

# **Odeon Cinemas Holdings Limited**

## **Strategic Report, Directors' Report and financial statements**

Registered number 3878148

31 December 2020

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## Contents

|   |    |
|---|----|
| Strategic Report  | 1  |
| Directors' Report   | 2  |
| Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements | 4  |
| Independent Auditor's Report to the members of Odeon Cinemas Holdings Limited   | 5  |
| Profit and Loss Account   | 8  |
| Balance Sheet   | 9  |
| Statement of Changes in Equity  | 10 |
| Notes   | 11 |

## Strategic Report

### Business review

Odeon Cinemas Holdings Limited ("the Company") is an investment holding company with trading subsidiaries. It is part of AMC Entertainment Holdings, Inc. ("AMC"), which includes other companies in the UK including Odeon Cinemas Group Limited, Odeon Cinemas Limited and United Cinemas International Acquisitions Limited, and companies elsewhere in Europe. Consolidated accounts, which contain a business review and description of KPIs relating to this group of companies, are prepared for AMC and are available at <http://investor.amctheatres.com/sec-filings>.

### Financial results and KPIs

The loss after taxation for the year was £nil (2019:£nil).

### Principal risks and risk management

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

The principal risk is that the underlying entities that the Holding company holds investments in do not perform as expected and the key risk impacting the trading activities is a reduction in attendance levels. This is affected by factors including competition, film production and film release. The Company mitigates this risk through our strategies to create the best possible guest experience, drive attendance and loyalty, as well as strategically managing a direct relationship between attendance levels, film costs, and fixed costs.

The likelihood of a general economic downturn impacting the businesses has been significantly increased by the COVID-19 pandemic. The impact and response of the Company to this has been outlined within the Company's Going concern and liquidity management section of the Strategic Report. The Company will continue to monitor this situation and respond as appropriate.

### Going concern and liquidity management

In common with many other businesses, the COVID-19 pandemic had a major impact on Odeon Cinemas Group (the "Group"), of which Odeon Cinemas Holdings Limited (the "Company") is a member, causing temporary closures of cinemas and adversely impacting liquidity. By the time of writing, significant improvements in the prospects of the Group had been seen: almost all of the Group's cinemas had reopened; and several successful fundraising activities had been completed by the Group and AMC Entertainment Holdings, Inc. ("AMC"), materially increasing cash balances during 2021. On this basis, the Directors believe that the Company and Group are a going concern.

The Directors have prepared cash flow forecasts for the period to 31 December 2022 (the "Review Period"), including scenarios that take into account severe but plausible downsides of the COVID-19 pandemic, including a further lockdown and a reduced film slate. These forecasts indicate that, as a result of the adverse impact of the COVID-19 pandemic on the Group's business activities, the Company's indirect shareholder, Odeon Cinemas Group Limited ("OCGL") would need to make a partial drawing on its loan facility from AMC should one of the downside scenarios occur, in order to meet Group funding requirements and the quarterly minimum liquidity financial covenant.

Whilst the Directors have concluded that there is a reasonable prospect of the Group and the Company continuing as a going concern for the Review Period, they acknowledge that a material uncertainty exists in relation to the availability of funding from AMC that would be needed should one of the downside scenarios occur, which is dependent upon AMC having sufficient available free cash. Further information is set out in Note 1 to the financial statements.

By order of the board



NJ Williams  
Director

C/O Shoosmiths LLP  
100 Avebury Boulevard  
Milton Keynes  
MK9 1FH

## Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

### Principal activity

The principal activity of Odeon Cinemas Holdings Limited ("the Company") is that of a holding company.

### Directors

The following were directors of the Company during the year:

AS Alker  
MJ Way  
NJ Williams

### Dividends

The directors do not recommend the payment of a dividend (2019: *nil*).

### Financial Instrument Risk

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

### Political Donations

No political donations were made in 2020 (2019: *£nil*)

### Brexit

The UK's departure from the European Union ("Brexit") occurred on the 31 January 2020. The Company has considered the impacts of the changes to trading regulation upon the business and has determined that there are minimal implications to its ability to operate effectively.

Odeon Cinemas Group, including the Company, trades in the UK and other European countries, however, there is minimal cross border activity. Film content is distributed electronically; food and beverage products are sourced in each local market; and staff are generally local. Discussions have been held with our suppliers to identify and manage any adjustments that are required to our supply channels or processes.

### Disclosure of information to auditor

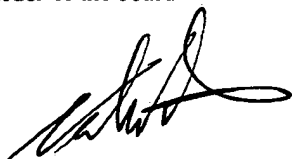
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves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

### Auditor

The Auditors, Ernst & Young LLP ("EY"), following the conclusion of the formal audit tender process and approval from the Company's board of directors, have indicated their willingness to accept the appointment as the Company's auditor for the period ended 31 December 2020 and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

**Directors' Report** *(continued)*

By order of the board

A handwritten signature in black ink, appearing to be 'NJ Williams', written over a horizontal line.

**NJ Williams**  
*Director*

C/O Shoosmiths LLP  
100 Avebury Boulevard  
Milton Keynes  
MK9 1FH

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

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

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

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

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

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

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

## **Opinion**

We have audited the financial statements of Odeon Cinemas Holdings Limited for the year ended 31 December 2020 which comprise the Profit and Loss, Balance Sheet and Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

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

## **Material uncertainty related to going concern**

We draw attention to Note 1 in the financial statements which indicates the ability of the Company to continue as a going concern is subject to the following material uncertainty.

Based on the forecasts prepared by the Directors, the entity may require financial support from its ultimate parent undertaking, AMC Entertainment Holdings Inc ('AMC'), should one of the downside forecasted scenarios occur. AMC has provided a letter stating that it is their current intention to provide support to the Company however, this is conditional on AMC achieving their forecasts and therefore having sufficient free cashflows. Accordingly, the ability of AMC to provide this financial support is uncertain.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## **Other information**

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ODEON CINEMAS HOLDINGS LIMITED *(continued)***

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ODEON CINEMAS HOLDINGS LIMITED *(continued)*

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

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

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

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

### **Use of our report**

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

*Ernst & Young LLP*

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

3 December 2021

**Profit and Loss Account**  
*for the year ended 31 December 2020*

|  | <i>Note</i> | <b>2020</b><br><b>£000</b> | <b>2019</b><br><b>£000</b> |
|--|-------------|----------------------------|----------------------------|
| Distribution costs, administration expenses and other operating income |             | -                          | -                          |
| Investment impairment  | 6           | (226,611)                  | -                          |
|  |             | <hr/>                      | <hr/>                      |
| <b>(Loss) / Profit before interest and taxation</b>                    |             | <b>(226,611)</b>           | -                          |
| Interest receivable and similar income                                 |             | -                          | -                          |
| Interest payable and similar expenses                                  |             | -                          | -                          |
|  |             | <hr/>                      | <hr/>                      |
| <b>(Loss) / Profit before taxation</b>                                 | 3           | <b>(226,611)</b>           | -                          |
| Tax on (Loss) / Profit   | 5           | -                          | -                          |
|  |             | <hr/>                      | <hr/>                      |
| <b>(Loss) / Profit for the financial year</b>                          |             | <b>(226,611)</b>           | -                          |
|  |             | <hr/>                      | <hr/>                      |

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

The notes on pages 11-19 form an integral part of these financial statements.

**Balance Sheet**  
at 31 December 2020

|   | <i>Note</i> | 2020<br>£000 | 2020<br>£000 | 2019<br>£000 | 2019<br>£000 |
|---|-------------|--------------|--------------|--------------|--------------|
| <b>Fixed assets</b>                           |             |              |              |              |              |
| Investments                                   | 6           |              | 206,483      |              | 433,094      |
| <b>Creditors: amounts due within one year</b> | 7           | (126,878)    |              | (126,878)    |              |
| <b>Net current liabilities</b>                |             |              | (126,878)    |              | (126,878)    |
| <b>Net assets</b>                             |             |              | 79,605       |              | 306,216      |
| <b>Capital and reserves</b>                   |             |              |              |              |              |
| Called up share capital                       | 9           |              | 9,506        |              | 9,506        |
| Share premium reserve                         |             |              | 222,942      |              | 222,942      |
| Capital Contributions Reserve                 |             |              | -            |              | -            |
| Profit and loss account                       |             |              | (152,843)    |              | 73,768       |
| <b>Shareholders' funds</b>                    |             |              | 79,605       |              | 306,216      |

These financial statements were approved by the board of directors on **2<sup>nd</sup> DECEMBER 2021** and signed on its behalf by:



**NJ Williams**  
Director

## Statement of Changes in Equity

|   | Called up<br>share<br>capital<br>£000 | Share<br>premium<br>account<br>£000 | Profit and<br>loss account<br>£000 | Total<br>shareholders'<br>equity<br>£000 |
|---|---------------------------------------|-------------------------------------|------------------------------------|--|
| Balance at 1 January 2019                                 | -                                     | 535,762                             | (325,832)                          | 209,930                                  |
| <b>Total comprehensive income for the period</b>          |                                       |                                     |                                    |  |
| Profit / (Loss)   | -                                     | -                                   | -                                  | -  |
| Other comprehensive loss                                  | -                                     | -                                   | -                                  | -  |
| <b>Total comprehensive income for the period</b>          | -                                     | -                                   | -                                  | -  |
| Issue of share capital                                    | 9,506                                 | 86,780                              | -                                  | 96,286                                   |
| Reduction of share premium                                | -                                     | (399,600)                           | 399,600                            | -  |
| <b>Total contributions by and distributions to owners</b> | <b>9,506</b>                          | <b>(312,820)</b>                    | <b>399,600</b>                     | <b>96,286</b>                            |
| <b>Balance at 31 December 2019</b>                        | <b>9,506</b>                          | <b>222,942</b>                      | <b>73,768</b>                      | <b>306,216</b>                           |

|  | Called up<br>share<br>capital<br>£000 | Share<br>premium<br>account<br>£000 | Profit and<br>loss account<br>£000 | Total<br>shareholders'<br>equity<br>£000 |
|--|---------------------------------------|-------------------------------------|------------------------------------|--|
| Balance at 1 January 2020                      | 9,506                                 | 222,942                             | 73,768                             | 306,216                                  |
| <b>Total comprehensive loss for the period</b> |                                       |                                     |                                    |  |
| (Loss) / Profit                                | -                                     | -                                   | (226,611)                          | (226,611)                                |
| Other comprehensive loss                       | -                                     | -                                   | -                                  | -  |
| <b>Total comprehensive loss for the period</b> | -                                     | -                                   | -                                  | -  |
| Issue of share capital ( <i>see note 12</i> )  | -                                     | -                                   | -                                  | -  |
| <b>Balance at 31 December 2020</b>             | <b>9,506</b>                          | <b>222,942</b>                      | <b>(152,843)</b>                   | <b>79,605</b>                            |

The notes on pages 11-19 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Odeon Cinemas Holdings Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in the UK. The registered number is 3878148 and the registered address is C/O Shoosmiths LLP, 100 Avebury Boulevard, Milton Keynes, MK9 1FH.

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). 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.

The Company's parent undertaking, AMC Entertainment Holdings Inc includes the Company in its consolidated financial statements. The consolidated financial statements of AMC Entertainment Holdings Inc are prepared in accordance with US GAAP and are available to the public and may be obtained from the address shown in note 13. Those consolidated financial statements are drawn up in a manner equivalent to consolidated accounts and consolidated annual returns drawn up in accordance with the provision of the Seventh Directive (83/349/EEC). In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

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

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern and liquidity management

The COVID-19 pandemic has had a major impact on the business of the Odeon Cinemas Group (the "Group") of which Odeon Cinemas Holdings Limited (the "Company") is a member. As a result of the pandemic, from March 2020 the Group's cinemas were closed and operations were temporarily suspended during the periods of local and national lockdown, generating no revenue from admissions, food and beverage sales, which represent the majority of revenue and cash flow from operations, with other revenues materially reduced. During periods of re-opening in the second half of 2020, in response to the low levels of attendance due to capacity restrictions, adjustments to cinema operating hours were made to reduce cinema operating costs. Government restrictions gradually began to ease in countries in which the Group operates from March 2021 onwards.

In the UK, restrictions eased in May 2021 allowing cinemas to reopen. By July 2021, almost all of the Group's cinemas in the UK had reopened.

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

As a holding company, the Company is reliant upon the ongoing performance of its trading subsidiary undertakings. The Company is funded via its loan facility with its indirect shareholder Odeon Cinemas Group Limited ("OCGL").

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern and liquidity management (continued)

On 15 February 2021, OCGL entered into a new £140m and €296m external term loan facility agreement which, was fully drawn on 19 February 2021 (refer to note 12 for further details). Approximately £100m of the net proceeds were used to discharge in full the Group's obligations under the existing Revolving Credit Facility (including principal, interest, fees and to cash collateralise letters of credit) with the remaining net proceeds available for the general corporate purposes of the Group. The new term loan facility has a maturity of 2.5 years from the date on which it is first drawn. Borrowings bear interest at a rate equal to 10.75% per annum during the first year and 11.25% thereafter. OCGL has the ability to elect to pay interest in cash or in PIK interest for each interest period. The facility contains financial covenants including a minimum liquidity covenant of £32.5m, tested quarterly. All obligations under the new term loan facility are guaranteed by certain subsidiaries of OCGL, including the Company. This is the only external debt facility in the Group.

OCGL also has a £130m loan facility in place, commencing 19 February 2021, from its shareholder, AMC Entertainment Holdings, Inc. ("AMC"), an indirect shareholder of the Company, which is a publicly traded company on the New York Stock Exchange. As at the date of this report this facility remains undrawn.

The Directors have prepared cash flow forecasts for the period to 31 December 2022 (the "Review Period"), including scenarios that consider severe but plausible downsides of the COVID-19 pandemic, including a further lockdown and a reduced film slate. These forecasts indicate that, as a result of the adverse impact of the COVID-19 pandemic on the Group's business activities, OCGL would need to make a partial drawing on its loan facility from AMC should one of the downside scenarios occur in order to meet Group funding requirements and the quarterly minimum liquidity financial covenant.

However, the Directors acknowledge that the ultimate duration of the pandemic and of resultant governmental regulations is uncertain. It is unknown whether further government led lockdowns will be required to help prevent the spread of COVID-19 which could require cinemas to close again or impose other restrictions such as capacity limits. Ongoing trading is subject to OCGL continuing to have sufficient available free cash which is dependent upon achieving forecasts and upon AMC having sufficient available free cash. AMC has indicated that, subject to it having free cash flow for such purposes, its current intention is to continue to make available such funds as are needed by the Group over the Review Period.

By the end of the second quarter of 2021 AMC had resumed operations in 100% of its cinemas in the United States, with remaining seating capacity restrictions winding down throughout the quarter.

Following multiple successful fundraising activities in 2020 and early 2021, the liquidity position of AMC further improved significantly in the second quarter of 2021: on 13 May 2021, AMC announced the completion of an at-the-market equity programme which raised \$428m of new equity funding; on 1 June 2021, AMC announced \$230m of new equity funding raised from a sale of shares to Mudrick Capital; and on 3 June 2021, AMC announced that \$587m had been raised in a further at-the-market equity offering. This meant that the total new cash raised in equity offerings was over \$1.2bn for the second quarter alone. As of 30 September 2021, AMC had \$1.6 billion of cash and cash equivalents. AMC continues to explore further opportunities.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue to be available, a risk which is exacerbated by the COVID-19 related matters set out above. However, at the date of approval of these financial statements, the Directors believe that the support will continue to be available for the Review Period, particularly given the recent resumption of operating activities and the strong liquidity position of AMC.

Taking all the above into account, the Directors have concluded that there is a reasonable prospect of the Group and the Company continuing as a going concern for the Review Period and have prepared the financial statements on that basis. Nevertheless, the Directors consider that these circumstances resulting directly from the impact, and potential continuing impact, of the COVID-19 pandemic represent a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and, therefore, to continue to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Basic financial instruments

##### *Trade and other debtors / creditors*

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

##### *Interest-bearing borrowings classified as basic financial instruments*

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

##### *Investments in preference and ordinary shares*

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Preference shares issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

##### *Investments*

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

#### 1.4 Impairment

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

##### *Reversals of impairment*

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Expenses

##### *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. 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.

#### 1.6 Taxation

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

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

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

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

### 2 Directors' remuneration

The directors did not receive any remuneration from the Company, nor were any amounts recharged from other group companies, during the current year. The Directors who served during the year are also directors of the Odeon Cinemas Limited. Although they do receive remuneration in respect of their services to the group, the time spent on this company is inconsequential to the other roles of the directors. Therefore, their remuneration has been disclosed in the accounts of Odeon Cinemas Limited.

### 3 Loss before taxation

#### *Auditor's remuneration*

The audit costs for 2020 & 2019 were borne by a fellow subsidiary.

In 2020 the Company's share of Auditor's remuneration was £4,000 (2019: £8,000).

### 4 Staff numbers and costs

Other than the directors the Company has no employees (2019: nil).



## Notes (continued)

### 5 Taxation

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

|  | 2020<br>£000 | £000  | 2019<br>£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</i>                            |              |       |              |       |
| Origination and reversal of timing differences | -            |       | -            |       |
|  | <hr/>        |       | <hr/>        |       |
| Total deferred tax                             |              | -     |              | -     |
|  |              | <hr/> |              | <hr/> |
| Total tax                                      |              | -     |              | -     |
|  |              | <hr/> |              | <hr/> |

#### Reconciliation of effective tax rate

|  | 2020<br>£000 | 2019<br>£000 |
|--|--------------|--------------|
| Profit / (Loss) excluding taxation                       | (226,611)    | -            |
| Tax using the UK corporation tax rate of 19% (2019: 19%) | (43,056)     | -            |
| Group relief claimed for nil payment                     | -            | -            |
| Capital allowances in excess of depreciation             | 43,056       | -            |
|  | <hr/>        | <hr/>        |
| Total tax expense included in profit or loss             | -            | -            |
|  | <hr/>        | <hr/>        |

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The Finance Bill 2021 included provisions for the main UK Corporation tax rate to increased to 25% from 1 April 2023. This change was not substantively enacted until 24 May 2021 and has therefore not been recognised in the calculations above.

## Notes (continued)

### 6 Investments

|                                    | Investments in<br>Group<br>undertakings<br>£000 |
|------------------------------------|---|
| <i>Cost and net book value</i>     |   |
| Balance at 1 January 2020          | 433,094   |
| Impairment                         | (226,611)                                       |
| <b>Balance at 31 December 2020</b> | <b>206,483</b>                                  |

During the year a recoverability assessment was performed on the investments that the Company has in its direct subsidiaries. A discounted cash flow model was prepared using a discount rate of 12.5% and the model was based on a 5-year plan which continued into perpetuity from 2026. Consequently, the following investments have been impaired because of the impact which the pandemic had on the business activities of the Company and its subsidiaries:

- Odeon Cinemas Limited - £147,104,322
- United Cinemas International (UK) Limited - £74,090,192
- ABC Cinemas Limited - £2,078,558
- Bookit Limited - £2,087,430
- Digital Cinemas Media Limited - £1,250,000

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

| Name                                       | Registered office address   | % interest | Nature of business                            |
|--|---|------------|---|
| Odeon Cinemas Limited*                     | C/O Shoosmiths LLP<br>100 Avebury Boulevard<br>Milton Keynes<br>MK9 1FH | 100% owned | Operation of cinemas                          |
| United Cinemas International (UK) Limited* | C/O Shoosmiths LLP<br>100 Avebury Boulevard<br>Milton Keynes<br>MK9 1FH | 100% owned | Operation of cinemas                          |
| ABC Cinemas Limited*                       | C/O Shoosmiths LLP<br>100 Avebury Boulevard<br>Milton Keynes<br>MK9 1FH | 100% owned | Operation of cinemas                          |
| Odeon Cinemas (RL) Limited                 | C/O Shoosmiths LLP<br>100 Avebury Boulevard<br>Milton Keynes<br>MK9 1FH | 100% owned | Operation of cinemas                          |
| Bookit Limited*                            | C/O Shoosmiths LLP<br>100 Avebury Boulevard<br>Milton Keynes<br>MK9 1FH | 100% owned | Credit & debit card<br>transaction processing |

## Notes (continued)

### 6 Investments (continued)

|  |   |            |  |
|--|---|------------|--|
| Odeon and UCI Digital Operations Limited | C/O Shoosmiths LLP<br>100 Avebury Boulevard<br>Milton Keynes<br>MK9 1FH | 100% owned | Administration &<br>technical support services |
| Odeon and Sky Filmworks Limited          | C/O Shoosmiths LLP<br>100 Avebury Boulevard<br>Milton Keynes<br>MK9 1FH | 50% owned  | Film distribution                              |
| Digital Cinema Media Limited             | 350 London Road<br>Euston<br>NW1 3AX                                    | 50% owned  | Screen Advertising                             |

### 7 Creditors: amounts due within one year

|  | 2020<br>£000    | 2019<br>£000   |
|--|-----------------|----------------|
| Amounts owed to fellow subsidiary undertakings | <u>126,6878</u> | <u>126,878</u> |

### 8 Interest-bearing loans and borrowings

As at 31 December 2020, the Company had no interest-bearing loans and borrowings.

### 9 Capital

#### Share capital

#### Ordinary shares of £1 each

#### Allotted, called up and fully paid:

|                     | Share Capital<br>No. ('000) | £000         |
|---------------------|-----------------------------|--------------|
| At 1 January 2020   | 9,506                       | 9,506        |
| At 31 December 2020 | <u>9,506</u>                | <u>9,506</u> |

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

#### Dividends

After the balance sheet date no dividends (2019: nil) were proposed by the directors.

### 10 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.

## Notes (continued)

### 10 Related parties (continued)

#### Related party transactions

|               | Interest charged        | Interest charged        | Expenses incurred from | Expenses incurred from |
|---------------|-------------------------|-------------------------|------------------------|------------------------|
|               | 2020                    | 2019                    | 2020                   | 2019                   |
|               | £000                    | £000                    | £000                   | £000                   |
| Joint Venture | -                       | -                       | -                      | -                      |
|               | <u>          </u>       | <u>          </u>       | <u>          </u>      | <u>          </u>      |
|               | Receivables outstanding | Receivables outstanding | Creditors outstanding  | Creditors outstanding  |
|               | £000                    | £000                    | £000                   | £000                   |
| Joint Venture | -                       | -                       | -                      | -                      |
|               | <u>          </u>       | <u>          </u>       | <u>          </u>      | <u>          </u>      |

### 11 Commitments

As at the balance sheet date, the Company was party to a group revolving credit facility entered into on 7 December 2017. The facility was secured by way of a fixed and floating charge over the assets of the group. The balance on the facility at 31 December 2020 was £68.7m (2019: £nil). The Facility was fully repaid in February 2021 as part of the refinancing. Further details on this can be found in the Post balance sheet events.

### 12 Post balance sheet events

#### Re-financing

On February 15, 2021, Odeon Cinemas Group Limited (OCGL), an indirect shareholder of the Company, entered into a new £140m and €296m term loan facility agreement. The facility was fully drawn on 19 February 2021. Approximately £100m of the net proceeds were used to repay in full Odeon Cinema Group's obligations (including principal, interest, fees and cash collateralized letters of credit) under its existing revolving credit facility on 19 February 2021 with the remaining net proceeds being used for general corporate purposes. The new term loan facility has a maturity of 2.5 years from the date on which it is first drawn. Borrowings bear interest at a rate equal to 10.75% per annum during the first year and 11.25% thereafter. OCGL has the ability to elect to pay interest in cash or in PIK interest for each interest period. All obligations under the new term loan facility are guaranteed by certain subsidiaries of the Odeon Cinemas Group, including the Company.

#### Brexit

The UK's departure from the European Union ("Brexit") occurred on the 31 January 2020. This was followed by a year long transition period during which the UK government and the European Commission entered into talks to determine a trade deal between the two parties. On the 1st January 2021 this period came to an end and new laws took effect with regards to trade between the EU and the UK. The Company has considered the impacts of the changes to trading regulation upon the business and has determined that there are minimal implications to its ability for its indirect trading subsidiary undertakings to operate effectively.

Odeon Cinemas Group, including the Company, trades in the UK and other European countries, however, there is minimal cross border activity. Film content is distributed electronically; food and beverage products are sourced in each local market; and staff are generally local. Discussions have been held with our suppliers to identify and manage any adjustments that are required to our supply channels or processes.

#### Ultimate parent company and controlling party

Since the balance sheet date, following changes in AMC shareholdings and new equity raises, Dalian Hexing Investment Co. Limited no longer has a significant influence over AMC or the Company and there is no one entity or individual that has overall control.

**Notes** *(continued)*

**13 Ultimate parent company and controlling party**

As at the balance sheet date, the Directors regarded Dalian Hexing Investment Co Limited, a company registered in People's Republic of China, as having significant influence over AMC and the Company.

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

Since the balance sheet date, following changes in AMC shareholdings and new equity raises, Dalian Hexing Investment Co. Limited no longer has a significant influence over AMC or the Company and there is no one entity or individual that has overall control.