are subject to review at future actuarial valuations.

Defined contribution plans

The pension charge in respect of the Odeon DC Stakeholder Pension Scheme is equal to the contributions payable during the year ended 31 December 2017 of £1,585,000 *(2016:* £1,415,000*)*. As at 31 December 2017 there were £128,000 *(2016:* £125,000*)* outstanding contributions to be made to the Odeon DC Stakeholder Pension Scheme.

22 Capital

Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid:		
15,500,000 Ordinary shares of £1 each	**15,500**	15,500

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 *(2016: £nil)* were proposed by the directors.

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	**34,333**	33,503
Between one and five years	**134,733**	132,235
More than five years	**298,887**	300,171
	467,953	465,909

During the year £31,238,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2016:* £30,439,000*)*.

Notes *(continued)*

24 Commitments

The Company has no contractual commitments relating to the building of new sites *(2016:* £2,277,000*)* at the end of the financial year for which no provision has been made.

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

25 Related parties

Identity of related parties with which the Company has transacted

The Company is charged or charges interest on any outstanding balances due to/from companies within the Group.

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.

Transactions with key management personnel

Total compensation of key management personnel (the directors) is disclosed in note 3. There were no other transactions with key management personnel during the year.

Other related party transactions

	Sales to		**Administrative expenses incurred from**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Entities with control, joint control or significant influence (Joint Ventures)	**10,326**	9,505	-	-

	Receivables outstanding		**Creditors outstanding**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Entities with control, joint control or significant influence (Joint Ventures)	**2,051**	1,800	-	-

26 Ultimate parent company and controlling party

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

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

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

27 Accounting estimates and judgements

Key sources of estimation uncertainty
The Directors consider the amounts provided in relation to onerous leases and the defined benefit pension scheme to be areas of significant judgement and estimation. Details regarding the carrying values involved and the key assumptions made are discussed further for onerous leases in note 20 and for the defined benefit pension scheme in note 21.