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**NATL. AMUSEMENTS (UK) LIMITED**

**Annual report and financial statements**

Registered number 02141131

For the year ended 3 January 2019

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## **NATL. Amusements (UK) Limited**

### **Company Information**

#### **Directors**

Sumner M. Redstone  
Shari E. Redstone  
Thaddeus P. Jankowski  
Paula J. Keough

#### **Company number**

02141131

#### **Registered office**

Redfield Way  
Lenton  
Nottingham  
NG7 2UW

#### **Auditors**

H W Fisher  
Acre House  
11-15 William Road  
London  
United Kingdom  
NW1 3ER

#### **Business address**

Redfield Way  
Lenton  
Nottingham  
NG7 2UW

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## Strategic report

The directors present their Strategic Report of NATL Amusements (UK) Limited (the Company or NATL) for the 52 week period ended 3 January 2019. The comparative results for the prior period refer to the 53 week period ended 4 January 2018.

### Principal activity

The principal activity of the Company in the year under review is the operation of state-of-the-art multiplex cinemas located within the UK under the Showcase Cinema and Cinema de Lux brands.

### Results in the period

The results for the Company show a post-tax profit of £2,495,149 (*year ended 4 January 2018: post-tax profit £1,216,949*) and sales of £109,036,393 (*year ended 4 January 2018: £106,568,897*). At 3 January 2019, the Company had net liabilities of £6,970,858 (*year ended 4 January 2018: £9,466,007*). The Company recorded an impairment charge of £243,669 (*year ended 4 January 2018: £1,497,659*).

### Future outlook

NATL's cinema business is based exclusively in the UK and so it is exposed to UK economic conditions and consumer confidence. The Company's business and future success depends on the availability of films for screening in its cinemas and appeal of such films to its customers. As a leisure activity, cinema may be affected by the general level of consumer spending on leisure activities and may also be affected by changing consumer preferences.

The directors expect that the present level of activity will be sustained for the foreseeable future.

### Objectives and strategy

The strategic plan is to maximize operating efficiencies by focusing on the fundamentals of the business. The Company has invested in digital and technological innovation such as IMAX, 3D and large screen formats to enhance the customer experience. In addition, the Company maintains the quality of its cinemas by upgrades to luxury seating concepts and expansion of food and drink offerings.

### Markets

Motion picture theatres are the primary initial distribution channel for new motion pictures.

### Performance

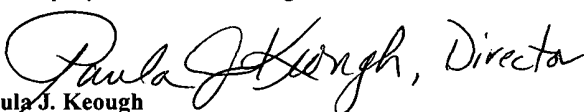
The primary Key Performance Indicator followed by the Company is attendance figures. The Company's attendance in 2018 was 2.1% higher than in 2017 primarily attributable to a new cinema and the expansion of an existing cinema.

### Principal risks and uncertainties

The principal risk facing the Company is lower attendance as this impacts both ticket sales and concessions revenue. The number of major grossing films shown in the year contributes to the attendance numbers. The Company also faces significant levels of competition in the industry. The risk to the financial performance is mitigated by a reduction in staff and film hire costs which reduce with lower attendance.

### Interest rate cash flow risk

The Company has interest bearing assets which earn interest at UK interest rates; it has no interest bearing liabilities.

  
**Paula J. Keough**  
Director

Company registered number: 02141131

Redfield Way  
Lenton  
Nottingham  
NG7 2UW

3 September 2019

## Directors' report

The directors present their report and audited financial statements for the year ended 3 January 2019.

### Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend the payment of a final dividend.

### Directors and directors' interests

The directors who held office during and at the year end were as follows:

Sumner M. Redstone  
Shari E. Redstone  
Thaddeus P. Jankowski  
Paula J. Keough

### Employees

The Company's policy is to consult and discuss with employees matters likely to affect employees' interests.

Information on matters of concern to employees is given through information memo's, which seek to achieve a common awareness on the part of all employees. There is an annual management conference and regular management meetings to inform on matters of interest to employees. Information on any economic and relevant financial factors that impact on the company's performance are also discussed and then cascaded to employees by way of regular team meetings.

Most of the Company's employees are part time. The Company provides relevant training to its employees and as employment progresses the company will develop employee's skills to include additional training and new responsibilities. The Company will support ambitious employees to achieve their full potential. Employees will be actively encouraged and supported to progress to more senior positions within the business.

The Company will actively promote equal opportunity across the Company through the application of recruitment policies that ensure staff receive consistent and fair treatment relevant to their aptitudes, skills, abilities and potential. No applicant will be placed at a disadvantage by conditions which are not necessary for the performance of a job. The Company will make every effort, if an existing employee becomes disabled to retrain and retain them, wherever reasonable and practicable.

### Political and Charitable contributions

There were no charitable contributions made during the year (*year ended 4 January 2018: £nil*). There were no political contributions made during the year (*year ended 4 January 2018: £nil*).

### 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/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.<sup>1</sup>

By order of the board



**Paula J. Keough**  
Director

Company registered number: 02141131

Redfield Way  
Lenton  
Nottingham  
NG7 2UW

3 September 2019

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, 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).

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 judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Opinion**

We have audited the financial statements of NATL. Amusements (UK) Limited (the 'company') for the year ended 3 January 2019 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, 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, including 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 state of the company's affairs as at 3 January 2019 and of its profit 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**

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

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report 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 our 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Independent auditor's report to the members of NATL. Amusements (UK) Limited**

*(continued)*

### **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 during the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where 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, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

**Mandy Janes (Senior Statutory Auditor)**  
**For and on behalf of H W Fisher**

**Chartered Accountants**  
**Statutory Auditor**

Acre House  
11-15 William Road  
London  
NW1 3ER  
United Kingdom

9 September 2019



**Profit and loss account**  
*for the year ended 3 January 2019*

		Year ended 3 January 2019	Year ended 4 January 2018
	Note	£	£
<b>Turnover</b>	3	109,036,393	106,568,897
Cost of sales		<u>(37,604,707)</u>	<u>(36,944,350)</u>
<b>Gross profit</b>		71,431,686	69,624,547
Administrative expenses		(67,993,172)	(67,873,347)
Impairment charge	23	<u>(243,669)</u>	<u>(1,497,659)</u>
<b>Operating profit</b>		3,194,845	253,541
Interest receivable and similar income	22	<u>27,839</u>	<u>3,390</u>
<b>Profit on ordinary activities before taxation</b>	4	3,222,684	256,931
Tax (expense) credit on profit on ordinary activities	7	<u>(727,535)</u>	<u>960,018</u>
<b>Profit for the financial year</b>		<u><u>2,495,149</u></u>	<u><u>1,216,949</u></u>

The above results relate to the continuing operations of the Company.

The notes on pages 13 to 25 form part of these financial statements.

**Statement of Comprehensive Income**  
*for the year ended 3 January 2019*

	Year ended 3 January 2019 £	Year ended 4 January 2018 £
Profit for the financial year	<u>2,495,149</u>	<u>1,216,949</u>
Total comprehensive income	<u><u>2,495,149</u></u>	<u><u>1,216,949</u></u>

The notes on pages 13 to 25 form part of these financial statements.

**Balance Sheet**  
*at 3 January 2019*

	Note	3 January 2019 £	4 January 2018 £ As restated
<b>Fixed assets</b>			
Intangible assets	8	1,130,048	1,337,048
Tangible assets	9	<u>20,560,954</u>	<u>21,251,983</u>
		21,691,002	22,589,031
<b>Current assets</b>			
Stocks	11	733,141	631,503
Debtors: amounts falling due within one year	12	8,510,820	10,211,995
Debtors: amounts falling due after more than one year	13 and 16	1,061,849	1,398,253
Cash at bank and in hand		<u>5,793,760</u>	<u>10,642,641</u>
		16,099,570	22,884,392
<b>Creditors: amounts falling due within one year</b>	14	(33,454,123)	(44,217,644)
<b>Net current liabilities</b>		<u>(17,354,553)</u>	<u>(21,333,252)</u>
<b>Total assets less current liabilities</b>		4,336,449	1,255,779
<b>Accruals: deferred rent</b>	15	(11,307,307)	(10,721,786)
<b>Net liabilities</b>		<u>(6,970,858)</u>	<u>(9,466,007)</u>
<b>Capital and reserves</b>			
Called up share capital	17	5	5
Profit and loss account		<u>(6,970,863)</u>	<u>(9,466,012)</u>
<b>Shareholders' deficit</b>		<u>(6,970,858)</u>	<u>(9,466,007)</u>

The notes on pages 13 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 3 September 2019 and were signed on its behalf by:

  
Paula J. Keough  
Director

Company registered number: 02141131

**Statement of Changes in Equity**  
for the year ended 3 January 2019

	<b>Called-up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 29 December 2016</b>	5	(10,682,961)	(10,682,956)
Total comprehensive income for the year	-	1,216,949	1,216,949
<b>At 4 January 2018</b>	5	(9,466,012)	(9,466,007)
Total comprehensive income for the year	-	2,495,149	2,495,149
<b>At 3 January 2019</b>	5	(6,970,863)	(6,970,858)

The notes on pages 13 to 25 form part of these financial statements.

**Statement of Cash Flows**  
for the year ended 3 January 2019

		Year ended 3 January 2019	Year ended 4 January 2018
	Note	£	£
<b>Cash flow from operating activities</b>			
Cash generated from operations	21	(3,770,041)	12,941,695
Interest received	22	27,839	3,390
Income taxes paid (net of refunds)		-	(1,470,043)
<b>Net cash inflow (outflow) from operating activities</b>		<b>(3,742,202)</b>	<b>11,475,042</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets	9	(1,106,679)	(8,702,926)
<b>Net cash used in investing activities</b>		<b>(1,106,679)</b>	<b>(8,702,926)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,848,881)</b>	<b>2,772,116</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>10,642,641</b>	<b>7,870,525</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>5,793,760</b>	<b>10,642,641</b>

The notes on pages 13 to 25 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Company information*

NATL. Amusements (UK) Limited is a limited company incorporated in England and Wales. The registered office is Redfield Way, Lenton, Nottingham, NG7 2UW.

#### *Accounting convention*

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost accounting rules, modified where necessary in order to comply with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and The Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### *Going concern*

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is reliant on its ultimate parent, National Amusements, Inc., to provide support to enable it to continue in business. It also participates in the group's centralized treasury arrangements and so shares banking arrangements with its ultimate parent and fellow subsidiaries. The Directors, having assessed the responses of the officers of the Company's ultimate parent, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the National Amusements, Inc. group to continue as a going concern or its ability to continue with its current banking arrangements and to continue to support the Company.

#### *Intangible assets and amortisation*

Intangible assets resulting from favourable lease conditions are capitalised at their fair value where this can be measured reliably and amortised over the remaining term of the lease.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual values of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	Shorter of useful life or life of lease
Fixtures and fittings	-	3 to 10 years
Plant and equipment	-	3 to 10 years

Depreciation is not provided on assets in the course of construction.

#### *Impairment of non-current assets*

The carrying values of tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

## Notes (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

### **Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### **Post retirement benefits**

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. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. In determining the cost of consumables and goods purchased for resale, the weighted average purchase price is used.

### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### **Turnover**

Turnover comprises of theatre admissions, concession income and related miscellaneous income, all of which is derived from activities in the United Kingdom. Revenues are generated principally through admissions and concessions sales with proceeds received in cash or via credit card at point of sale. Proceeds received from advanced ticket and gift card sales are recorded as deferred revenue. The Company recognizes revenue associated with advanced ticket and gift card sales at such time as the items are redeemed. The Company recognizes unredeemed advanced ticket and gift card sales only after such a period of time indicates the likelihood of redemption is remote based on historical experience.

The cost of loyalty rewards 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.

### **Holiday pay accrual**

Provision is made in the accounts for holiday days not taken by staff at year end. The movement in the provision is taken to the profit and loss account in the year.

## **Notes (continued)**

### ***Cash and cash equivalents***

Cash and cash equivalents comprises of cash in hand and deposits held at call with banks.

### ***Financial instruments***

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### ***Basic financial assets***

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

### ***Other financial assets***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

### ***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### ***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.



## Notes (continued)

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### *Other financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

### *Equity instruments*

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company

## **2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### *Key sources of estimation uncertainty*

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

### *Depreciation*

Determining the depreciation rate of the fixed assets requires an estimation of the consumption of the fixed asset in question over time. The carrying amount of the fixed assets at the reporting end date was £20,560,954 after total accumulated depreciation of £54,694,519 had been recognised. Details of the depreciation charge are set out in note 9.

### *Impairment of tangible fixed assets*

When indicators of impairment exist the Company determines whether the tangible fixed assets are impaired. The impairment is determined by estimating the value in use of the cash generating units to which the fixed assets are allocated, which involves making an estimate of the expected future cash flows from the cash generating units that hold the fixed assets at a determined discount rate to calculate the present value of those future cash flows. The Company is required to make certain assumptions about the future cash flows to be generated from the individual cinema sites; it is also required to discount these cash flows using an appropriate discount rate. The resulting calculation is sensitive to the assumptions. The directors consider the assumptions to represent the best estimate of the future cash flows generated by the cinema sites and that the discount rate used is appropriate given the risks. Management has applied sensitivity analysis to the estimates. Further details can be seen in note 23.

## Notes (continued)

### Gift Card Liability

The Company estimates gift card liability based on its non-redeemed rates and redemption patterns using data accumulated over several years. Based on history if a gift card is not redeemed within five years after being purchased the likelihood of redemption is remote. The gift card liability balance at 3 January 2019 was £1,804,331 (4 January 2018: £1,387,525).

### 3 Turnover

Analysis of the company's turnover is as follows:

	Year ended 3 January 2019 £	Year ended 4 January 2018 £
Admissions	68,683,866	67,824,231
Concessions	31,373,747	29,644,583
Other	8,978,780	9,100,083
Total	109,036,393	106,568,897

### 4 Operating profit

	Year ended 3 January 2019 £	Year ended 4 January 2018 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Hire of plant and machinery – operating leases	9,401,611	8,516,580
Hire of other assets – operating leases	12,939,559	14,725,059
Depreciation and amounts written off tangible fixed assets owned	1,797,708	3,511,369
Amortization of intangible fixed assets	207,000	207,000

#### Auditors' remuneration:

	Year ended 3 January 2019 £	Year ended 4 January 2018 £
Audit of these financial statements	25,000	25,000

### 5 Remuneration of directors

The directors received no remuneration in respect of their services to the Company during the year ended 3 January 2019 (year ended 4 January 2018: Nil).

**Notes (continued)**

**6 Staff numbers and costs**

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

	Number of employees	
	Year ended 3 January 2019	Year ended 4 January 2018
Operations	1,059	1,065
Administrative and Management	253	252
Total	<u>1,312</u>	<u>1,317</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 3 January 2019 £	Year ended 4 January 2018 £
Wages and salaries	15,541,716	15,144,358
Social security costs	888,708	854,297
Other pension costs	394,975	336,166
	<u>16,825,399</u>	<u>16,334,821</u>

**7 Taxation**

*Analysis of tax charge/(credit) in year*

	Year ended 3 January 2019 £	Year ended 4 January 2018 £
<i>Current tax</i>		
UK corporation tax at 19.00% (year ended 4 January 2018: 19.25%)		
Other	470,826	211,805
Adjustments in respect of prior years	(79,695)	(715,576)
Total current tax charge/(credit)	391,131	(503,771)
<i>Deferred tax (see note 16)</i>		
Adjustment in respect of previous years	75,157	(476,093)
Origination / reversal of timing differences	261,247	19,846
Total deferred tax charge/(credit)	336,404	(456,247)
Tax charge/(credit) on profit on ordinary activities	<u>727,535</u>	<u>(960,018)</u>

## Notes (continued)

### Factors affecting the tax charge/(credit) for the current year

The current tax charge for the year is higher (year ended 4 January 2018: lower) than the standard rate of corporation tax in the UK of 19.00% (year ended 4 January 2018: 19.25%). The differences are explained below.

	Year ended 3 January 2019 £	Year ended 4 January 2018 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>3,222,684</u>	<u>256,931</u>
Current tax charge/(credit) at 19.00% (year ended 4 January 2018: 19.25%)	612,310	49,450
<i>Effects of:</i>		
Expenses not deductible for tax purposes	54,657	66,764
Depreciation on ineligible	95,842	71,599
Adjustments to tax charge in respect of previous years	(79,695)	(715,576)
Adjustments to tax charge in respect of previous years deferred tax	75,157	(476,093)
Re-measurement of deferred tax – change in the tax rate	<u>(30,736)</u>	<u>43,838</u>
Total tax charge/(credit) (see above)	<u><u>727,535</u></u>	<u><u>(960,018)</u></u>

The UK corporation tax was reduced to 20% (effective 1 April 2015). Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. Any deferred tax at 31 December 2018 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

## 8 Intangible fixed assets

	2018 £
<i>Cost</i>	
At beginning of the year	<u>4,805,003</u>
At end of year	4,805,003
<i>Amortisation</i>	
At beginning of year	3,467,955
Charged in year	<u>207,000</u>
At end of year	3,674,955
<i>Net book value</i>	
At 3 January 2019	<u>1,130,048</u>
At 4 January 2018	1,337,048

Intangible assets relates to favourable lease conditions secured by the Company at the start of a lease term of a cinema in 2001. It is amortised over 23 years, which represents the lease term.

**Notes (continued)**

**9 Tangible fixed assets**

	Leasehold improvements	Fixtures and fittings	Other plant and equipment	Total
	£	£	£	£
<i>Cost</i>				
At beginning of year	48,750,017	23,057,678	2,341,099	74,148,794
Additions	465,646	632,705	8,328	1,106,679
At end of year	49,215,663	23,690,383	2,349,427	75,255,473
<i>Depreciation and impairment charges</i>				
At beginning of year	35,089,327	16,866,781	940,703	52,896,811
Depreciation charge	767,190	726,386	60,463	1,554,039
Impairment charge	47,853	192,273	3,543	243,669
At end of year	35,904,370	17,785,440	1,004,709	54,694,519
<i>Net book value</i>				
At 3 January 2019	13,311,293	5,904,943	1,344,718	20,560,954
At 4 January 2018	13,660,690	6,190,897	1,400,396	21,251,983

The Company had no net book value in respect of assets held under finance leases at 3 January 2019 (4 January 2018: £4,298) included in furniture and fittings. The cost on leased assets at 3 January 2019 was £817,000 (4 January 2018: £817,000) and depreciation was £4,298 for the year ended 3 January 2019 (year ended 4 January 2018: £116,714).

The Company is the lessee of theatre equipment under a finance lease expiring in 2020. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets are amortized over the lesser of their related lease terms or their estimated productive lives. The capital lease was paid in full by the end of the first year of its term.

**10 Financial instruments**

	3 January 2019	4 January 2018
	£	£
Financial assets that are debt instruments measured at amortised cost		As restated
Trade debtors	3,154,761	2,976,675
Other debtors	108,835	37,913
Financial liabilities measured at amortised cost		
Trade creditors	406,060	96,848
Other creditors	4,197	4,772
Deferred rent	11,307,307	10,721,786
Accruals	6,377,722	8,436,211
Amounts owed to group undertakings	22,313,247	33,702,960

**Notes (continued)**

**11 Stocks**

	3 January 2019	4 January 2018
	£	£
Finished goods and goods for resale	<u>733,141</u>	<u>631,503</u>

**12 Debtors: amounts falling due within one year**

	3 January 2019	4 January 2018
	£	£
		As restated
Trade debtors	3,154,761	2,976,675
Other debtors	109,259	1,731,241
Prepayments and accrued income	3,652,569	3,518,717
Corporation tax	<u>1,594,231</u>	<u>1,985,362</u>
	<u>8,510,820</u>	<u>10,211,995</u>

**13 Debtors: amounts falling due after more than one year**

	3 January 2019	4 January 2018
	£	£
		As restated
Deferred tax asset	<u>1,061,849</u>	<u>1,398,253</u>

**14 Creditors: amounts falling due within one year**

	3 January 2019	4 January 2018
	£	£
		As restated
Trade creditors	406,060	96,848
Amounts owed to group undertakings	22,313,247	33,702,960
Taxation and social security	1,447,187	366,258
Other creditors	4,197	4,772
Accruals and deferred income	<u>9,283,432</u>	<u>10,046,806</u>
	<u>33,454,123</u>	<u>44,217,644</u>

Taxation and social security include pension contributions payable of £37,711 (year ended 4 January 2018: £24,386).

**Notes (continued)**

**15 Accruals: deferred rent**

	3 January 2019	4 January 2018
	£	£
		As restated
Accruals: deferred rent	<u>11,307,307</u>	<u>10,721,786</u>

**16 Deferred tax**

	Deferred taxation £
Accelerated capital allowances	642,629
Other timing differences	<u>419,220</u>
<b>Deferred tax asset</b>	<u><b>1,061,849</b></u>
At 1 January 2018	1,398,253
Deferred tax charge in profit and loss account	<u>(336,404)</u>
<b>At 3 January 2019</b>	<u><b>1,061,849</b></u>

**17 Called up share capital**

	3 January 2019	4 January 2018
	£	£
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £.05 each	<u>5</u>	<u>5</u>

**18 Capital commitments**

The Company had no contractual commitments relating to the building of new sites as at 3 January 2019 (2018: £nil).

## Notes (continued)

### 19 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

	3 January 2019		4 January 2018	
	Leasehold improvements	Other	Leasehold improvements	Other
	£	£	£	£
Operating leases which expire:				
Within one year	7,646,647	2,002,900	7,205,046	1,896,441
In the second to fifth years inclusive	31,162,439	8,531,440	31,252,127	8,172,023
Over five years	85,098,763	23,223,216	93,049,161	24,804,094
	<u>123,907,849</u>	<u>33,757,556</u>	<u>131,506,334</u>	<u>34,872,558</u>

### 20 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £394,975 (24 January 2018: £336,166).

Contributions amounting to £37,711 (4 January 2018: £24,386) were payable to the scheme as at year-end and are included in creditors.

### 21 Reconciliation of operating profit to operating cash flows

	Year ended 3 January 2019	Year ended 4 January 2018
	£	£
		As restated
Operating profit	3,194,845	253,541
Depreciation, amortisation and amounts written off tangible and intangible fixed assets	2,004,708	3,718,369
(Increase) decrease in stocks	(101,638)	(20,639)
(Increase) decrease in debtors due within one year	1,310,044	(1,271,999)
Increase (decrease) in creditors	626,192	178,075
Increase (decrease) in deferred rent accrual	585,521	1,238,563
Increase (decrease) in amounts due to related parties	(11,389,713)	8,845,785
Net cash inflow (outflow) from operating activities	<u>(3,770,041)</u>	<u>12,941,695</u>



**Notes (continued)**

**22 Interest receivable and similar income**

	3 January 2019	4 January 2018
	£	£
<b>Interest receivable</b>		
Interest receivable from group undertakings	27,839	3,390
<b>Returns on investment and servicing of finance</b>		
Interest received	<u>27,839</u>	<u>3,390</u>

**23 Impairment**

An impairment loss is recognized whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. In preparing these financial statements, the Directors have identified the carrying amounts of tangible fixed assets held at certain cinemas exceeds the recoverable amounts of those assets. As such, an impairment charge of £243,669 was recorded for the year ended 3 January 2019 (4 January 2018: £1,497,659).

**24 Ultimate parent company and parent undertaking of larger group**

The Company is a subsidiary undertaking of NAI Entertainment Holdings LLC (NAI EH LLC). NAI EH LLC was legally formed in September 2010 in Delaware in the United States. NAI EH LLC is a subsidiary of National Amusements, Inc., which is the parent undertaking of the largest group in which the results of the Company are consolidated. National Amusements Inc., is incorporated in Maryland in the United States. National Amusements, Inc. and NAI EH LLC are privately-held entities for which the consolidated financial statements are not available for public use.

The directors regard Mr. Sumner M. Redstone as the ultimate controlling party by virtue of his controlling interest in the equity capital of National Amusements, Inc.

**Notes (continued)**

**25 Prior year adjustment**

Some balance sheet comparatives have been amended to give a clearer presentation of the position relating to deferred rental. The changes made to the balance sheet as at 4 January 2018 are set out below:

	4 January 2018		
	£		£
	As previously reported	Amendments	As restated
<b>Fixed assets</b>			
Intangible assets	1,337,048	-	1,337,048
Tangible assets	21,251,983	-	21,251,983
	<u>22,589,031</u>	<u>-</u>	<u>22,589,031</u>
<b>Current assets</b>			
Stocks	631,503	-	631,503
Debtors: amounts falling due within one year	11,332,712	(1,120,717)	10,211,995
Debtors: amounts falling due after more than one year	4,608,101	(3,209,848)	1,398,253
Cash at bank and in hand	10,642,641	-	10,642,641
	<u>27,214,957</u>	<u>(4,330,565)</u>	<u>22,884,392</u>
<b>Creditors: amounts falling due within one year</b>	<u>(44,844,833)</u>	<u>627,189</u>	<u>(44,217,644)</u>
<b>Net current liabilities</b>	<u>(17,629,876)</u>	<u>(3,703,376)</u>	<u>(21,333,252)</u>
<b>Total assets less current liabilities</b>	4,959,155	(3,703,376)	1,255,779
<b>Creditors: amounts falling due after more than one year</b>	<u>(14,425,162)</u>	<u>14,425,162</u>	<u>-</u>
<b>Accruals: deferred rent</b>	-	(10,721,786)	(10,721,786)
<b>Net liabilities</b>	<u>(9,466,007)</u>	<u>-</u>	<u>(9,466,007)</u>

The company has long term leases on a few of its cinemas. Under the terms of these leases, there are rent escalation clauses whereby the rent payments increase over the term of the lease. The lease charge in the financial statements is spread evenly over the term of the lease so that an amount of deferred rental expense is reflected in these financial statements. In the balance sheet as at 4 January 2018, anticipated future increases in the deferred rental balance were shown within debtors with a corresponding increase of the amounts shown in creditors. This has been revised in the comparative figures presented in this year's financial statements. At the same time it has been decided to present the overall balance of deferred rental in the alternative position for accruals allowed under the Companies Act formats.