

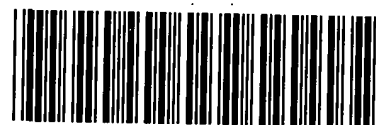
ABC Cinemas Limited

Annual report and financial statements

Registered number 3167622

31 December 2015

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Strategic Report

Business review

Market position

ABC Cinemas Limited ("the Company") operates under the *Odeon* brand as part of the wider Odeon UK Group ("the UK Group") which is a market leader in the UK operating 109 cinemas with 868 screens at the year end date. It also forms a major part of the Odeon & UCI Cinemas Group, a leading European cinema exhibitor, operating in seven countries.

Organisational changes

In the past two years Odeon & UCI Cinemas Holdings Limited ("the Group") has undertaken a fundamental transformation across all territories, including the UK, to enable it to better drive performance and growth. This began with a change in senior management during 2014: Paul Donovan was appointed Chief Executive Officer in February 2014, and Mark Way (Chief Financial Officer) and Ian Shepherd (Chief Commercial Officer) joined the business in the middle of the same year. Together they brought a wide range of skills and experience from industries and businesses including mobile phone operators, the hotel and leisure sectors, retail and FMCG brands that complemented the Group's longstanding experience of the cinema industry - the combination of which was fundamental to the creation of a new strategy that was implemented that year.

Clear strategy for growth

Since 2014 the Group has been following a clear guest-focused strategy to drive growth and profitability from all of its operations. There are four main focus areas:

1. Commercial excellence – *enhancing our CRM, market insight and digital capabilities*
2. Transforming operations – *to deliver a better guest experience and more efficient processes*
3. Maximising retail – *developing our range and quality to drive participation and sales*
4. High performance culture – *giving us the most motivated and guest centric colleagues in the sector*

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 which is consistent with the strategy for growth and there is clear evidence that the differentiated strategy has already led to operating and financial outperformance in 2015, including the delivery of four quarters of market share growth in key territories in 2015.

Portfolio development – disposals

The Company took advantage of a number of opportunities during the year to dispose of a small number of non-core trading cinemas and properties on commercially attractive terms.

Portfolio development – other initiatives

A number of cinema refurbishments were 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 2016 and beyond.

Main market attendance 2015 v 2014

The cinema sector saw a return to strong market volumes with a 9% increase in 2015 following unusually low markets in 2013 and 2014.

Attendance (millions) ¹				2015 vs 2014
	2013	2014	2015	growth
UK	165.5	157.5	171.9	+9%

The year saw the release of a number of films from established international franchises that performed particularly strongly including *Spectre*, *Star Wars: The Force Awakens*, *Jurassic World*, *Fast & Furious 7*, *Avengers: Age of Ultron*, *Hunger Games: Mockingjay Part 2* and *Minions*.

¹ Market information is provisional and for some territories is a full market estimate based on information available for part of the market.

Strategic Report *(continued)*

Market share

The organisational changes and improved strategy for the Company have successfully driven increased market share. The UK Group market share increased 1.2% points to 24.4% overall in 2015, providing clear evidence that the new strategy for the Group is beginning to deliver.

Financial results and KPIs

Turnover for the year was up 19.3% at £37,268,000 (2014 restated: £31,229,000²), an operating profit pre-exceptional items was reported of £2,213,000 (2014 restated: £2,066,000) and the profit after taxation for the year was £5,378,000 (2014 restated: £3,076,000).

The business is managed on a combined basis with KPIs measured on the wider UK Group rather than at an individual entity level. However, consolidated accounts containing full KPIs are prepared for the ultimate parent, Odeon & UCI Cinemas Holdings Limited and can be obtained from the address given in note 25.

Investment

The Company continued to invest to grow future earnings and enhance the high quality of the existing estate. In terms of asset additions, £1,155,000 was invested in additional sites (both for 2015 and future periods), other revenue-generating projects and in capital maintenance of the estate.

Going concern and liquidity management

Following a refinancing in May 2011 by the group headed by Odeon and UCI Cinemas Holdings Ltd ("the Group"), senior secured notes totalling £300m and €200m are in issue. The term of the notes is seven years. Furthermore, agreements were entered during May 2011 that provide the Group with a £90m committed Revolving Credit Facility ("RCF") for working capital management and other purposes, which put the Group in a strong liquidity position. The term of the RCF was originally six years, but an agreement was signed on 28 June 2016 to extend this facility by six months to 24 November 2017. Under these new financing arrangements, there are no regular maintenance covenant ratio tests: ratios are tested only upon certain events which are within the control of the Group, such as raising additional external debt.

The directors believe that the current borrowings and RCF facilities could be refinanced under similar or more favourable terms.

Furthermore the Group has shareholder funding in place with a maturity dates of 30 November 2019.

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

The principal risk to the business is lower attendance. Though medium term attendance figures are broadly stable, there is some volatility year on year, depending on the film slate, which in turn depends on production from Hollywood. An increase in the availability of pirated films, changes to customer film viewing habits or the level of competition from other exhibitors may also have an impact on attendance. The risk to earnings performance is mitigated by our strategy to drive attendance at each site, plus cost savings in film hire and staff, which reduce at lower attendances, and by controlling discretionary costs and capital expenditure.

Some commentators are concerned about the impact of the increasing penetration of home cinema equipment and online film viewing on cinema attendance. Similar concerns were expressed in previous decades with the introduction of TV, Video Cassettes and DVDs. The directors believe that cinema provides a different and better film experience than home entertainment; that these different distribution channels are generally complementary rather than competitive; that cinema continues to offer excellent value in the "going out" market; and that there will be ongoing demand for the cinema experience for the foreseeable future.

² UK GAAP accounting rules have changed. The new UK GAAP (covered by accounting standard FRS 102) is applied in the 2015 financial statements for the first time. Certain 2014 comparative numbers have been restated in order to show comparisons on a consistent basis.

Strategic Report *(continued)*

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 2015.

Principal activity

The principal activity of ABC 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
PM Donovan
D Reynolds
MJ Way
NJ Williams

Post Balance Sheet events

On 12 July 2016, AMC Entertainment Holdings Inc. (AMC Theatres) announced that it had entered into a definitive agreement to acquire Odeon & UCI Cinemas Group from private equity firm Terra Firma. The transaction is expected to be completed in the fourth quarter of 2016; it is conditional upon antitrust clearance by the European Commission and is subject to consultation with the European Works Council.

Dividends

The directors do not recommend the payment of a dividend (2014: *£nil*) with respect to preference or ordinary shares.

Employee involvement

Employment in the Company increased 2.6% to 471 in 2015 compared to 459 in 2014 (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 Group gained the Carbon Trust Standard for reducing energy by 5.6% over two years through better carbon management and accounting.

Change in accounting standards

UK GAAP accounting rules have changed. The new UK GAAP (covered by accounting standard FRS 102) is applied in the 2015 financial statements for the first time. As required by FRS 102, the 2014 comparative numbers have been restated in order to show comparisons on a consistent basis.

The financial statements contain notes explaining the impact of the changes in accounting rules.

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: 27TH OCTOBER 2016

Statement of directors' responsibilities in respect of the annual 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

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

Independent Auditor's Report to the members of ABC Cinemas Limited

We have audited the financial statements of ABC Cinemas Limited for the year ended 31 December 2015 set out on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006


In our opinion 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.

Independent Auditor's Report to the members of ABC Cinemas Limited *(continued)*

Matters on which we are required to report by exception

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.



Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

28/10/2016.

Profit and Loss Account
for the year ended 31 December 2015

	<i>Note</i>	2015 £000	Restated 2014 £000
Turnover	2	37,268	31,229
Cost of sales		(13,855)	(10,542)
Gross profit		23,413	20,687
Distribution costs, administration expenses and other operating income		(21,889)	(17,195)
Operating profit analysed as:			
Before exceptional items:		2,213	2,066
Exceptional income	5	-	1,989
Exceptional costs	5	(689)	(563)
		1,524	3,492
Operating profit		1,524	3,492
Profit on disposal of fixed assets		3,721	-
Profit on ordinary activities before interest and taxation		5,245	3,492
Interest receivable and similar income	7	1,483	1,414
Interest payable and similar charges	8	(1,714)	(1,823)
Other finance income	9	364	301
Profit on ordinary activities before taxation	4	5,378	3,384
Taxation	10	-	(308)
Profit on ordinary activities after taxation and for the financial year		5,378	3,076

All turnover and profits on ordinary activities related to continuing activities.

Statement of Other Comprehensive Income
for the year ended 31 December 2015

	<i>Note</i>	2015 £000	Restated 2014 £000
Profit for the year		5,378	3,076
Other comprehensive income / (expense)			
Remeasurement of the net defined benefit pension asset	20	428	2,295
Effect of asset limit on remeasurement of net defined pension asset	20	(1,576)	(3,753)
Deferred tax on pension items above		-	308
Other comprehensive loss for the year, net of income tax		(1,148)	(1,150)
Total comprehensive profit for the year		4,230	1,926

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

Balance Sheet
at 31 December 2015

	<i>Note</i>	2015 £000	2015 £000	Restated 2014 £000	Restated 2014 £000
Fixed assets					
Tangible assets	11		13,704		15,067
Current assets					
Stocks	12	335		268	
Debtors: amounts due within one year	13	26,479		20,885	
Debtors: amounts due after more than one year	14	45,402		43,919	
Cash at bank and in hand		-		17	
		72,216		65,089	
Creditors: amounts due within one year	15	(3,662)		(3,086)	
Net current assets			68,554		62,003
Total assets less current liabilities			82,258		77,070
Creditors: amounts due after more than one year	16		(56,975)		(56,320)
Provisions for liabilities:					
Deferred tax liability	18	-		-	
Provisions	19	(3,002)		(2,699)	
Pensions & similar obligations	20	-		-	
			(3,002)		(2,699)
Net assets			22,281		18,051
Capital and reserves					
Called up share capital	21		27,439		27,439
Profit and loss account			(5,158)		(9,388)
Shareholders' funds			22,281		18,051

These financial statements were approved by the board of directors on 27th Oct 2016 and were signed on its behalf by:



NJ Williams
Director

The notes on pages 13-32 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total shareholders' equity
	£000	£000	£000
Balance at 1 January 2014 restated	27,439	(10,863)	16,576
Effect of change in accounting policy (note 28)	-	(451)	(451)
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2014 restated	27,439	(11,314)	16,125
Total comprehensive income for the period			
Profit	-	3,076	3,076
Other comprehensive loss	-	(1,150)	(1,150)
	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the period	-	1,926	1,926
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	27,439	(9,388)	18,051
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Called up share capital	Profit and loss account	Total shareholders' equity
	£000	£000	£000
Balance at 1 January 2015	27,439	(9,388)	18,051
Total comprehensive profit for the period			
Profit	-	5,378	5,378
Other comprehensive loss	-	(1,148)	(1,148)
	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the period	-	4,230	4,230
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	27,439	(5,158)	22,281
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

ABC Cinemas Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 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.

UK GAAP has changed. The new accounting framework is set out in Financial Reporting Standard 102, which is implemented for the first time in these financial statements.

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”) as issued in September 2015, and under the historical cost accounting rules. Upon acquisition, assets are included at fair value. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

An explanation of how the transition to FRS 102 has affected both the financial position and financial performance of the Company is provided in note 28.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been applied in these financial statements:

- Lease incentives – for leases commenced before transition date the Company continued to account for lease incentives under previous UK GAAP.

The Company’s ultimate parent undertaking, Odeon and UCI Cinemas Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Odeon and UCI Cinemas Holdings Limited are prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in September 2015 and are available to the public and may be obtained from the address shown in note 25. 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.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Notes (continued)

1 Accounting policies (continued)

Change in accounting policy/prior period adjustment

In these financial statements the Company has implemented FRS 102, the new UK GAAP accounting framework, which has necessitated changes to its accounting policies in the following areas:

- Loyalty Awards; Under FRS 102.23.9 an entity is required to account for award credits as a separately identifiable component of the sale. Previously the Company accounted for the cost of providing the rewards rather than the revenue.
- Pensions; Under FRS 102.28.23(d), FRS 102.28.28 remeasurement of a defined benefit pension liability, i.e. actuarial gains and losses, and the return on plan assets excluding the amount included in net interest are recognised outside profit or loss as part of total comprehensive income. Previously the Company accounted for the return on plan assets through the profit or loss.
- Lease incentives; Lease incentives were previously accounted for over the shorter of the lease term and the period to the rent review. Under FRS 102.20.15 lease incentives are now recognised over the lease term, except where covered by the first time adoption exemption taken, as described above.

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

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 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. The directors' assessment includes a review of detailed periodic funding requirements and sensitivity analysis. Further detail is set out below.

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

Following a refinancing in May 2011 by the Group, senior secured notes totalling £300 million and €200 million are in issue. The term of the notes is seven years. Furthermore, agreements were entered during May 2011 that provide the Group with a £90 million committed Revolving Credit Facility ("RCF") for working capital management and other purposes, which put the Group in a strong liquidity position. The term of the RCF was originally six years, but an agreement was signed on 28 June 2016 to extend this facility by six months to 24 November 2017. Under these new financing arrangements, there are no regular maintenance covenant ratio tests: ratios are tested only upon certain events which are within the control of the Group, such as raising additional external debt.

The directors believe that the current borrowings and RCF facilities could be refinanced under similar or more favourable terms.

The directors have reviewed forecast monthly cash requirements, including reasonable sensitivities, and are satisfied that there is sufficient headroom under the Group's facilities.

In addition, the Company has the continued financial support of Odeon and UCI Cinemas Holdings Limited to enable it to continue to trade for the foreseeable future, including the provision of additional funds as required and not seeking the repayment of balances already lent to the Company.

1.4 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.

Notes (continued)

1 Accounting policies (continued)

1.5 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.

1.6 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.

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 and legally owned 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.

Notes (continued)

1 Accounting policies (continued)

1.7 Stocks

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

1.8 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.

1.9 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. 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 entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity 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.

1.10 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.

Notes (continued)

1 Accounting policies (continued)

1.11 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.

1.12 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 obligations (discounted by 7.5%, based on property yields), net of risk adjusted anticipated operating profit from trading (discounted by 10%, based on cost of capital), 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.

Exceptional items

In order for items to be classified as exceptional in the financial statements, they must: be significant in value; relate to events outside the ordinary course of business; 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.

1.13 Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Notes (continued)

2 Turnover

All turnover derives wholly from the operation of cinemas within the United Kingdom. As a result, no segmental analysis has been provided.

3 Directors' remuneration

	2015 £000	2014 £000
Directors' remuneration	233	225
Company contributions to defined contribution pension schemes	2	2
	<u>235</u>	<u>227</u>

In both the current and the prior period the directors' emoluments were borne by Odeon Cinemas Limited. Remuneration is recharged across the Group based on turnover. The remuneration of the highest paid director was £1,230,000 (2014: £777,000).

	Number of directors	
	2015 £000	2014 £000
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	3	3

In both the current and the prior period the directors' emoluments were borne by Odeon Cinemas Limited, the figures shown in this note show a representative split based on turnover.

4 Profit on ordinary activities before taxation

	2015 £000	2014 £000
<i>Profit on ordinary activities before taxation is stated after charging / (crediting):</i>		
Depreciation:		
- Owned assets	1,878	1,703
- Leased assets	31	30
- Digital projection equipment deferred income release	(433)	(498)
(Profit) / Loss on disposal of fixed assets	(3,721)	36
Property rental income	(216)	(259)
Operating lease rentals:		
- Property	4,425	3,640
Exceptional items		
- Net operating expenses: change in provision for onerous lease commitments	510	(1,989)
- Net operating expenses: organisational and strategic changes	179	563

Auditor's remuneration

The audit costs for 2015 & 2014 were borne by a fellow subsidiary. In 2015 the Company's share of Auditors' remuneration was £1,000 (2014: £1,000).

5 Exceptional items

The onerous lease provision was revised to reflect the current estimate, resulting in an exceptional charge to the Profit and Loss Account for the year of £510,000 (2014: credit of £1,989,000). Costs resulting from the organisational and strategic changes incurred during the year resulted in an exceptional charge to the Profit and Loss Account for the year of £179,000 (2014: £563,000).

Notes (continued)

6 Staff numbers and costs

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

	Number of employees	
	2015	2014
Cinemas & other	471	459

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	6,309	5,056
Social security costs	346	208
Pension costs	145	91
	6,800	5,355

7 Interest receivable and similar income

	2015	2014
	£000	£000
Interest receivable from Group undertakings	1,483	1,414

8 Interest payable and similar charges

	2015	2014
	£000	£000
Interest payable to Group undertakings	1,521	1,505
Unwinding of discount on provisions	191	314
Interest on finance leases	2	4
	1,714	1,823

9 Other finance income / (costs)

	2015	Restated 2014
	£000	£000
Expected return on pension scheme assets (note 20)	1,297	1,374
Interest on pension scheme liabilities (note 20)	(933)	(1,073)
	364	301

Notes (continued)

10 Taxation

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

	2015 £000	£000	2014 £000	£000
<i>Current tax</i>				
Current tax on income for the period		-		-
Adjustments in respect of prior periods		-		-
		<hr/>		<hr/>
Total current tax		-		-
<i>Deferred tax (see note 18)</i>				
Origination and reversal of timing differences	-		308	
	<hr/>		<hr/>	
Total deferred tax		-		308
		<hr/>		<hr/>
Total tax		-		308
		<hr/>		<hr/>

	£000	2015 £000	£000	£000	2014 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	-	-	-	-	308	308
Recognised in other comprehensive income	-	-	-	-	(308)	(308)
Recognised directly in equity	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Analysis of current tax recognised in profit and loss

	2015 £000	2014 £000
UK corporation tax	-	(308)
	<hr/>	<hr/>
Total current tax recognised in profit and loss	-	(308)
	<hr/>	<hr/>

Notes (continued)

10 Taxation (continued)

Reconciliation of effective tax rate

	2015 £000	Restated 2014 £000
Profit for the year	5,378	3,076
Total tax expense / (income)	-	308
Profit excluding taxation	5,378	3,384
Tax using the UK corporation tax rate of 20.25% (2014: 21.50%)	1,089	728
Expenses not deductible for tax purposes	(2)	35
Group relief (claimed) / surrendered for nil payment	(258)	(702)
Capital Gains in excess / (below) accounting gain	(443)	-
Deferred tax not provided	(386)	247
Total tax expense / (income) included in profit or loss	-	308

Reduction in the UK corporation tax rate from 23% to 21% were effective from 1 April 2014, falling to 20% on 1 April 2015. On 26th October 2015, further reductions to 19% from 1 April 2017 and 18 % from 1st April 2020 were subsequently enacted. The deferred tax balance included on the balance sheet has been calculated based on these rates.

The unrecognised deferred tax asset at 31 December 2015 (see note 18) has been calculated based on the rate of 20% substantively enacted at the Balance Sheet date.

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	1,123	24,163	35,591	353	61,230
Additions	23	258	862	12	1,155
Transfers from WIP	-	3	-	(3)	-
Disposals	-	(103)	(1,722)	(1)	(1,826)
At end of year	1,146	24,321	34,731	361	60,559
Depreciation					
At beginning of year	126	18,646	27,391	-	46,163
Charge for the year	20	418	1,513	-	1,951
On disposals	-	(7)	(1,252)	-	(1,259)
At end of year	146	19,057	27,652	-	46,855
Net book value					
At 31 December 2015	1,000	5,264	7,079	361	13,704
At 31 December 2014	997	5,517	8,200	353	15,067

Notes (continued)

11 Tangible assets (continued)

The net book value of land and buildings comprises:

	2015 £000	2014 £000
Freehold	993	997
Short leasehold	5,271	5,517
	<u>6,264</u>	<u>6,514</u>

Included in the total net book value of vehicles, fixtures and equipment is £2,097,000 (2014: £2,806,000) in respect of digital and related assets held under third party arrangements/agreements with an offsetting amount shown within deferred revenue. Depreciation for the year on these assets was £448,000 (2014: £466,000).

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 1.6.

12 Stocks

	2015 £000	2014 £000
Goods for resale	335	268

13 Debtors: amounts due within one year

	2015 £000	2014 £000
Trade debtors	330	-
Other debtors	4	5
Amounts owed by Group undertakings	25,281	20,289
Prepayments and accrued income	864	591
	<u>26,479</u>	<u>20,885</u>

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

14 Debtors: amounts due after more than one year

	2015 £000	2014 £000
Amounts owed by Group undertakings	45,402	43,919

The intra-group loan is due after more than five years. Interest is receivable at LIBOR plus 2.375%.

Notes (continued)

15 Creditors: amounts due within one year

	2015 £000	Restated 2014 £000
Accruals and deferred income	3,634	3,058
Obligations under finance leases (note 16)	28	28
	<u>3,662</u>	<u>3,086</u>

16 Creditors: amounts due after more than one year

	2015 £000	2014 £000
Amounts owed to Group undertakings	54,875	53,354
Obligations under finance leases	3	32
Deferred income	2,097	2,934
	<u>56,975</u>	<u>56,320</u>

Finance leases

	Minimum lease payments 2015 £000	Minimum lease payments 2014 £000
Finance lease liabilities are payable as follows:		
Within one year	28	28
In two to five years	3	32
Over five years	-	-
	<u>31</u>	<u>60</u>

The intra-group loan is due after more than five years. Interest is payable at LIBOR plus 2.942%.

Notes (continued)

17 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.

	2015 £000	2014 £000
Creditors falling due within less than one year		
Finance lease liabilities	28	28
	<u>28</u>	<u>28</u>
Creditors falling due more than one year		
Amounts owed to Group undertakings	54,875	53,354
Finance lease liabilities	3	32
	<u>54,878</u>	<u>53,386</u>
Total	<u>54,906</u>	<u>53,414</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2015 £000	2014 £000
Cicero Acquisitions ⁽¹⁾	GBP	LIBOR +2.942%	9 years	54,875	53,354
Finance lease liabilities	GBP	-	-	31	60
				<u>54,906</u>	<u>53,414</u>

⁽¹⁾ This loan with Cicero Acquisitions, including accrued interest, remained outstanding at 31 December 2015.

Notes (continued)

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Restated	Liabilities	Restated	Net	Restated
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	(742)	(1,007)	-	-	(742)	(1,007)
Other – Loyalty scheme	-	(98)	-	-	-	(98)
	<u>(742)</u>	<u>(1,007)</u>	<u>-</u>	<u>-</u>	<u>(742)</u>	<u>(1,007)</u>
Tax (assets) / liabilities	(742)	(1,105)	-	-	(742)	(1,105)

No deferred tax asset has been recognised on the grounds that the Company is not expected to generate sufficient taxable profits in future years that will not be covered by group relief with which to offset the losses.

19 Provisions for liabilities and charges

	Onerous lease provision £000
At beginning of year	2,699
Unwinding of discount	191
Amount utilised during the year	(398)
Change in provision for onerous lease commitments	510
	<u>3,002</u>
At end of year	<u>3,002</u>

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. 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.

Notes (continued)

20 Employee benefits

The Company participates in a defined benefit scheme, the ABC Cinemas Limited Pension Scheme (the “ABC plan”). 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:

	2015 £000	2014 £000
Defined benefit obligation	(24,155)	(26,634)
Plan assets	35,457	36,360
	<hr/>	<hr/>
Surplus / (Deficit)	11,302	9,726
Effect of asset limit	(11,302)	(9,726)
	<hr/>	<hr/>
Net pension asset recognised	-	-
	<hr/>	<hr/>
Actuarial gain / (loss) in other comprehensive income	428	2,295
	<hr/>	<hr/>

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 ABC plan is closed to new members and is closed to future accrual from 1 November 2009. The latest full actuarial valuation for the ABC Plan was carried out at 31 April 2012 and was updated for FRS 102 purposes to 31 December 2015 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.

Notes (continued)

20 Employee benefits (continued)

Movements in present value of defined benefit obligation

	2015 £000
At 1 January 2015	26,634
Current service cost	-
Interest expense	933
Actuarial loss on scheme liabilities	(1,956)
Benefits paid	(1,456)
	<hr/>
At 31 December 2015	24,155
	<hr/>

Movements in fair value of plan assets

	2015 £000
At 1 January 2015	36,360
Interest income	1,297
Actuarial gain on scheme assets	(1,528)
Contributions by employer	784
Contributions by members	-
Benefits paid	(1,456)
	<hr/>
At 31 December 2015	35,457
	<hr/>

Expense recognised in the profit and loss account

	2015 £000	Restated 2014 £000
Current service cost	-	-
Net interest on net defined benefit liability	364	301
	<hr/>	<hr/>
Total income / (expense) recognised in profit or loss	364	301
	<hr/>	<hr/>

Notes (continued)

20 Employee benefits (continued)

Expense recognised in other comprehensive income

	2015 £000	Restated 2014 £000
Actuarial return less expected return on pension scheme assets	(1,528)	5,073
Change in actuarial assumptions	1,956	(2,778)
	<hr/>	<hr/>
Actuarial gain / (loss) recognised in other comprehensive income	428	2,295
	<hr/>	<hr/>

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

	2015 Fair value £000	2014 Fair value £000
Equity instruments	6,641	6,721
Debt instruments	28,783	29,498
Cash and cash equivalents	33	141
Real Estate	-	-
	<hr/>	<hr/>
Actual return on plan assets	35,457	36,360
	<hr/>	<hr/>

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

	2015 %	2014 %
Discount rate	3.8	3.6
Rate of increase in salaries	2.0	3.4
Rate of increase in pensions-in-payment	2.0	1.9
Rate of increase in pensions in deferred pensions	3.0	2.9
Inflation assumption	3.0	2.9
	<hr/>	<hr/>

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 21.6 years.

For a member aged 40 in 2015, retiring in 25 years time, the assumptions are that they will live on average for a further 24.0 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 ABC plan is closed to new members and future accrual, the current service cost is nil. The Company made special deficit reduction contributions of £784,000 in the year. These rates are subject to review at future actuarial valuations.

Notes (continued)

21 Capital

Share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid:</i>		
2 Ordinary shares of £1 each	-	-
27,438,810 Preference shares (non-redeemable) of £1 each	27,439	27,439
	<hr/> 27,439	<hr/> 27,439

The principal rights attached to the share capital are set out below:

Income

Any profits which the Company may determine to distribute in respect of any financial year shall belong to and be distributed amongst the holders of the preference shares and the holders of the ordinary shares as follows:

- (a) firstly, to the extent that the holders of preference shares have not then received the preferred participation of such shares, in paying to the holders of the preference shares the amount by which the aggregate amount previously paid by the Company to the holders of the preference shares (in that capacity) is less than the preferred participation of such shares. To the extent that the profits that the Company determines to distribute are less than the aggregate preferred participation of all of the preference shares, such profits shall be applied among the holders of the preference shares pro rata to the respective preferred participation of the preference shares held by them; and
- (b) no dividend or other distribution shall be declared or paid on the ordinary shares unless or until the Company shall have paid to the holders of the preference shares the aggregate preferred participation of all of the preference shares. No dividend or distribution shall be declared or paid on any preference shares in excess of the preferred participation of that share.

Voting rights

The ordinary shares confer on each holder thereof the right to receive notice of and to attend, speak and vote at all general meetings of the Company.

The preference shares confer on each holder thereof the right to receive notice of, attend and speak at all general meetings but not any right to vote.

Capital

On a return of capital on liquidation, dissolution or winding up of the Company either voluntary or involuntary or other return of capital, the surplus assets of the Company remaining after the payment of its liabilities ("the Surplus") shall be applied as follows:

- (a) first, to the extent that the holders of the preference shares have not received the preferred participation of each preference share held by them in paying to the holders of the preference shares the amount by which the aggregate amount previously paid by the Company to the holders of the preference shares (in that capacity) is less than the preferred participation of each preference share held by them and if the Surplus is less than the aggregate preferred participation of all of the preference shares, the Surplus shall be applied among the holders of the preference shares pro rata to the respective preferred participations of the preference shares held by them; and
- (b) the balance (if any) of the Surplus remaining after the payments above shall belong to the holders of the ordinary shares according to the amounts paid on the nominal amount thereof.

Dividends

After the balance sheet date no dividends (2014: £nil) were proposed by the directors.

Notes (continued)

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	5,048	4,860
Between one and five years	19,740	20,187
More than five years	41,309	45,910
	<hr/>	<hr/>
	66,097	70,957
	<hr/>	<hr/>

During the year £4,425,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £3,640,000).

23 Commitments

Capital commitments

There were no capital commitments at the end of the financial year (2014: none).

24 Contingencies

At 31 December 2015 certain group companies acted as guarantors under the terms of the £300m and €200m senior secured notes and the £90m revolving credit facility. Certain group companies also acted as guarantors of rent and other payments for other group companies.

25 Ultimate parent company and controlling party

The directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity. The ultimate controlling party is Guy Hands.

The largest group to consolidate these financial statements is Odeon & UCI Cinemas Holdings Limited and the smallest group is Odeon & UCI Bond Midco Limited.

Copies of these consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

26 Post balance sheet events

On 12 July 2016, AMC Entertainment Holdings Inc. (AMC Theatres) announced that it had entered into a definitive agreement to acquire Odeon & UCI Cinemas Group from private equity firm Terra Firma. The transaction is expected to be completed in the fourth quarter of 2016; it is conditional upon antitrust clearance by the European Commission and is subject to consultation with the European Works Council.

Notes (continued)

27 Related parties

Identity of related parties with which the Company has transacted

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

Terra Firma Investments (GP) 2 Limited, acting as general partner of the six limited partnerships which constitute the Terra Firma Capital Partners II Fund, Terra Firma Capital Partners II LP-H, TFCP II Co-Investment 2 LP and TFCP II Co-Investment 2A LP ("Terra Firma"), has the ability to exercise a controlling influence over the Company through the holding of shares in a parent of the Company. The directors therefore consider it to be a related party.

During April 2007, certain group companies entered into sale and leaseback arrangements in relation to freehold and leasehold properties. Terra Firma had the ability to exercise a controlling influence over the companies with which the sale and leaseback transactions took place ("the PropCos") through the holding of shares. The directors therefore considered them to be related parties.

The total consideration for the properties sold, excluding VAT, was £25,675,000. The consideration was partly settled during May 2007. In 2007 the Company's loans to the PropCos were assigned to Odeon & UCI Cinemas Group Limited.

The relevant trading companies with the Group entered into lease contracts with the PropCos. During 2015 a process to dissolve the PropCos was initiated, and hence the rent payable from the Company to the PropCos during the year was nil (2014: £418,000).

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	
	2015 £000	2014 £000	2015 £000	2014 £000
Entities with control, joint control or significant influence	1,578	1,162	-	-
Other related parties (subject to wholly owned exemption)	-	-	-	418
	<u>1,578</u>	<u>1,162</u>	<u>-</u>	<u>418</u>
	Receivables outstanding		Creditors outstanding	
	2015 £000	2014 £000	2015 £000	2014 £000
Entities with control, joint control or significant influence	330	213	-	-
Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)	70,683	63,995	54,875	53,354
	<u>71,013</u>	<u>64,208</u>	<u>54,875</u>	<u>53,354</u>

Notes (continued)

28 Explanation of transition to FRS 102 from previous UK GAAP

As stated in note 1, these are the first financial statements prepared by the Company in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2015 and the comparative information presented in these financial statements for the year ended 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its previous UK GAAP basis of accounting. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following table and the notes that accompany the table.

Reconciliation of loss and equity from previous GAAP to FRS 102

	Note	Profit for the year ended 31 December 2014 £000	Equity as at 31 December 2014 £000	Equity as at 1 January 2014 £000
Amount under previous GAAP		3,089	18,542	16,576
Change in accounting for loyalty rewards	A	(40)	(491)	(451)
Pensions reclassification between OCI and P&L	B	27	-	-
Amount under FRS 102		3,076	18,051	16,125

Notes to the reconciliation

- A) As explained in note 1, loyalty rewards must now be accounted for at the fair value of their associated revenue and not the cost to the Company. This has resulted in a deferred revenue balance being recognised and remeasured at the reporting date.
- B) The return on plan assets excluding the amount included in net interest can now be recognised outside profit or loss as part of total comprehensive income, as well as the actuarial gains or losses as previously. As this is a reclassification there has been no change to opening or closing equity.