# Vue International Bidco plc

**Registered number: 08514872**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 NOVEMBER 2021**

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## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | J. Timothy Richards<br>Stephen Knibbs<br>Alison Cornwell<br>Jason Peters – Non-Executive<br>Matthew Baird – Non-Executive<br>Lance Pridham – Non-Executive<br>Robert Barr – Non-Executive |
| **Company Secretary** | Euan Sutton |
| **Registered number** | 08514872 |
| **Registered office** | 10 Chiswick Park<br>566 Chiswick High Road<br>London<br>W4 5XS |
| **Independent auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>1 Embankment Place<br>London<br>WC2N 6RH |

## STRATEGIC REPORT
## FOR THE YEAR ENDED 30 NOVEMBER 2021

The directors present their Strategic Report of Vue International Bidco plc ("the Company") and its subsidiaries (together "the Group") for the year ended 30 November 2021. The comparative period is for the year ended 30 November 2020.

### PRINCIPAL ACTIVITIES

The principal activity of the Group is the development and operation of state-of-the-art multiplex cinemas. The principal activity of the Company is a financing holding company.

As at 30 November 2021, the Group operates 227 (2020: 225) cinema sites. 88 (2020: 87) of these sites are in the UK, 36 (2020: 36) in Italy, 44 (2020: 44) in Poland, 31 (2020: 31) in Germany, 20 (2020: 19) in the Netherlands, 3 (2020: 3) in Denmark, 3 (2020: 3) in Eire and 1 (2020: 1) in each of Lithuania and Taiwan.

The Company has secured floating rate debt consisting of two Senior Secured Term Loans and 2$^{nd}$ Lien PIK Notes, which have maturity dates of 3 November 2024, 3 July 2026 and 3 July 2027 respectively. In addition the Company has a £65m Revolving Credit Facility which matures on 3 July 2025. The debt requires quarterly reporting which includes a discussion of the performance of the Group on a pro forma basis.

The Company is controlled by Vue International Holdco Limited, a company incorporated in Jersey, which is considered to be the ultimate controlling party. Vue International Holdco Limited is an investment vehicle for OMERS Administration Corporation ("OMERS") and certain clients of Alberta Investment Management Corporation ("AIMCo").

### REVIEW OF THE BUSINESS

In this section and the accompanying Directors' Report, the Company presents further information on the principal activities of the business, including a description of the principal risks and uncertainties facing the Group and an analysis of the development and performance of the business during the year and position for the year then ended.

Further additional information is provided in accordance with "The Walker Guidelines for Disclosure and Transparency in Private Equity" which applies to portfolio companies owned by private equity investors.

The Strategic Report, and Directors' Report contain certain forward looking statements with respect to the financial condition, results, operations and business of the Group. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied in forward looking statements and forecasts as they can be affected by a wide range of variables not wholly within the Group's control.

The forward looking statements reflect the knowledge and information available at the date of approval of the Strategic Report, Directors' Report and financial statements. Nothing in the Strategic Report, Directors' Report and financial statements should be construed as a profit forecast.

## RESULTS FOR THE YEAR

The Group recognised an operating profit of £4.1m (2020: £158.9m loss) as it continues to recover from the impact of COVID-19.

The loss for the Group after taxation, finance costs and non-controlling interests amounted to £186.7m (restated 2020: £364.1m). The loss is primarily driven by finance costs of £232.4m (restated 2020: £254.6m). Adjusted EBITDA (as defined below) of £35.7m (2020: £31.4m loss) is reported before depreciation and amortisation expense of £114.4m (restated 2020: £143.2m), remeasurement gains on right-of-use assets of £4.9m (2020: £4.4m), impact of IFRS 16 accounting of £66.7m (2020: £74.9m) and other defined gains and losses (further details given below) of £11.1m (2020: £63.5m losses). The decrease in other defined gains and losses is driven by impairment reversals of £26.4m (2020: £nil) and impairment charges of £8.2m (2020: £41.2m).

The Group had total assets for the year of £2,043.0m (restated 2020: £2,151.0m). Total liabilities for the Group were £3,159.7m (restated 2020: £3,045.5m), resulting in a net liability position of £1,116.6m (restated 2020: £894.5m).

Total net cash outflow for the year amounted to £28.3m (2020: £46.0m inflow) as set out below.

Net cash inflow from operating activities for the year was £129.5m (restated 2020: £45.6m) driven by the beginning of recovery from the impact of COVID-19.

Net cash outflow from investing activities was £10.7m (2020: £25.5m). Capital investment in cinemas and related assets, net of landlord contributions, was £10.0m (2020: £20.0m). Net cash paid for subsidiaries in the current period was £0.9m (2020: £5.7m).

Net cash outflow from financing activities was £147.1m (restated 2020: £25.9m). The outflow in the current period was driven by interest paid of £41.2m (2020: £31.3m) and lease liability payments of £98.6m (restated 2020: £93.5m).

During the year the Group continued to benefit from various government support schemes that were in place across different countries to help businesses that had been negatively impacted by restrictions on trading and the wider impact of Covid-19. During the year £96.3m (2020: £34.8m) of government support has been recognised in the Income Statement. This is reported primarily through other income but also against relevant cost lines where applicable.

### Alternative Performance Measure

The Group uses Adjusted EBITDA as an Alternative Performance Measure ("APM") in addition to those measures reported in accordance with IFRS. An APM is not defined under IFRS and is not intended to be a substitute for any IFRS measure. The Directors believe that the APM is important when assessing the underlying financial and operating performance of the Group. The APM improves the comparability of information between reporting periods by adjusting for factors such as the impact of IFRS 16 accounting, depreciation & amortisation, acquisition costs, impairment charges and reversals and one-off items.

**Alternative Performance Measure *(continued)***

The APM is used internally in the management of the Group's business performance, budgeting and forecasting. The APM is also presented externally to meet investors' requirements for further clarity and transparency of the Group's financial performance, as well as for covenant calculations relating to the Group's debt financing arrangements. Where items of profits or costs are being excluded in the APM, these are included elsewhere in the reported financial information as they represent actual income or costs of the Group.

Other commentary within the Strategic Report, should be referred to in order to fully appreciate all the factors that affect the business.

The Group's Alternative Performance Measure, Adjusted EBITDA, is set out below:

**Adjusted EBITDA**

Adjusted EBITDA is defined as Group earnings before interest, tax, depreciation, amortisation, IFRS 16 accounting and other defined gains and losses. IFRS 16 accounting includes adjustments for rent, onerous leases and landlord contributions and is reversed in order to maintain consistency and comparability to prior periods. Other defined gains and losses are items of expenditure or income which are significant and/or non-recurring in nature which include but are not limited to those associated with restructuring programmes, acquisitions or disposals, incremental costs associated with COVID-19, property exit costs and impairment reversals and charges. These items warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Group and accordingly they are added back or deducted in the calculation of Adjusted EBITDA. See below for detail.

**Adjusted EBITDA *(continued)***

The Adjusted EBITDA reconciliation to statutory operating profit is presented as follows:

| | **Year ended 30 November 2021 £000** | [1] Restated Year ended 30 November 2020 £000 |
|---|---|---|
| **Operating profit / (loss)** | **4,113** | (158,761) |
| | | |
| Depreciation & amortisation | **114,391** | 143,195 |
| Remeasurement gains on right-of-use assets | **(4,878)** | (4,427) |
| Impact of IFRS 16 accounting | **(66,742)** | (74,917) |
| | | |
| **Other defined gains and losses** | | |
| Corporate and organisational restructuring costs | **1,251** | 1,174 |
| Acquisition and transaction related costs | **1,682** | 9,773 |
| Property (income) / costs | **(1,254)** | 688 |
| Impairment of right-of-use assets, property plant and equipment and intangibles | **8,190** | 41,196 |
| Impairment reversal of right-of-use assets, property plant and equipment and intangibles | **(26,435)** | - |
| Covid-19 related costs | **6,743** | 7,572 |
| Other | **(1,325)** | 3,135 |
| **Total other defined gains and losses** | **(11,148)** | 63,538 |
| | | |
| **Adjusted EBITDA** | **35,736** | (31,372) |

(1) Refer to note 3.21

**Corporate and organisational restructuring costs**

During 2021, the Group incurred £1.3m (2020: £1.2m) in respect of certain structural organisational changes. Employee restructuring costs were £0.7m (2020: £1.0m).

**Acquisition and transaction related costs**

Costs in recognition of work undertaken in the evaluation of the Group's strategic options.

**Property (income) / costs**

This mainly relates to a release of historical accruals for costs associated with sites that have been exited. The prior year costs mainly related to onerous contract provisions created or released in the year.

**Impairment and impairment reversal of assets**

Impairments are recorded against the value of assets recorded on the Group's balance sheet arising from management's impairment assessment. In the current year management recorded additional impairment of £2.8m (2020: £10.2m) against property, plant and equipment and £5.4m (2020: £31.0m) against right-of-use assets. Changes in the right-of-use asset base due to modifications to leases with landlords, as well as an improving long-term outlook on the easing of COVID-19 restrictions within the forecast cash flows has resulted in reversals of £6.7m (2020: nil) against property, plant and equipment and £19.7m (2020: nil) against right-of-use assets.

Refer to notes 15 and 16 for further detail.

**COVID-19 related costs**

During 2021, the Group incurred £6.7m (2020: £7.6m) in additional costs that related to the ongoing COVID-19 pandemic. This includes £1.1m (2020: £1.7m) of stock wastage due to site closures, £1.4m (2020: £2.5m) of professional fees including advice on government assistance and £3.8m (2020: £1.6m) of additional staff costs for COVID compliance and safeguarding to ensure customer safety.

Where the group believes that COVID-19 costs have become a normal cost of operation e.g. regular cleaning and sanitation, these are not classified as other defined gains and losses.

**Other**

This mainly relates to a release of historical accruals for costs associated with other exceptional projects.

**Market Environment Trends and Factors Affecting Future and Current Performance**

**Admissions and Gross Box Office Revenues (GBOR)**

Due to the global impact of Covid-19 the majority of cinemas in the Vue International Group were closed at the beginning of the financial year ended 30$^{th}$ November 2021. The re-opening of cinemas began towards the end of the second quarter with the full circuit open by 5$^{th}$ July 2021.

**Admissions and Gross Box Office Revenues (GBOR) *(continued)***

The recent trends of market Admissions and GBOR for the five key territories within the Group are shown in the tables below.

| ***Full year FY21*** ***Market Admissions (m)*** | ***2021*** | *2020* | ***2021 vs. 2020*** |
|---|---|---|---|
| *UK & Ireland* | **64.9** | **67.5** | **(3.9)%** |
| *Germany* | **34.7** | **48.1** | **(27.9)%** |
| *Italy* | **19.1** | **41.1** | **(53.5)%** |
| *Poland* | **22.6** | **26.9** | **(16.0)%** |
| *Netherlands* | **13.5** | **18.9** | **(28.6)%** |

| ***Full year FY21*** ***Market GBOR*** | ***2021*** | *2020* | ***2021 vs. 2020*** |
|---|---|---|---|
| *UK & Ireland (£m)* | **466.8** | **483.0** | **(3.4)%** |
| *Germany (€m)* | **306.5** | **414.1** | **(26.0)%** |
| *Italy (€m)* | **128.7** | **269.1** | **(52.2)%** |
| *Poland (PLNm)* | **412.6** | **492.2** | **(16.2)%** |
| *Netherlands (€m)* | **135.5** | **173.9** | **(22.1)%** |

*Source: Market Admissions for UK, Italy and the Netherlands sourced from Cinema Advertising Association ("CAA"), Cinetel and Rentrak respectively. Germany and Poland sourced from Rentrak through www.IBOE.com and www.boxoffice.pl respectively. Market GBOR for UK & Ireland, Germany and the Netherlands sourced from Rentrak through www.IBOE.com, Poland from www.boxoffice.pl and Italy from Cinetel.*

During the first quarter a small number of UK sites were open for 3 weeks in the run up to Christmas. Denmark and the Netherlands were open for 1 week and 4 weeks respectively.

Gradual reopening began during Q2 FY21 beginning with Lithuania in April and followed by Denmark UK, Italy and Poland throughout May with the Netherlands in June and Germany in July.

Following a long period of site closures, cinema operations executed successful re-opening plans across all Vue's European territories ensuring sites were ready to maximise peak trading weeks.

Trading volumes in Q3 FY21 increased steadily every month representing c70% Vue admissions for Q3 overall vs the 3 year average (2017 to 2019) for the same trading period. The growth trend has continued during Q4 to date driven by strong performance of titles such as Dune and No Time To Die.

Fast & Furious 9 and Black Widow were the top-performing titles in Q3 FY21 followed by local title Luca in Poland, The Conjuring: The Devil Made Me Do It and Peter Rabbit 2: The Runaway in UK/Ireland. In Germany local comedy Kaiserschmarrndrama surpassed Black Widow in just 4 weeks of trading showcasing the strength of local content.

During the year the business continued to focus on maintaining and preserving liquidity while refining reopening plans and operating protocols to facilitate customer and staff safety, comply with social distancing and deliver robust digital marketing to support and drive admissions in the re-opening phase.

**BUSINESS MODEL**

The Group generates its revenue mainly through the sale of tickets for audiences to view film screenings within its cinemas and in addition from the sale of food and beverages, as well as revenues from screen advertising.

**BUSINESS MODEL** ***(continued)***

The main costs relate to film rental payments to distributors for the right to screen films within its cinemas, purchasing of concessions goods for resale, rental expense to landlords for cinemas, utilities, site maintenance and the cost of employing staff working at cinemas.

Traditional products such as popcorn, hot dogs, nachos, pick and mix and soft drinks continue to be popular food and beverage choices for audiences. Investment in product range, execution, self-service, foyer and retail layout refurbishments, and the introduction of bar seating areas have increased demand.

On screen advertising continues to provide a consistent source of additional revenue per visitor. In addition the Group has continued to develop other revenue streams including business to business revenue from the hire of auditoria for corporate and private events, and off-screen advertising.

**STRATEGY**

The Group has identified multiple levers for margin improvement and EBITDA growth through proven initiatives to drive market development and market share growth. Operational levers include automated content scheduling, digital products and marketing, price optimisation and rollout of site best practices across the Territories. Further EBITDA growth will be delivered through investments in technology, new sites and site refurbishments. Whilst the COVID-19 pandemic has re-focused efforts on liquidity and opening protocols, many of the above initiatives have continued to progress.

**Content Scheduling**

Introduction of automated scheduling software has been proven to drive admissions' market share growth in the UK. The software creates algorithm-driven automated film schedules to show the right films at the right time to drive admissions and maximise operating profits. The purchase of software licence rights were agreed in 2019, and although rollout across the Group has been delayed by COVID-19, extension of this software to other territories is planned.

**Digital Products & Marketing**

Vue's online ticket sales have increased significantly in the last 5 years thanks to targeted investments in technology and digital marketing capability. The proportion of tickets sold online was significantly higher as cinemas reopened after the first lockdown, and Vue has continued to capitalise on the acceleration of ecommerce that has been observed since the pandemic. Vue will be able to leverage:

- A culture of continuous improvement that enables sustained growth in traffic (visits) and conversion rate (ticket sales) via user experience, search engine optimisation, email, pay per click advertising and social media
- Technologies including Point of Sale Systems, Content Management System, Website Analytics and Email Service Provider that enables customer personalisation, micro targeting and performance optimisation
- Digital marketing partnerships with major studios

**Price Optimisation**

Pricing is a dynamic initiative enabled by in-house expertise, systems and processes. Price optimisation has long been a core competence for Vue and enables the Group to offer agile pricing strategies to customers that optimise admissions and profit as the industry recovers from the disruption caused by the pandemic.

**Operational Best Practice**

The Group remains focussed on ensuring continuous improvement in operational costs to achieve efficiencies.

This year the operational teams were focused on the refinement of operating protocols to ensure cinemas could operate in a COVID safe manner through social distancing measures and scheduling alterations to ensure staff and customer safety.

The introduction of Auto Staff Rostering (ASR) software to optimise staff schedules based on daily admissions forecast has driven a better balanced use of cinema operational service hours in the UK.

The Group has continued to leverage its scale in negotiating and securing enhanced supply contracts. During 2021, the Group successfully navigated global supply chain challenges, in paper and cardboard, ensuring alternatives were sourced with minimal impact to operations.

The Group continues to proactively review and manage lease contracts to ensure rent, length of lease and space rented are all optimally configured. During the year, several leases were re-geared to deliver additional value for the Group securing Landlord funding to support major site refurbishments, including the introduction of full recliner seating.

**Technology**

During 2021, the Vue digital infrastructure was re-scaled to deal with demand. Online booking has increased significantly in all territories as more customers wish be certain of seat availability before setting out to the cinema. In most territories online bookings have more than doubled since before the pandemic. In the UK online bookings for key movies such as No Time to Die and Spiderman No Way Home can be as high as 70-80% of all ticket purchases.

Cinema sites and websites continued to be updated to reflect the regional variations of COVID restrictions with seat capacity constraints and other requirements being applied to shows and COVID passports being automatically scanned where these guidelines exist.

A large number of territory Head Offices continue to work remotely and therefore improvements have been made to cyber security defences including the continuing rollout of multifactor authentication (MFA), next generation endpoint detection (EDR) and antivirus products (AV).

Automated gate functionality is currently under review for pilot sites with the goal of simplifying screen entry during quieter times. Product selection is underway, and target sites are being reviewed for suitability.

**Site Refurbishments**

The Group continues to offer and operate a high quality multiplex estate and customer experience with a number of cinema refurbishments successfully completed in the year, which includes installation of full recliner leather seating and upgrading the foyer retail and bar offering, auditoria screens, sound and projector technology. 9 cinemas were fully refurbished and 2 new recliner sites added during 2021 taking the total recliner sites across the group to 37 with 347 screens, 17% of the total portfolio. A further 15 sites with 177 screens have deals agreed for Recliner seat refurbishments, 1 site with VIP seat refurbishment and 3 new recliner sites with 22 screens are scheduled to complete during 2022.

**New Sites**

As a result of the pandemic capital expenditure is limited to essential activity which resulted in delays to the opening of new sites however site development continued where possible and two sites (Nijmegen, Netherlands and at the St. Enoch Centre, Glasgow) which were completed in 2020 were opened once the lockdown restrictions were lifted in H1 2021.

**Section 172(1) statement**

The Directors of the Vue International Group continue to work to promote the success of the Company for the benefit of the members as a whole having regard to the interests of stakeholders including customers, employees, suppliers, and the wider community in which it operates.

Read more about:

(a) the likely consequences of any decision in the long term, on pages 9 and 11 to 15;

(b) the interests of the group's employees, on pages 33 to 37

(c) the need to foster the group's business relationships with suppliers, customers and others, on page 9;

(d) the impact of the group's operations on the community and the environment on pages 32 and 33;

(e) the desirability of the group maintaining a reputation for high standards of business conduct, on pages 16 and 17; and

(f) the need to act fairly as between members of the group on page 17.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Board has overall responsibility for risk management and internal controls, and for reviewing their effectiveness. The Group Audit Committee reviews the adequacy and effectiveness of the risk management process, approves internal and external audit plans and monitors risk reporting.

The Group's internal control environment is designed to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Group's assets.

The Group has implemented a Group Risk Management Policy to manage the challenges that present threats or opportunities to the business and, as part of good business practice, how risks are identified, assessed, and managed across the Group.

**PRINCIPAL RISKS AND UNCERTAINTIES *(continued)***

The annual risk management process concludes with the Board’s assessment of the Company’s Principal Risks and Uncertainties disclosure, including those that would threaten its business model, future performance, solvency or liquidity, and the completion of an annual internal controls certification.

The key business risks affecting the Group are set out below:

**Impact of COVID-19**

The Vue International Major Incident Team (VIMIT) and the Liquidity Taskforce established in February 2020 continue to address the risks to the business from the impact of COVID-19. Key actions are communicated to the business for implementation. Liquidity continued to be a focus throughout 2021 to manage the short and medium term and to improve the longer term position and involved discussions and negotiations with employees, suppliers, government and debt providers.
Implementation of Group wide communications and video conferencing tools to promote remote working continue to be utilised to ensure business activity continued whilst respecting government restrictions.

In preparation for re-opening in 2021 continued research was undertaken in all markets to build upon the previous year’s findings to refine operating protocols and understand consumer behaviours and needs from the cinema experience in the post-lockdown period. Building confidence over a period of time through attention to excellent operating protocols was a key point and guides us as we cycle through re-opening.

The safety of our staff and customers continues to be our top priority. We continued to adapt the movie-going experience in line with government regulations and we have innovated quickly to make the experience even safer.

**Film production and quality risk**

The quality of the films released in any reporting period is the main determinant of the Group's admissions which in turn drive revenue and profitability. There is an inherent reliance on major US studios and local film industries to continue to develop successful films and franchises that ensure a reliable and recurring stream of revenue.

The Group maintains close relationships with studios and local distributors to understand, as early as possible, likely film performance. The Group has also significantly increased exposure to local, non-Hollywood film demand through increasing its presence in European markets. This helps to provide a robust hedging mechanism during phases where Hollywood content may not be as appealing to cinema audiences.

As a result of COVID-19 a significant number of Hollywood theatrical releases were re-scheduled from 2020 into 2021 and beyond due to the enforced closure of cinemas in all territories. This has the opportunity to provide alternative and local content opportunity to showcase to wider audiences during cinema opening. Whilst a very few theatrical titles were forced to distribute via streaming platforms through FY21 to mitigate potential recoupment losses for Studios caused by enforced cinema closure the majority of theatrical titles have shifted release dates evidencing the importance of the GBOR revenue stream to the overall profitability of the Hollywood films.

**Competition risk**

The Group operates in a competitive market place. Other operators have sites within the catchment areas of many of the Group's cinemas.

To mitigate this risk the local operations teams monitor the services provided to customers with a focus on continual improvement. Additionally, the Group invests significant amounts in maintaining and improving its cinema estate resulting in a high proportion of state-of-the-art, stadium seated, high quality multiplexes within its portfolio and improved customer facing digital platforms. Together these enhance the customer experience from awareness, choice and booking through to ticket collection and the screening experience itself.

The impact of COVID-19 on the entire cinema industry has been borne by all operators with similar response patterns prioritising liquidity. The Vue International Group assessed re-opening plans in detail on a site by site level basis to maximise the opportunity to open doors and showcase content where available during times best suited to customer demands whilst ensuring executed plans delivered positive liquidity.

Out-of-home entertainment continues to play an important part in people's lives. Independent research conducted during 2021 showed that cinema was the third most valued activity, behind only seeing friends and family and restaurants. Cinema is 3rd on average across our 6 major countries, with some slight differences by territory. In Poland, Netherlands and Denmark, cinema is 2nd – behind restaurants and ahead of pubs/bars.

**Brexit Risk**

The Head Office of the Vue Group is located in the UK and the Group has cinema operations in the UK, Europe and Taiwan. Cross border activity between the UK business and the European Union is minimal with key suppliers of Vue's UK operations also having taken risk management steps to stockpile key goods. Due to specific requirements in the EU–UK Trade and Cooperation Agreement regarding the export of food, the provision of all food related concession items for our three Irish sites have transitioned and are now sourced directly from suppliers within Ireland to avoid the additional complexities associated with the EU-UK trade agreements. Packaging remains the only products that are exported from the UK to Ireland which do not currently attract additional cost or require additional administrative tasks.

As a result of the United Kingdom withdrawing from the European Union and the end of the transition period on the 31st December 2020, Vue International is subject to higher withholding taxes on interest and dividend payments by its EU subsidiaries. Vue International will seek to claim double tax relief in the United Kingdom for the withholding taxes where applicable. Vue International continues to review the impact of the United Kingdom withdrawing from the EU and on taxation and restrictions in respect of importation and exportation of goods.

We continue to monitor the number of UK and EU nationals who work across our business.

The impact of currency fluctuations on the Group are discussed within the Strategic report Foreign exchange risk section.

### Supplier risk

The Group’s main suppliers are the distributors of the films that drive admissions and the suppliers of branded food, drink and confectionery offered at cinemas.

The relative importance of each distributor varies over time, in line with the relative success of the individual films that they release each year and this relationship is managed through the Group's Screen Content teams. The Territory teams report into the Group Director for Screen Content which ensures a consistent approach to strategy and delivery.

The Group has continued to develop its procurement capability for non-film purchasing activity.

As a result of the COVID-19 pandemic and in order to maintain liquidity through a period of cinema closure and release date delays for films the Vue Group continued to work closely with all suppliers to successfully negotiate discounts and defer payments evidencing the close relationship and co-dependency of the companies in the cinema ecosystem. Close dialogue, strong communications and prioritisation of supplier relationships has been key in securing new deals to see the company through the pandemic.

### Health and safety risk

The Group places paramount importance on ensuring its cinemas are physically safe environments and that its food and beverage products are maintained and served in accordance with food safety regulations. The Group employs ongoing compliance monitoring methods within its cinemas and conducts frequent and unannounced operational audits as part of its monitoring programme.

During 2021, in response to the continued impact of Covid-19, the Group continued to refine operating protocols in line with Government regulations in each of its respective territories across social distancing, PPE, signage, cleaning, capacity constraints and seat booking. We also extended the gap between our shows to allow more cleaning time and for ease of exit after each show for customers lessening the opportunity to cross over with customers arriving in the foyer for the next shows.

### Information security and data protection risk

Vue International continues to run a Group-wide GDPR project with the goal of becoming GDPR compliant in all territories. Individual territories continue to implement their territory specific plans to take into account local requirements. Cyber security risks are being assessed and evaluated on an ongoing basis so that the company can react accordingly. Specific investments in cyber security tools were made in 2021 and will continue through 2022.

### Continuity risk

A major incident, catastrophic event or material litigation could affect the Group’s ability to trade. This could lead to financial loss, customer loss, or full or partial business closure.

The Group has standard operating procedures designed to protect cinemas, staff, visitors and customers in the event of fire or similar major incident. Group management review these procedures periodically. In the event of any unplanned or unforeseen events, senior management is convened to manage the response and any associated risk to the business.

**Continuity risk *(continued)***

The biggest impact to business continuity this year, (much the same as last year) related to cinema closure as a result of the COVID-19 pandemic. The ability for the company to continue all critical activity and respond to the crisis was hugely successful with the mobilisation of task forces and implementation of technology tools to maintain continuity.

**People risk**

During the pandemic year the focus for the Group has been on protecting as many jobs as possible by accessing government support schemes, and implementing new communication tools to keep all employees connected.

Assessing change to staffing levels has been particularly challenging due to the extended closure periods during 2021, a reduced overall headcount requirement vs. the preceding 3 year average (driven by lower admissions levels) and a much more competitive recruitment market.

Attracting new employees has been notably more challenging than in previous years. Recruitment challenges appear nationwide – particularly in urban centres – but the cause is unclear presently due to the overall leisure market competiveness. A suite of targeted, regional activity is planned to address the most affected locations

Despite these challenges the Vue management team have been able to respond with agility and develop strategies to limit the impact on operational performance.

The business continues to review and improve organisational structures for the ongoing needs of the business.

The Group’s HR function establishes methods for succession planning, effective recruitment and talent management.

The Group is an equal opportunity employer and in employment-related decisions, the business complies with all relevant legislation, including that which is specifically targeted at preventing discrimination, and such principles are embedded through the business.

**FINANCIAL RISK MANAGEMENT**

The Group’s operations expose it to a variety of financial risks that include liquidity, interest rate and foreign exchange risks. The Group has mechanisms in place that seek to limit the impact of adverse effects of these risks on the financial performance of the Group.

**Liquidity risk**

Both short term and long term liquidity continued to remain a priority for the Group through 2021.

**Liquidity risk *(continued)***

The business monitors liquidity very closely. Detailed annual, monthly and bi-weekly cash flow forecasts are prepared and analysed to ensure the Group can efficiently access all funds available and meet liabilities as they fall due. The Board reviews forecasts by territory twice a month and when necessary meets to approve strategic initiatives that align with liquidity planning and ensure decisive action is taken when necessary to improve the seasonality of liquidity needs and comply with covenants. Capital expenditure forecasts are reviewed in detail monthly with strict approval procedures and revised where necessary to ensure alignment with the broader liquidity planning strategy where necessary.

**Interest rate cash flow risk**

Interest rate risk arises from the Group's borrowing facilities in which a variable rate of interest is charged. Exposure to interest rate risk is monitored through several measures including sensitivity and scenario testing and a cost benefit analysis of entering into interest rate hedges to mitigate this risk. This is reported regularly to the Board and reviewed alongside the Group's liquidity forecasts.

During November 2021 the Group entered into two interest rate hedges to mitigate the risk of increasing interest rates on its external debt and continue to monitor exposure on an ongoing basis.

**Foreign exchange risk**

The Group has foreign currency assets and liabilities. The Group does not currently use financial instruments to manage the risk of fluctuating exchange rates. The directors keep the exposure to currency fluctuations under constant review, particularly in light of recent volatility due to Brexit.

**Group internal audit**

The Group Head of Internal Audit reports to the Audit Committee and to the Group Chief Financial Officer functionally and administratively (i.e. day-to-day operations). The Group Head of Internal Audit oversees Group-wide auditing capability across the territories covering corporate, operational, financial, and strategic risk areas.

Group Internal Audit provides the Audit Committee and management with independent and objective assurance on the adequacy and effectiveness of governance, risk management, and internal controls through delivery of risk-based internal audit reviews and a cinema compliance audit programme. This includes assessing the design and effectiveness of financial and operational controls, standards and procedures, and compliance with laws, regulations and associated Group policies such as Anti-Bribery and Corruption, Health and Safety, and Whistle-Blowing.

In response to the Covid-19 pandemic, and following management implementation of Group-wide Covid-19 processes and controls, Group Internal Audit designed and implemented a Covid-19 cinema compliance programme to assess ongoing Group-wide compliance with Covid-19 regulations.

Group Internal Audit reports the results of Internal Audit activities, together with key themes and trends, to the Audit Committee and management.

**Group internal audit *(continued)***

The scope of Internal Audit includes, but is not limited assessing and reporting (to the Audit Committee and to management as appropriate) on:

- the adequacy and effectiveness of financial and operational controls;
- compliance with laws, regulations, and contracts;
- opportunities for improving efficiency and reducing costs;
- Group wide policies, standards and procedures including their use and appropriateness;
- the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation;
- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss;
- designated advisory projects for management, if they do not threaten the actual or perceived independence of Internal Audit from management; and
- cases of suspected financial crime, employee fraud, and malpractice.

**Stakeholder engagement**

The directors value contact with the Company's shareholders and loan investors. The Board is kept up to date at its regular meetings and receives reports on the operational performance of the Group.

In addition presentations are given to loan investors and ratings agencies following each quarter close and separate announcements of all material events are made as necessary ensuring that regular contact is maintained.

**Key performance indicators**

The board monitors Admissions, Group Turnover, Box Office Revenue, Adjusted EBITDA and Liquidity on a monthly basis. All figures stated below reflect the results of the Group:

| | **Year ended 30 November 2021** | Year ended 30 November 2020 |
|---|---|---|
| Admissions | **32.4m** | 38.6m |
| Group Turnover | **£386.1m** | £352.9m |
| Box Office Revenue | **£168.3m** | £201.6m |
| Adjusted EBITDA | **£35.7m** | (£31.4m) |
| Unrestricted Cash | **£144.7m** | £176.3m |

An admission is represented by a redeemed cinema ticket. The number of people that choose to visit the cinema has a major influence on industry revenue and profit levels. Higher numbers of cinema admissions increase box office revenue and support higher concession stands sales and as a result this measure is a key indicator of performance that is reviewed closely by the business.

Group Turnover includes Box office revenue, concessions income, screen advertising and other income. Box office revenue relates to cinema ticket sales only. See note 5 for further information.

See page 4 for further detail on Adjusted EBITDA.

**Future outlook**

The emergence and rapid spread of the Omicron variant resulted in temporary lockdowns in Denmark and the Netherlands in December and January as well as the imposition of trading restrictions such as the prohibition of food and beverage sales in Italy and Poland. All territories were impacted by measures announced by local governments and although these varied by country they included capacity restrictions, curfews, facemasks and vaccine passports. All territories had reopened by the end of January and all other restrictions have now been lifted with the exception of the requirement to wear FFP2 facemasks in Italy. This restriction is expected to end mid-June.

The Group continued to receive covid related support from governments in the first half of FY22, notably in Germany and Italy, although this support is expected to reduce as the key restrictions have now been lifted.

In the majority of cases the global lockdowns resulted in the major studios delaying the theatrical release dates of key titles rather releasing them exclusively on streaming platforms. It has been widely acknowledged that a film needs the platform of a theatrical release to deliver a high profile and generate significant value across all distribution windows. With this in mind the film slate for 2022, and beyond, remains extremely strong.

FY22 opened with the incredibly successful release of Spiderman: No Way home with global box office at $1.9bn at the date of signing. This title has become the second biggest title of all time in the UK as measured by box office receipts. Other notable titles include The Batman and Doctor Strange and we are also seeing kids and family titles such as Sonic The Hedgehog 2 and Sing 2 deliver extremely strong results.

Key studio titles scheduled for theatrical release in the balance of the year include Top Gun Maverick, Bax Luhrman’s Elvis, Jurassic World 3, Minions: The Rise of Gru, Thor: Love and Thunder, Black Panther: Wakanda Forever to name but a few.Vue’s exposure to European markets also means we will benefit from an outstanding line-up of local titles in all Vue territories.

Excitement is also building for James Cameron’s Avatar which is scheduled for theatrical release in December 2022 which is the start of our FY23 financial year and which is expected to drive significant attendance and amaze audiences with its 3D capabilities.

Alison Cornwell
Director

Alison Cornwell

27 May 2022

**Introduction**

In July 2018, the Financial Reporting Council published its new UK Corporate Governance Code (the 'Code'). The governance of the Group operates in accordance with the governance structures established by the Group's ultimate parent company, Vue International Holdco Limited, and it is this overall governance structure which is described in this report. The Board is committed to maintaining business integrity, high ethical values, its corporate responsibility and professionalism. This section of the report outlines the approach adopted having consideration of and applying the principals in the Code to the extent considered appropriate by the directors given the context of being a private company.

**Board Leadership and Group Purpose**

***The Role of the Board***

The Board is responsible to the Group's shareholders and loan investors for the direction, performance and oversight of the Group to ensure its continued long-term success, and for contributing to the wider community in which it operates. The role and responsibilities of the Board are clearly defined, and an executive management team is responsible for day-to-day business conduct. As well as the main Group Board, there are Territory Boards that also meet at least quarterly and consist of Group Executives and the local Executive teams.

Other core Board activities include, but are not limited to the following:

- setting the levels of delegated authority, whilst retaining overall responsibility for the governance of the Group; and
- obtaining assurance that material risks to the Group are identified, defining the Group's appetite for risk and ensuring that appropriate systems of risk management and internal control exist.

***Purpose, Values and Strategy***

The Group's vision is simple – to be the best in big screen entertainment. An integral part of successfully delivering the Group's vision and core strategic objectives is ensuring that effective governance underpins the corporate culture.

To ensure that that the Group's purpose, values and strategy continue to align with our corporate culture, Group HR conducts regular reviews the Group's corporate culture to identify opportunities for further development and alignment.

***Resources, Controls and Risk Management***

The Board, supported by the Audit Committee and senior management, has overall responsibility for establishing, monitoring and maintaining effective risk management and internal control. During the year, the Board has directly, and through delegated authority to senior management and the Audit Committee, overseen and reviewed the performance and evolution of the approach to risk management and internal control.

***Resources, Controls and Risk Management (continued)***

The Group has implemented a Group Risk Management Policy to manage the challenges that present threats or opportunities to the business and, as part of good business practice, how risks are identified, assessed, and managed across the Group (see Audit, Risk and Internal Control on page 23).

In addition, Group Internal Audit (pages 16 and 17) is an independent review function set up as a service to all levels of management and the Board that assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and enhancing the effectiveness of the Group's governance, risk management, and internal control.

The Board confirms that, the Group's risk management and internal control processes have been in place for the year under review, and are regularly reviewed by senior management and the Board (see Principal Risks and Uncertainties on pages 11 to 15). In addition, the Group Head of Internal Audit presents Group Territory risks, controls findings and mitigation plans to the Audit Committee at least annually (see Audit Risk and Internal Control page 23).

***Stakeholder Engagement***

The Board meets regularly and receives reports on the operational performance of the Group. The Board and Executive Directors are committed to maintaining an effective engagement with shareholders, loan investors, and wider stakeholders to ensure a mutual understanding of objectives and to deal with issues as they arise. Executive Directors present to loan investors and ratings agencies following each quarter close and make separate announcements of all material events as required.

As detailed in the Section 172(1) statement on page 11, the Group continues to work to promote the success of the Group for the benefit of the members as a whole having regard to the interests of stakeholders including customers, employees, suppliers, and the wider community in which it operates.

As per the Strategic Report (pages 3 to 18) the Board also continues to enhance its digital and technology offerings, optimise pricing, and offer high quality through the Group's state-of-the-art multiplex estate and customer experience with a number of cinema refurbishments successfully completed in the year. Customer engagement shows continued support of refurbishments that deliver full recliner leather seating and upgrading the foyer retail and bar offering, auditoria screens, and sound and projector technology.

### *Workforce Policies and Practices*

The Group has workforce policies and practices in place that are consistent with the Group's values and support its long-term sustainable success. Key Group policies and practices include and are available to employees as follows:

- All new employees receive a copy of the Group's Code of Conduct that describes the framework and guidance for employees, and therefore the Group, to conducts its business in accordance with the expected ethical and moral standards. To ensure that the Group's Code of Conduct remains up to date with latest best practice and legislation, Group HR, will complete a formal review and update of the policy.
- In accordance with the Group's disclosure obligations under the Modern Slavery Act 2015, the Group has published its Slavery and Human Trafficking Statement on the Vue International website.
- The Group has an Anti-Bribery and Corruption Policy in place designed to ensure compliance with the UK Bribery Act 2010, and other international regulations and best practice relating to the prevention of corruption.
- The Group is committed to conducting its business with honesty and integrity and expects all employees to maintain its high standards. The Group encourages the raising of any genuine and justified concerns personnel have about suspected wrongdoing or inappropriate action by fellow employees without fear of reprisal in accordance with its Whistle-blowing Policy. The General Counsel and Group Head of Internal Audit routinely review the whistle-blowing telephone line and email inbox, available to all employees, and escalate any reports arising to the Audit Committee and Board as applicable to ensure independent investigation of such matters, supported by follow-up action as required.
- An Employee Assistance Programme is available to all employees designed to help employees deal with personal and professional problems that could be affecting their home or work life, health and general wellbeing. Services available include formal counselling, in the form of either face-to-face or telephone sessions, and a health and wellbeing portal.
- The Group is an equal opportunity employer and seeks to recruit, retain and promote staff based on their qualifications, skills, aptitude and attitude. Wide ranges of applicants are encouraged to apply for all roles. In employment-related decisions, the business complies with all relevant legislation, including that which is specifically targeted at preventing discrimination, and such principles are embedded through the business by requisite policies.
- The Group promotes a philosophy of access for all by offering accessible cinemas for disabled employees and customers that show a wide range of films. Many of our cinemas offer audio-descriptive and subtitled performances, and the Group ensures customers with disabilities to be accompanied by a carer, free of charge.

## Division of responsibilities

### *The Role of Chair*

The Chair leads the Board and is responsible for its overall effectiveness in directing the Group. In addition, the Chair facilitates constructive board relations within the board and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information as set out below. The Chair was not previously Chief Executive of the Group.

***Board Balance and Division of Responsibilities***

Information about the Board members is on pages 29 to 32. At the date of this report, the Board comprises four experienced non-executive directors one of whom is the Chair, the Group CEO, Group COO, Group CFO and the Group Company Secretary. The Board have extensive knowledge and expertise of and within the industry and the Group and update their skills as required in continuing to fulfil their role on the Board.

***The Role of the Non-Executive Directors***

Non-executive directors have sufficient time to meet their Board responsibilities. They provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

***Policies, Processes, Information, Time and Resources***

The Chair, working with the Group Company Secretary, and in consultation with the Group CEO and other board members sets the agenda for Board meetings and encourages an open and constructive debate, ensuring that members have the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The standing agenda items considered at every meeting include:

- reports from senior management on strategic and business developments, together with relevant operational updates, and the key actions taken since the previous Board meeting;
- reports from the Group CFO which include all aspects of liquidity management, commentary and highlights from the latest available management accounts, budgets and forecasts; and
- Board papers prepared for capital investment projects requiring Board approval.

**Composition, Succession and Evaluation**

***Board Appointments, Succession Planning and Diversity***

A shareholder agreement governs the Group and states those matters that require Board approval, including Board appointments. All senior nominations are discussed and agreed by members of the Remuneration Committee.

The Board, supported by Group HR, are developing succession plans based on objective criteria and, within this context, will aim to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths in accordance with the Code.

***Board Skills, Experience, Knowledge and Tenure***

These financial statements detail who serves on the Board together with details of member skills, expertise, and experience. The Board considers that the skills and experience of its individual members, particularly in the areas of entertainment, hospitality, film, corporate finance, governance, and risk management, have provided both support and challenge to the Chair, and the Executive Management team during the year. This is in terms of the Group strategy as well as significant commercial projects and contracts.

***Board Evaluation***

The Board considers its overall size and composition to be appropriate, having regard to the experience and skills that individual Board members bring to their duties. The chair will consider a formal evaluation of the Board at least every 3 years.

**Audit, Risk and Internal Control**

The Group's internal control environment is designed to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Group's assets. The Board delegates responsibility for reviewing and monitoring the Group's internal control environment to the Audit Committee. All members have relevant financial experience, and as a whole, have competence relevant to the sector in which the Group operates.

The key features of the Group's internal control systems are set out in the Audit Committee Terms of Reference. The main roles and responsibilities of the Audit Committee are:

- to assess the integrity of the financial statements of the Group, and any formal announcements and practices relating to the Group's financial performance;
- to review and monitor the effectiveness of the Group's internal financial controls and to review the Group's internal control and risk management systems;
- to assess the effectiveness of the Internal Audit function;
- to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- to make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor; and
- to report to the Board on how it has discharged its responsibilities.

***Internal and External Auditor Independence and the Integrity of Financial Statements***

The Audit Committee met on various occasions during FY21. The members of the committee are Robert Barr, Jason Peters (until 25$^{th}$ June 2021), Simon Jones (until 5$^{th}$ March 2021), Matthew Baird (from 5$^{th}$ March 2021) and Lance Pridham (from 25$^{th}$ June 2021). The Chair of the Audit Committee was previously Simon Jones, now replaced by Matthew Baird (effective 5$^{th}$ March 2021).

The Audit Committee monitors the integrity of the financial statements of the Group, reviewing and reporting to the Board significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the external auditor. In particular, during the period, the Audit Committee reviewed and challenged where necessary:

- the consistency of, and any changes to, significant accounting policies;
- significant issues and how these were addressed;
- significant estimates and judgements;
- the clarity and completeness of disclosure in the Group's annual report and the context in which the statements are made;
- the assumptions or qualifications in support of the going concern statement; and
- material information presented in the annual report and corporate governance statements relating to audit and risk management.

***Internal and External Auditor Independence and the Integrity of Financial Statements (continued)***

The key areas of significant accounting judgement and issues that the Audit Committee considered relating to financial reporting are as set out in the Basis of Preparation note on pages 55 to 56, the Going Concern note on pages 58 to 61, the Critical Accounting Estimates and Judgements on pages 74 to 75 and the Independent Auditors' Report on page 41 of these financial statements.

Through the attendance of Group Internal Audit, Group Financial Control and other key functional Directors as required, and review of risk and control information presented, the Audit Committee also review and monitor the adequacy and effectiveness of the internal financial controls and internal control and risk management systems of the Group.

The Audit Committee monitor, review, and approve the remit of the Group Internal Audit function and ensure it has the necessary resources and access to information to enable it to fulfil its mandate. During the year, the Audit Committee approved the annual Group Internal Audit plan and received reports at each meeting on the results of the work of Group Internal Audit.

The Audit Committee continue to assess the relationship with the external auditor and determine and agree their terms of engagement and their remuneration (including fees for audit and non-audit services), so as to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken. In addition, the Audit Committee review the results of the audit with the external auditor including the management letter and management’s response to the external auditor’s findings and recommendations, and review any representation letters requested by the external auditor before they are signed by management.

***Principal Risks, Risk Management, Internal Control***

Risk management is a continuous process involving risk identification, risk assessment, identifying actions to manage risk, and consideration of residual risks after implementation of controls. The management of the business and the execution of the Group strategy are subject to a number of risks. Understanding the risks that the Group faces and managing them appropriately enhance the Board’s ability to make better decisions, deliver objectives, manage performance, and meet business obligations.

The Group policy towards managing risk is as follows:

- the management of risk is integrated into the day-to-day management of the business;
- all colleagues actively engage in risk management in their own areas of responsibility;
- risk is primarily assessed and managed by the Territory/ function conducting the business which gives rise to the risk;
- the escalation of risk information is timely, accurate and gives full visibility of the key risks, to support management decision making at all levels;
- an appropriate risk management framework and risk assessment process is in place that is aligned to the business strategy. This is supported by an appropriate organisational structure; and
- an assessment on an ongoing basis of the effectiveness of the risk management framework is integral to the continuous improvement of our risk management capabilities.

***Principal Risks, Risk Management, Internal Control (continued)***

Management considers risks within day-to-day activities ensuring that initiatives and appropriate processes are in place to monitor and mitigate them. A number of guiding principles that determine how the Group put risk management into practice at all levels underpins the policy. These principles are as follows:

- based on the principle of delegated authority for managing and taking risk at all levels, the Board will be responsible for decisions where risks are seen to present a potentially significant impact to the Group as a whole;
- business as usual (i.e. core operations) related risks are primarily managed and monitored at a Territory and functional level;
- management need to have confidence in the effectiveness of the framework at all levels of the business to ensure that the Group meets corporate governance best practices;
- management support, involvement, and enforcement is fundamental to the success of the framework;
- key risks are continuously monitored by management through risk maps and registers (where appropriate) and are mitigated to an acceptable level; and
- the risk management processes are dynamic rather than static, to accommodate a constantly changing business environment.

The purpose of the risk management structure is to ensure that risk is considered from both a ‘top-down’ and ‘bottom-up’ perspective. In addition to the Principal Risks and Uncertainties (pages 11 to 15), the Group maintains Territory level risk maps and registers, and operational risk registers for key support functions, cinema operations and specific projects as required. At the Territory risk level, the risk assessment process is based on key steps including the following:

- risk identification, assessment of inherent risk impact and likelihood;
- identification of existing controls and assessment of effectiveness;
- assessment of residual risk impact and likelihood; and
- development and implementation of actions to reduce or mitigate risk exposure.

The Audit Committee has oversight of the internal and external assurance activities to allow for its ongoing review of the effectiveness of internal control (see page 23, Audit, Risk and Internal Control). Details of the responsibilities and activities of the Audit Committee during 2021 are set out above on pages 23 and 24. The delivery of this activity is undertaken by the Group Internal Audit team, which is supported by specialist advisers as required. During the year, and in consideration of the principles of the Code, the Audit Committee identified that additional risk reporting is required to the Board to ensure alignment of existing Territory risk management and reporting with the Board’s review of Principal Risks and Uncertainties (pages 11 to 15). To enhance the existing risk process and controls, the Audit Committee initiated a Group Internal Audit review during the period to assess best practices regarding Board risk reporting, reporting any next steps identified.

The Group Internal Audit plan is a combination of Group-wide risk-based reviews (providing assurance over the key controls relied upon for the principal risks), financial and information technology controls testing and additional specific reviews requested by Management (see page 16 and 17, Group Internal Audit).

**Remuneration and Nomination**

***Policies and Practices***

Group remuneration policies and practices are designed to support strategy and promote long-term sustainable success. The Remuneration Committee consists of three non-executive directors and the Group CEO. Their responsibilities include the following:

- all aspects concerning the terms of employment of any senior employee (including the terms of their bonus or other remuneration, termination or dismissal);
- any other arrangement between a Group Company and a senior employee or persons connected with a senior employee; and
- review and assessment of all senior nominations.

The Remuneration Committee met on several occasions during the financial year.

The directors present their report and the audited consolidated financial statements of Vue International Bidco plc ("the Company") and its subsidiaries (together "the Group") for the year ended 30 November 2021. The comparative period is for the year ended 30 November 2020.

## RESULTS AND DIVIDENDS

The consolidated loss for the financial year after tax amounted to £186.7m (restated 2020: £364.1m). Further discussion of the results and performance of the Group is provided in the Strategic Report on pages 3 to 18.

The directors do not recommend that a dividend be paid (2020: £nil).

## FUTURE DEVELOPMENTS

A discussion of future developments of the Group and Company has been included in the Strategic Report.

## EMPLOYEE AND STAKEHOLDER ENGAGEMENT

The directors have always recognised the importance of engagement with suppliers, customers and employees. The impact of Covid-19 has resulted in even greater levels of enhanced communications with all stakeholders in steering through the pandemic towards a common goal. Actions taken in pursuit of this are cross referenced in the strategic report page 11 under the Section 172 (1) statement.

## GOING CONCERN

As at 30 November 2021 the Group had significant liquidity of £172.0m comprising unrestricted cash of £144.7m and undrawn overdraft and revolving credit facilities of £27.3m. The unrestricted cash comprised total cash of £149.4m less £4.7m cash in escrow in support of landlord guarantees in Germany and the Netherlands. The undrawn overdraft and revolving credit facilities of £27.3m were in respect of the Group's £65m revolving credit facility ("RCF") which comprises an overdraft facility of £20m, a £30m revolver and £15m which is undrawn but ring-fenced in support of landlord guarantees. At 30 November 2021 the overdraft facility was undrawn and £7.3m of the £30m revolver was undrawn. The RCF is available through the going concern period and expires in July 2025.

The Group has two financial covenants; a minimum liquidity covenant of £35m which is tested at the end of each month and a springing covenant test which is measured only if drawings under the RCF exceed £22.75m on the testing date at the end of each financial quarter. During 2020 a unanimous covenant waiver was agreed with the RCF providers for the 4 quarters up to and including 31 August 2021. The Group's RCF drawings were below the springing covenant test at 30 November 2021. The Group's financing arrangements also require periodic confirmations that there are no proceedings pending or threatened, which would reasonably be expected to have a Material Adverse Effect.

In considering the going concern position of the Company and the Group, the Company has developed an 18 month liquidity model which has been used to generate a Base Case and a 'Severe but Plausible' Downside Case. The key assumptions underpinning these scenarios are set out in note 3.3.

**GOING CONCERN *(continued)***

Under the Base Case scenario the Company projects potential covenant breaches and a potential liquidity need during the final quarter of 2022. It is assumed that the liquidity requirement can be mitigated through the provision of new money by September 2022 of a quantum which is within the existing c.£88m basket capacity under the Company's existing financing documents and that any potential covenant breaches are waived as part of the financing process. The Downside case which is described in note 3.3 results in additional liquidity pressure in H2 2023 but management believe this could be managed through remediation actions including further cost cutting and negotiation and revisiting the monetisation of the 4 freehold assets which the Group owns in Poland. In the event of such a scenario the Group would also approach its lenders to discuss possible options including covenant waivers and/or the raising of further incremental debt financing. Furthermore, the formal request for arbitration that was filed by Greater Union International B.V. on 24 May 2022 in relation to the CineStar transaction (see Post Balance Sheet Events, page 33) could preclude the Group from making its periodic "no proceedings pending or threatened" confirmations. In this scenario the Group would be required to notify its lenders and would seek a covenant waiver, standstill or other contractual arrangement(s) with respect to that matter.

The Directors expect that the Group's lenders will continue to support the business if the scenarios described above arose for the following reasons. Firstly the Group successfully obtained a covenant waiver for its RCF in summer 2020 and renegotiated the underlying covenant requirement with the unanimous consent of the relevant lenders. Furthermore, the Group demonstrated its ability to raise incremental debt financing in November 2020 despite the impact of COVID-19 and, to this end, additional capacity to raise incremental financing is currently retained under the Group's debt documentation. Finally as previously noted the Company is in discussion with its largest lenders and their advisers about general contingency planning including raising additional funding to cover any liquidity requirements within the currently remaining available baskets of c£88m (i.e. without requiring syndicate consent) or, with syndicate consent, a new basket as well as providing any covenant waivers to the extent necessary. At this stage although no lender has provided any firm commitment the directors believe that the current lenders will ultimately act as providers of necessary funding if needed.

Taking the above into consideration, the Directors are satisfied that the Company and Group have adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Company and Group continue to adopt the going concern basis in preparing these financial statements. Nevertheless, in the event of further lockdown measures being introduced that impact the Group's operations which are not sufficiently mitigated by government support, or litigation arose that met the definition of a Material Adverse Event, the possibility of a covenant breach or liquidity issue cannot be discounted and the Group would be dependent on obtaining further covenant waivers or additional financing in addition to that currently contemplated. As such, the ability to obtain additional funding and potential waivers in relation to trading uncertainties and the possible Material Adverse Effect in relation to the Cinestar transaction represents a material uncertainty that may cast significant doubt on the Company's or the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or Group were unable to continue as a going concern.

The Group's net liability position of £1,116.6m is driven primarily by shareholder loan notes of £1,111.7m (see note 24). Interest on shareholder loan notes is capitalised and neither the capital balance nor the accrued interest can be paid until the senior secured debt is fully repaid. Adjusting for this liability the Group is in a broadly neutral net liability position of £4.9m which further supports the directors' view on the going concern of the business.

## PRIVATE EQUITY OWNERSHIP

The Company is controlled by Vue International Holdco Limited a company incorporated in Jersey. Vue International Holdco Limited is an investment vehicle for OMERS Administration Corporation ("OMERS") and certain clients of Alberta Investment Management Corporation ("AIMCo").

AIMCo is one of Canada's largest and most diversified institutional investment managers with more than CAD$118 billion of assets under management as at 31 December 2020. AIMCo was established on 1 January 2008 with a mandate to provide superior long-term investment results for its clients. AIMCo operates at arm's-length from the Government of Alberta and invests globally on behalf of pension, endowment and government funds in the Province of Alberta. For more information on AIMCo please visit www.aimco.ca.

Founded in 1962, OMERS is one of Canada's largest defined benefit pension plans, with CAD$105 billion in net assets as at 31 December 2020. OMERS invests and administers pensions for more than half a million members through originating and managing a diversified portfolio of investments in public markets, private equity, infrastructure and real estate. OMERS had private equity net investment asset exposure of CAD$14.8 billion as at 31 December 2020. OMERS Private Equity, the private equity investment arm of OMERS with a team of investment professionals in London, New York, Singapore and Toronto, seeks to use its significant and differentiated capital base to partner with management teams of industry leading businesses. For more information, please visit www.omersprivateequity.com.

### Ownership structure

The ownership structure in Vue International Holdco Limited, the ultimate controlling party, including the shares allocated through the executive incentive scheme is as follows:

| | |
|---|---|
| OMERS | 37.1% |
| AIMCo | 37.1% |
| Management and other | 25.8% |

## DIRECTORS

The directors who held office during the period and up to the date of signing these financial statements were as follows:

J. Timothy Richards
Stephen Knibbs
Alison Cornwell
Peter Teti – Non-Executive (Resigned on 21 July 2021)
Simon Jones – Non-Executive (Resigned 5 March 2021)
Jason Peters – Non-Executive
Philip Mauchel – Non-Executive (Resigned 11 April 2022)
Matthew Baird – Non-Executive (Appointed 5 March 2021)
Lance Pridham – Non-Executive (Appointed 21 July 2021)
Robert Barr – Non-Executive (Appointed 11 April 2022)

**DIRECTORS *(continued)***

**J. Timothy "Tim" Richards - Founder and Chief Executive Officer**

Prior to entering the entertainment industry Tim was a Wall Street lawyer engaged in international finance and cross-border mergers and acquisitions. In 1999, Tim left Warner Bros. Studio in Los Angeles and founded the start-up cinema exhibition company now known as Vue International.

Over the course of the past 30 years Tim has developed extensive international experience in all major markets. In December 2020, Variety Magazine named Tim as one of the 500 most influential business leaders shaping the global $2 trillion entertainment industry. The Hollywood Reporter named Tim as one of the top five entertainment innovators of the Year and The Independent newspaper named Tim as one of the "20 Most Influential People in Film". In February 2021, the UK Government appointed Tim as Chair of the British Film Institute (BFI).

Tim and his wife Sylvie have supported a number of charities through their family charitable foundation. In 2015, Tim was awarded the Variety International Children's Fund Humanitarian Award for his charitable work.

**Stephen "Steve" Knibbs – Chief Operating Officer**

Steve joined Vue in 2003 as Chief Operating Officer and is a key member of the senior executive team which has grown the business to its current scale across Europe.

Prior to joining Vue, Steve worked at United Cinemas International (UCI) owned by Paramount and Universal Studios. Having started at the beginning of the Multiplex Cinema building boom in the late 1980's at The Point, Milton Keynes, Steve was a key part of the senior Management team at UCI from 1987 to 2003 that opened and operated highly successful Multiplexes in many European countries, including UK, Ireland, Germany, Austria, Spain and Italy. He was involved in establishing the first Multiplex in Ireland at Tallaght, Dublin in 1990 and the first Multiplex to open in Poland in 1998 with UCI's Joint venture partner ITI Media.

Steve was Senior Vice President for UCI in Europe, overseeing Operations in the UK, Ireland, Germany, Austria and Poland and reporting to the main JV Board. Prior to this Steve was Managing Director of the UCI UK and Ireland business.

Steve served on the UK Cinema Exhibitors Association Board for many years and was the first cinema exhibitor to be invited to sit on the UK Film Council (UKFC) Board and served two terms from 2003 to 2011. He was awarded the UKCA Exhibition Achievement Award in 2017.

Prior to moving into the cinema industry Steve worked in the hospitality sector for Cavalier Restaurants, part of the Joshua Tetley & Sons brewery business based in Yorkshire. He worked with the management team that opened one of the UK's first American themed Diner Restaurants, the 'Boston Diner' in Headingly, Leeds in 1982 and then was responsible for leading the team that developed and opened a ground breaking all-day deli restaurant 'The Park Restaurant' in Coppergate, York in 1985.

**DIRECTORS *(continued)***

**Alison Cornwell – Chief Financial Officer**

Alison joined Vue as Chief Financial Officer in 2014.

She is a Chartered Accountant and spent 5 years in corporate finance before joining The Walt Disney Company where she was Senior Vice President and CFO for Disney's TV distribution, Disney Channel and TV equity portfolio driving its expansion in all markets outside the USA.

Subsequently Alison became CFO of a private equity backed international broadcasting business which was transformed and sold to NBC Universal in 2007. Following this she was appointed CFO of another private equity backed business operating in the international film distribution and film financing sectors with notable titles including The Woman in Black starring Daniel Radcliffe. She led the successful sale of the business to a listed trade player in 2013.

Alison is a former Governor of the British Film Institute and is currently a non-executive director of a Scottish charity which runs the Edinburgh International Film Festival. She is also a member of the Governing Council of the Institute of Chartered Accountants of Scotland.

**Jason Peters – Non-Executive**

Jason is Director, Private Equity at AIMCo, having joined in January 2011 after serving 10 years as an investment banker. Previously he has held various investment banking positions including Vice President with Bank of America Merrill Lynch and JPMorgan in New York. Jason holds a Bachelor of Commerce degree with a major in Corporate Finance from the University of Alberta.

**Matthew Baird – Non-Executive**

Matt is Managing Director, Operations & Strategy for OMERS Private Equity in Europe. He works with the management teams leading OMERS portfolio companies to help them generate maximum value through the lifetime of the investment. Matt has over 20 years' experience working with and supporting senior executives in PE-backed businesses to deliver results. Prior to joining OMERS in 2017, he was a Managing Director in Alvarez & Marsal's Private Equity Performance Improvement practice, where his work included serving in interim CFO/COO roles in client businesses as well as advising management teams. Prior to this, he was a consultant with McKinsey & Company and he started his career with Arthur Andersen. Matt's retail experience includes two years as CFO & COO of an international fashion business with 150 stores across Europe, North America and APAC, as well as consulting to major national retailers in the UK and Germany. He holds a Masters in Engineering, Economics & Management from Oxford University and is a Chartered Accountant.

**Lance Pridham – Non-Executive**

Lance is an Associate Portfolio Manager, Private Equity at AIMCo, having joined in January 2017. Previously he worked as an investment banker at Scotiabank Global Banking & Markets in Toronto. Lance holds a B.A. (Honours) in business administration from the Ivey Business School at the University of Western Ontario.

### DIRECTORS *(continued)*

**Robert Barr – Non-Executive**

Robbie is a senior advisor to OMERS Private Equity and Infrastructure in Europe and a non-executive director of Associated British Ports Holdings Ltd and VTG AG. He was Executive Chairman of Four Seasons Health Care from 2014-2018 and of Odeon & UCI Cinemas from 2012-2016. From 2009 to 2016 he was a Managing Director of the private equity firm Terra Firma Capital Partners. Prior to joining Terra Firma Robbie had senior finance roles at Vodafone Group Plc including Group Financial Controller and Chief Financial Officer of Vodafone's operations outside Western Europe. He is a Chartered Accountant and has a MA in Mathematics from Oxford University.

### QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

During the period to 30 November 2021 and to the date of approval of the financial statements, the Company and Group maintained liability insurance for its directors and officers.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions (2020: £nil) or charitable contributions (2020: £nil) were made in the financial year.

### SOCIAL AND COMMUNITY ISSUES

As a cinema operator, responsibility to the community is very important to the Group. A variety of special screenings are run to facilitate accessibility to the diverse communities within which we operate include Autism friendly, subtitled, audio description and family friendly morning screenings. Vue UK is part of the national CEA card scheme which provides free tickets to carers of disabled cinema guests and is also a proud supporter of Medicinema a charity that provides relief to hospital patients through the power of film.

It is important to the Group to represent the diverse nature of the communities in which we operate and we work hard to attract people to fill vacancies from those communities.

### RESEARCH AND DEVELOPMENT ACTIVITIES

The Group continues to invest in the design, maintenance and operation of its sites in order to ensure customers are provided with the ultimate guest experience every time they visit one of the Group's cinemas.

Areas of development include food and beverage products, ensuring a state-of-the-art audio and visual experience through the latest technologies, investing to remain at the cutting edge of our digital offering and software solutions, such as automated scheduling and cinema operating systems, as well as continued improvement in guest comfort from providing enhanced premium seating offers.

**ENVIRONMENTAL MATTERS**

While the risks associated with climate change are not expected to directly impact the future of the business, the Group does consider the consequences of its operations on the environment. The Group territories continue to measure energy consumption (see Energy and Carbon Report on page 39) and through operational excellence deliver reductions in usage and seek to minimise adverse impacts on the environment from its activities. Similarly, through working with suppliers and customers, the Group territories continue to increase the percentage of waste that is diverted from landfill to be recycled, whilst continuing to address health, safety and economic issues through various initiatives.

An increase in the number of digital screens and improved facilities for paperless ticketing promote a reduction in the use of paper resources.

**POST BALANCE SHEET EVENTS**

On 24 May 2022 the Group received a formal Request for Arbitration ("Request") from Event Hospitality & Entertainment ("Event") in relation with the non-completed acquisition of the CineStar business ("CineStar) by the Group. The Request was issued by Greater Union International B.V. as seller of the CineStar business and was addressed to (i) Vue Nederland B.V. as Buyer and (ii) Vue International Bidco plc as Purchaser Guarantor under the terms of the CineStar Sale and Purchase Agreement dated 21 October 2018. The Sale and Purchase Agreement is governed by German law and provides that any disputes arising under it are to be settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS). On 25 May 2022 Event released an announcement on the Australian Securities Exchange (ASX) announcing that it had issued the Request. The Group has advised its retained German legal counsel and will progress the matter under their guidance.

**FINANCIAL RISK MANAGEMENT**

The Board regularly reviews the financial requirements of the Group and the risks associated therewith. Full details of the Group's principal risks and uncertainties are set out in the Strategic Report.

**CORPORATE GOVERNANCE**

The Group's corporate governance framework, and how it is applied, is set out on pages 19 to 26.

**EMPLOYEE INVOLVEMENT**

**Our people**

People are at the core of delivering the best cinema experience across all territories in which we operate. Therefore, creating and retaining high performing teams and individuals is a key focus.

The COVID-19 pandemic has had a very significant impact on society, business and personal lives.

**Our people *(continued)***

During the year to 30th November 2021, the Vue International Group continued to work hard to protect people's jobs while cinemas were closed. Difficult decisions were made to furlough staff and we maintained contact with all of our employees throughout the year, to ensure they were ready to re-join when cinemas were able to open once again and they were kept up to date with the re-opening plans. Following the start of the pandemic in 2020 we set up an instant text messaging service that allowed us to communicate to all employees in real time to keep them informed of our business decisions before they were made public. The messaging service allows us to see how many employees have been reached and review response rates.

Senior Directors/leadership continued to deliver regular zoom briefings to head office functions, to be cascaded to the Cinema teams.

All employees receive an electronic version of 'MyVue' – an internal company newsletter – to keep them informed of what's going on, promote employee benefits and wellbeing support. We also launched 'Vue Heroes' during the pandemic to recognise and acknowledge employees who were going above and beyond at home or in their local communities.

To ensure the safety of our employees and customers, a comprehensive training and reorientation plan was implemented to ensure furloughed staff return to work.

During 2021 the business developed plans to re-introduce, mostly head office, employees that had been working from home back to the office. The plans were developed after careful consultation with employees and management and resulted in a well received hybrid working solution that is monitored closely and refined where necessary and flexed to respond to government advice in the respective territories. This demonstrated a commitment to responding to employee needs and ensuring business continuity in response to a changing landscape post pandemic.

**Aligned organisational structures**

In order to maximise international synergies and local opportunities in each of our markets, we develop global strategies which we tailor and roll out to each of our operating businesses such that we capitalise quickly on local prospects. To deliver this strategy and to ensure that organisational structures continue to meet business requirements, our structures are reviewed on an ongoing basis and continuously evolve within each territory.

Developing and retaining talented employees is a fundamental part of the Group strategy. With similar organisational structures in place across all territories, we can improve the way we offer employee career paths across the Group and also maximise commercial opportunities by identifying, sharing and implementing best practice.

**Employee recognition and reward**

The Group's reward and recognition strategy is designed to ensure that employees are aligned to the Group's goals and are rewarded for the contribution that they make to the Group's success. Performance is driven by ensuring that incentive and recognition plans align all employees to the delivery of key business priorities and targets. Pay and benefit structures are competitive and are regularly benchmarked against relevant external data.

**Employee recognition and reward *(continued)***

The incentive plans that are in place include both a company and personal element. Employees are rewarded on the basis of both overall company performance and individual business contribution. Where teams have direct responsibility for specific revenue lines and profitability, bonuses have been designed to share with the team a percentage of the incremental revenue and profit that they generate.

Within our territories, there are local recognition schemes that reward great customer service within our busiest periods and we continue building on this.

Annual awards ceremonies are usually held where we bring together senior managers from each country and recognise high performance in all areas of the business (e.g. retail, people development, rising star etc.). Where a week delivers high volume admissions and performance, we pay for "pizza parties", where cinema and head office employees informally get together over a pizza to celebrate the week's success.

**Communication and engagement**

The Group seeks to engage all employees in both its short and long-term goals. This is achieved through a number of two-way communication methods although the pandemic has meant not all usual activities were able to take place in person during FY21.

Weekly cascade forums take place that enable the Group Executive leadership team to communicate with each of the country General Managers and they cascade relevant information within their businesses.

Senior management liaise regularly with employee forums and work councils on new initiatives and business updates.

Cinema Management teams come together annually to hear key messages from Senior Leadership, discuss priorities for the year and network with colleagues

Film Days are held each year to enable Cinema operators to meet with representatives from the film studios and experience previews of future films to be released in the year ahead.

**Finding and developing our top talent**

The Group is committed to finding and appointing top talent as well as providing training and ongoing development aligned to business and employee needs.

Designing effective recruitment tools and clearly defining role accountabilities, skills and capabilities are a prime focus across all territories.

**Finding and developing our top talent *(continued)***

As part of our standardised cinema operational excellence model, we are committed to continue building on what currently exists across the Group. This includes the modular training frameworks that help create clear career paths, ensuring that teams fulfil their potential and continue to develop their skills and ability within their current position but also for potential future opportunities. As the organisation continues to change, develop and grow, focused internal training and development programmes are delivered in order to support employees with the acquisition of business skills and capabilities. There are also bespoke and targeted development programmes for employees in the internal talent pools that support cinema management succession plans. Examples of these development programmes include Leadership, Personal Impact and Commercial Acumen. The talent pipelines ensure that critical vacancies are filled quickly and cost effectively.

**Employee involvement and implementation of best practice**

The Group seeks to engage all employees in both its short and long-term goals. This is achieved through a number of two-way communication methods including senior management briefings, employee forums and work councils.

Best practice is proactively identified and implemented across the Group using various methods such as setting up regular workshops that bring together key specialist managers from each territory in areas such as, but not limited to, Retail, Pricing, Marketing, Screen Content and Finance.

**Equality of opportunity and human rights**

The Group is committed to its obligations under the Equality Act 2010 and the Modern Slavery Act 2015 and has policies in place to ensure an ethical and legal framework is provided to employees.

The Group is committed to making full use of the talents within the business and therefore provides equal opportunities for all. Employment decisions which include recruitment, promotion, compensation, benefits, performance management and training are based on an individual's skills, performance and behaviour and how these relate to the requirements of the business. The Group seeks to treat all its employees with dignity and respect.

The procurement teams manage many suppliers across food and beverage and take responsibility to manage the supply base and source ethically.

The Group procurement policy provides guidance that, any potential supplier must provide confirmation that no instance of modern slavery or human trafficking has occurred (or is occurring) within their business and they must also demonstrate that they have in place suitable procedures and safeguards to prevent such issues occurring.

The Group's whistle-blowing policy details how any member of staff with concerns about a potential issue (including potential occurrences of modern slavery or human trafficking) should bring the matter to the attention of senior management. This includes an option to raise the matter through a confidential whistle-blowing hotline and email contact address.

Further details around the Group's commitments to human rights can be found on the Vue company website.

**Gender breakdown**

The average monthly gender diversity within the Group during the year ended 30 November 2021 was:

| Level | Definition | Male No. | Male % | Female No. | Female % | Total No. |
|---|---|---|---|---|---|---|
| Board directors | Statutory Board Members | 6 | 86% | 1 | 14% | **7** |
| Senior Managers | Group Executive Directors, Territory Managing Directors ("MDs") and Directors reporting to the above | 40 | 73% | 15 | 27% | **55** |
| Employees | All employees excluding those mentioned above | 3,852 | 48% | 4,109 | 52% | **7,961** |
| **Total** | | **3,898** | **49%** | **4,125** | **51%** | **8,023** |

The average monthly gender diversity within the Group during the year ended 30 November 2020 was:

| Level | Definition | Male No. | Male % | Female No. | Female % | Total No. |
|---|---|---|---|---|---|---|
| Board directors | Statutory Board Members | 6 | 86% | 1 | 14% | **7** |
| Senior Managers | Group Executive Directors, Territory Managing Directors ("MDs") and Directors reporting to the above | 41 | 76% | 13 | 24% | **54** |
| Employees | All employees excluding those mentioned above | 4,775 | 50% | 4,795 | 50% | **9,570** |
| **Total** | | **4,822** | **50%** | **4,809** | **50%** | **9,631** |

The Group recognises the value of a diverse management and although there is more to do we are pleased that our female representation for senior managers and employees has increased in 2021 against 2020 despite all the challenges brought about by the pandemic.

**DISABLED EMPLOYEES**

It is the policy of the Group that disabled people, whether registered or not, should receive full and fair consideration when applying for job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

**STATEMENT OF DISCLOSURE TO AUDITORS**

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors’ Report is approved, confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company’s auditors are unaware; and

(b) he or she has taken all the steps that he or she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed in accordance with section 489(4) of the Companies Act 2006.

This report was approved by the board on 27 May 2022 and signed on its behalf by

Alison Cornwell
Director

## Vue International Bidco plc

### ENERGY AND CARBON REPORT
### FOR THE YEAR ENDED 30 NOVEMBER 2021

The Group's Streamlined Energy and Carbon Reporting (SECR) disclosures for the current financial year are shown below. Only businesses registered in the UK are considered within scope, please refer to note 29 of the financial statements for details.

| | | 2021 | 2020 | |
|---|---|---|---|---|
| Energy consumption used to calculate emissions:<br>*Transport combustion of fuel has been estimated from business mileage claims, and cannot be reliably converted to kWh. | Gas | 17,747,664 | 28,377,766 | kWh |
| | Electricity | 41,646,815 | 34,594,191 | kWh |
| | Transport fuels | 296,479 | 225,099 | miles* |
| Emissions from combustion of gas tCO2e | | 3,250.66 | 5,217.82 | t CO2e |
| Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel | | 77.85 | 61.88 | t CO2e |
| Emissions from purchased electricity (location based) t CO2e | | 8,842.87 | 8,065.29 | t CO2e |
| Total gross tCO2e based on the above | | 12,171.38 | 13,344.99 | t CO2e |
| Intensity ratio: tCO2e per box office admission | | 0.0007 | 0.0008 | t CO2e per admit |

**Methodology**

The group uses an energy management company who has provided the gas and electric consumption for all sites under their management. A small number of cinema sites have their energy managed by landlords. In this case we have estimated consumption based on other similar sized sites.

Mileage has been collected from business mileage claims.

We have used the UK Government GHG Conversion (CV) Factors for Company Reporting (2021 edition) for emissions factors used for calculations.

Emissions factors for natural gas have used a gross CV basis.

**Energy efficiency action**

During the year we have switched to a green energy provider in the UK to minimise our environmental footprint. A climate team has also been established to identify opportunities for reducing our carbon impact across the group.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This responsibility statement was approved by the board of directors on 27 May 2022 and is signed on its behalf by

Alison Cornwell

Alison Cornwell
Director

# Independent auditors' report to the members of Vue International Bidco plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Vue International Bidco plc's Group and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 November 2021 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 30 November 2021; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty related to going concern - Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.3 to the financial statements concerning the Group's and the Company's ability to continue as a going concern.

The Group's forecasts and projections indicate a requirement for additional funding in late 2022 to ensure sufficient liquidity to comply with the minimum liquidity covenants and ensure sufficient liquidity within the Group. The Group is in active discussions with their lenders and the Directors are confident that the lenders are supportive of providing additional financing, however at the date of the financial statements, additional funding has not yet been committed. Without obtaining additional financing, the Group may breach the minimum liquidity covenant and may not be able to meet its day to day liquidity requirements. Furthermore, as the additional financing is as yet uncommitted, the associated terms and covenants add further uncertainties as to future compliance.

In addition, in relation to the formal Request for Arbitration from Event in relation to the CineStar transaction described in Note 13 to the Company Financial Statements on page 115, this could result in a breach of the Group's 'no proceedings pending or threatened' covenant, if that litigation met the definition of a Material Adverse Effect under the Group's financing arrangements. In this scenario, the Group would be required to notify its lenders and would seek a covenant waiver, standstill or other contractual arrangements(s) with respect to that litigation or threat.

These conditions, along with the other matters explained in note 3.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Agreeing the underlying cash flow projections in the Base Case scenario to the latest Board approved forecasts, assessing how these forecasts are prepared and comparing them to external data sources (such as industry forecasts or industry news articles) and historical company data (including cinema admissions and margins);

- Considering the sensitivities applied to the Base Case scenario to develop a 'Severe but Plausible' Downside Case that appropriately reflects potential risks within the Base Case scenario;

- Challenging management over their inclusion of certain cash inflows within their models, where the associated actions driving these are not yet committed;

- Reading the debt facility agreements to confirm that covenant definitions and calculations are appropriately considered in line with the agreements;

- Checking the mathematical accuracy of the spreadsheet model used to support management's Base Case and 'Severe but Plausible' Downside Case; and

- Reviewing the disclosures presented in Note 3.3 to determine whether these accurately reflect the process performed by the Directors, adequately captures the matters giving rise to the material uncertainty identified and reflects the status of negotiations with lenders. We engaged directly with the respective advisors of both management and the lenders to confirm the latter.

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

## Our audit approach

### Overview

Audit scope

- We performed audit procedures in five of the Group's key trading divisions which are located in the UK & Ireland, Germany, Poland, Italy and the Netherlands.
- Full scope audits were performed over the financial information of the trading divisions of CinemaxX (Germany) and Vue Nederland (Netherlands), as well as full scope entity audits over four legal entities in Vue UK & I (UK & Ireland), one entity in Multikino (Poland) and one entity in The Space Cinema (Italy). We have determined Vue Entertainment Limited (a legal entity within the UK & Ireland) and CinemaxX (Germany) to be financially significant components, with Vue Nederland, Multikino, The Space Cinema and three other Vue UK & I entities included to increase overall coverage.
- Our scoping has provided 95% (2020: 94%) coverage of consolidated revenue.

Key audit matters

- Material uncertainty related to going concern (Group and Company)
- Carrying value of goodwill, intangible assets, right of use assets and property, plant & equipment (Group)

- Accounting for the impact of lease modifications (Group)
- Accounting for government support measures (Group)
- Carrying value of investments in subsidiaries and recoverability of intercompany receivables (Company)

Materiality

- Overall Group materiality: £5.9 million (2020: £6.3 million) based on 1% of revenue (using a five-year average).
- Overall Company materiality: £19.25 million (2020: £17.9 million) based on 1% of total assets.
- Performance materiality: £4.4 million (2020: £4.8 million) (Group) and £14.4 million (2020: £13.4 million) Company).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern (Group and Company) section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Accounting for government support measures (Group) is a new key audit matter this year. Impact of Covid-19, which was a key audit matter last year, is no longer included because we do not consider there to be any specific material risks relating to Covid-19 that are not already addressed in other key audit matters already discussed. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Carrying value of goodwill, intangible assets, right of use assets and property, plant & equipment (Group)* | |
| At 30 November 2021, the Group had goodwill of £850.2m (2020: £880.3m), intangible assets of £6.7m (2020: £9.3m), right of use assets of £577.3m (2020: £668.2m) and property, plant & equipment of £240.3m (2020: £264.6m). See Notes 4, 15, 16 and 17.<br><br>The Group performs a site level impairment assessment of right of use assets, property, plant and equipment and intangible assets, recognising each cinema site as a cash generating unit (CGU) and performing a discounted cashflow calculation based on the future trading projections over the remaining lease term. The Group is also required to annually assess the carrying value of goodwill at the level goodwill is monitored by the business. The groups of CGUs for goodwill impairment testing purposes are the individual territories. Management's impairment assessment for goodwill is performed by aggregating the individual site level cashflows across the territory CGU.<br><br>We focused on this area because the value in use calculation includes key assumptions and judgements in the calculations of the recoverable amount, in particular the recovery of the business and anticipated customer demand now sites are able to reopen as government Covid-19 restrictions are lifted, the growth rates assumed in the Board-approved Long Range Plan, longer term growth rates and the territory | For all CGUs we obtained the discounted cash flow forecasts prepared by management. Details of the key assumptions included in the cash flow forecasts prepared by management are included in Notes 16 and 17 of these financial statements.<br><br>We evaluated the appropriateness of the model used by management for the impairment assessment and considered the reasonableness of the future cash flow forecasts in the model by reconciling them with the Long Range Plans approved by the Board (for the FY22 – FY24 forecast), and considered the Group's historical forecasting accuracy (excluding FY20 given the impacts of the pandemic). We specifically challenged management on: forecast revenue growth rates for the CGUs over the period of the forecasts, including considering the impact of a slower recovery than currently forecast; long term growth rates in the forecasts by comparing them with economic and industry forecasts; and the discount rate used. Specifically, we recalculated the Group's weighted average cost of capital and territory appropriate discount rates using market comparable information and compared these rates to those used by management. Where management's assessment identified reversals of impairment charges recognised in previous years, we challenged management to ensure we understood the trigger for the reversal and that the reversals are appropriate and in line with IAS 36 Impairment of Assets. We also performed sensitivity analysis on the discounted cash flow forecasts and on the |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| specific discount rate assumptions. Each of these assumptions has a significant impact on the discounted cash flow forecast.<br><br>The Group's site level assessment has resulted in impairment reversals of £26.4m (2020: £nil) and additional impairment charges of £8.2m (2020: £41.2m) being recognised against the carrying value of property, plant and equipment, right of use assets and other intangible assets. No impairment charge has been recorded for goodwill (2020: £nil). | ability of the Group to generate the forecast cash flows, considering both the quantum of any potential sensitivity, but also the likelihood.<br><br>Having performed our procedures, we concluded that the impairment reversals and impairment charges recognised against the carrying value of property, plant and equipment, right of use assets and intangible assets are appropriate and we also consider the disclosures provided to be reasonable.<br><br>For all CGUs with goodwill, we were satisfied that the carrying value of goodwill was supported by the value in use calculations and that there are no reasonably possible changes in any of the assumptions included in the models that could cause the carrying amount of any CGU to exceed its recoverable amount. |
| *Accounting for the impact of lease modifications (Group)*<br>At 30 November 2021, the Group had right of use ("ROU") assets of £577.3m (2020: £668.2m) and lease liabilities of £860.6m (2020: £925.6m). See Notes 4 and 16.<br>The Group's operations have been heavily impacted by the Covid-19 pandemic which has resulted in the modification of a substantial number of lease agreements, for example, renegotiated rents and/or lease terms. On 28 May 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 'Leases' that provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. The Group decided not to apply the IASB Covid-19 practical expedient in relation to rent concessions related to Covid-19 lease modifications. Therefore, for all leases modified during FY21, the lease liability has been reassessed based upon the revised contractual terms and revised Incremental Borrowing rate (IBR) at the time of the lease modification, with the lease liability being reassessed and adjusted against the ROU.<br><br>We focused on this area because material lease modifications across the financial year require timely identification and significant judgement in accounting for them in accordance with IFRS 16. Additionally, IBR assumptions are judgemental and have a significant impact on the present value of future lease payments on modification.<br>The modification of leases resulted in a reduction of the ROU asset by £28.3m (2020: £85.3m) and a reduction of the lease liability by £33.9m (2020: £91.8m). | The audit procedures in respect of the impact of lease modifications have been performed by the Group engagement team and included:<br>- Testing a sample of the underlying lease data on management's lease system to modified lease contracts to ensure the accuracy of the data used in the valuation of the ROU assets and lease liabilities;<br>- Reconciling the lease contract modifications agreed in the year obtained from the property team, who are independent from the finance team, to the leases recorded in management's lease system to gain comfort over the completeness of modifications in the year;<br>- Reviewing Board minutes and significant lease contracts entered into in the year to gain further comfort over the completeness of modifications;<br>- Recalculating the lease liability and ROU asset resulting from modifications for a sample of leases to provide comfort over the valuation of these items on the balance sheet; and<br>- Using our internal experts, we assessed the appropriateness of the incremental borrowing rates applied in determining the lease liabilities by analysing the credit rating used, country in which the lease is held and also the length of the lease period.<br><br>Based on the procedures performed, we consider management's judgements to be reasonable and did not identify any material misstatements. |
| *Accounting for government support measures (Group)*<br>The Covid-19 pandemic has had a significant impact on the trading performance of the Group due to the forced closure of sites for a significant portion of the year. As a result of the pandemic, the Group has received significant government support. For the year ended 30 November 2021, the Group received government support totalling £96.3m (2020: £34.8m). See Note 8. | We obtained a listing of income from furlough and other government support schemes across all territories. For a sample of amounts recognised in the year, we verified their existence and accuracy through tying amounts back to underlying receipts in the bank statements. We also verified the amounts to claims submitted to the relevant authorities as well as confirming Vue's eligibility to participate in such schemes through gaining an understanding of each scheme at a territory level. In the UK, given the quantum or receipt and complexity of the Coronavirus Job Retention Scheme, we engaged our experts to assist us in performing this work. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| The magnitude and complexity of the rules of the various schemes administered by governments in response to the Covid-19 pandemic increases the risk of inappropriately interpreting and applying local regulations in relation to amounts claimed.<br><br>We focused our efforts on this area to determine the Group's rights and obligations to the amounts received and to confirm that these have been accurately recorded in the financial statements. | Given the different schemes in operation across the Group, our local component teams also considered whether there were any unfulfilled conditions or judgements relevant for consideration in the timing of recognition. We are satisfied that the amounts recorded in the financial statements are accurate.<br><br>We have also considered management's disclosure of the grants received to determine whether these are in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. We are satisfied that these disclosures are appropriate. |
| *Carrying value of investments in subsidiaries and recoverability of intercompany receivables (Company)*<br>At the balance sheet date, the Company had investments in subsidiary companies of £205.0m (2020: £205.0m) and intercompany receivables of £1,691.2m (2020: £1,549.2m). Refer to notes 6 and 7 (in the Company financial statements) for further details of these balances.<br><br>We have focused our efforts on these balances given the significance of these balances. The carrying amount of the Company's investments in subsidiaries and intercompany receivables represents 99% of the Company's total assets (2020: 98%).<br><br>We do not consider the valuation of these investments and recovery of intercompany receivables to be at a high risk of material misstatement or to be subject to a significant level of judgement. However, due to their materiality in the context of the Company financial statements as a whole, they are considered to be the areas on which the most audit effort is focused. | We assessed the investment values and intercompany receivables against the net assets of the investments to identify whether the carrying values are supportable by the asset position of the subsidiary. Where the carrying amount exceeded the net asset value of the subsidiary, our procedures were focused on management's value in use calculations including evaluation of key assumptions used, and the mathematical accuracy of the calculations.<br><br>Procedures performed included:<br>- Confirming the mathematical integrity of the impairment models;<br>- Evaluating the appropriateness of key assumptions by benchmarking them against industry trends and forecasts; and<br>- Assessing the Expected Credit Loss (ECL) model used by management to calculate the impairment risk of intercompany receivables in line with IFRS 9 'Financial Instruments' principles.<br><br>The work we performed did not identify any material misstatements regarding the recoverability of the carrying value of investments or intercompany receivables at the balance sheet date. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We performed audit procedures in the Group's key operating divisions which are located in the UK & Ireland, Germany, Poland, Italy and the Netherlands.

The Group consists of a centralised Head Office function based in the UK, and operates six trading divisions: Vue UK&I (UK & Ireland), CinemaxX (Germany & Denmark), The Space Cinema (Italy), Multikino (Poland & the Baltics), Vue Nederland (The Netherlands) and SBC (Taiwan). Each of these trading divisions contains a number of legal entities.

Individual components or reporting units for the purpose of Group reporting are considered to be either an entire trading division, or an individual legal entity. The distinction has been made based upon how the results are consolidated into the Group's financial statements.

In our view, due to their significance and/or risk characteristics, we determined that there were eight reporting units that required a full scope audit. As such, full scope audits were performed over the financial information of CinemaxX and Vue Nederland as well as full scope entity audits over four legal entities in Vue UK & I, one entity in Multikino and one entity in The Space Cinema. We have determined that Vue Entertainment Limited (a legal entity within the UK & Ireland) and CinemaxX are financially significant components, with the other components being included to increase overall coverage.

Our scoping has provided 95% coverage of consolidated revenue.

The Group's accounting process is structured around a local finance function for each division who maintain their own accounting records and controls and report to the centralised head office function in the UK through submission of monthly reporting packs. The head office finance function consolidates the results of all of the divisions.

The Group consolidation, financial statements and a number of complex areas were audited by the Group team as part of the overall Group audit - these areas include asset impairment assessments, IFRS 16, tax and going concern.

The audit of the UK & Ireland components was performed by the Group engagement team. Where the work was performed by a component team, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. As a result, instructions were issued by the Group audit team to the component teams, and discussions were held between Group and component teams throughout the audit process. The Group audit team used virtual technology to attend interim and final clearance meetings for all territories, and virtually reviewed the workpapers for the financially significant components. The Group engagement team also reviewed workpapers of the other components for significant risk areas. Formal reporting was received from all full scope components.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements - Group | Financial statements - Company |
|---|---|---|
| *Overall materiality* | £5.9 million (2020: £6.3 million). | £19.25 million (2020: £17.9 million). |
| *How we determined it* | 1% of revenue (using a five-year average) | 1% of total assets |
| *Rationale for benchmark applied* | Based on the benchmarks used in the annual report, revenue is one of the primary measures used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. We have applied a five-year average to smooth the short-term impact of Covid-19 on the Group's performance. In the prior year, a three-year average was used, however we consider a five-year average to be more appropriate for FY21 given the continued impact of Covid-19. | Given the Company is a holding entity, we consider total assets to be the primary measure of performance of the entity, and this is a generally accepted auditing benchmark. Certain account balances were included in scope for the audit of the consolidated financial statements and were therefore audited to a materiality level set below the overall materiality established for the Group audit. However, we determined that the Company did not require a full scope audit of its complete financial information for the purposes of the audit of the consolidated financial statements. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.0m and £2.1m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £4.4 million (2020: £4.8 million) for the Group financial statements and £14.4 million (2020: £13.4 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £292,000 (Group audit) (2020: £315,000) and £962,000 (Company audit) (2020: £900,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 November 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to failure to adhere to data protection requirements in the jurisdictions in which the Group operates and holds data, compliance with anti-bribery and corruption legislation in the jurisdictions in which the Group operates, health and safety regulations and The International Stock Exchange Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK and international tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting for estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and internal legal counsel, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Agreeing financial statement disclosures to underlying supporting documentation to assess compliance with applicable laws and regulations;
- Testing of assumptions and judgements made by management in making significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the income statement.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 May 2022

## Vue International Bidco plc

### CONSOLIDATED INCOME STATEMENT
### FOR THE YEAR ENDED 30 NOVEMBER 2021

| | Note(s) | Year ended 30 November 2021 £000 | (1) Restated Year ended 30 November 2020 £000 |
|---|---|---|---|
| **Revenue** | **5, 6** | **386,088** | 352,882 |
| Cost of sales | | **(106,443)** | (123,659) |
| **Gross profit** | | **279,645** | 229,223 |
| Administrative expenses | | **(275,532)** | (387,984) |
| **Operating profit / (loss)** | **8** | **4,113** | (158,761) |
| Finance income | **10** | **257** | 334 |
| Finance expenses | **10** | **(232,388)** | (254,584) |
| **Net finance costs** | | **(232,131)** | (254,250) |
| Share of jointly controlled entities using equity accounting method | | **(444)** | (401) |
| **Loss before tax** | | **(228,462)** | (413,412) |
| Taxation | **14** | **41,721** | 49,328 |
| **Loss for the year** | | **(186,741)** | (364,084) |
| **Attributable to:** | | | |
| - Owners of the parent | | **(186,741)** | (364,084) |
| - Non-controlling interests | | **-** | - |
| | | **(186,741)** | (364,084) |

(1) Refer to note 3.21

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

## Vue International Bidco plc

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
### FOR THE YEAR ENDED 30 NOVEMBER 2021

| | **Year ended 30 November 2021 £000** | [1] Restated Year ended 30 November 2020 £000 |
|---|---|---|
| **Loss for the year** | **(186,741)** | (364,084) |
| **Items that will not subsequently be reclassified to profit or loss** | | |
| Net remeasurement gain/(loss) on retirement benefit obligations | **83** | (157) |
| **Items that may subsequently be reclassified to profit or loss** | | |
| Movement on cash flow hedges | **(660)** | - |
| Translation (loss)/gain on net investments | **(34,743)** | 25,695 |
| **Other comprehensive (loss)/gain for the year, net of tax** | **(35,320)** | 25,538 |
| **Total comprehensive loss for the year** | **(222,061)** | (338,546) |
| **Attributable to:** | | |
| - Owners of the parent | **(222,061)** | (338,546) |
| - Non-controlling interests | **-** | - |

(1) Refer to note 3.21

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

## Vue International Bidco plc

### CONSOLIDATED BALANCE SHEET
### AS AT 30 NOVEMBER 2021

| | | As at 30 November 2021 | (1) Restated As at 30 November 2020 |
|---|---|---|---|
| **Non-current assets** | **Note** | **£000** | £000 |
| Property, plant and equipment | **15** | **240,326** | 264,630 |
| Right-of-use assets | **16** | **577,328** | 668,153 |
| Goodwill and intangible assets | **17** | **856,886** | 889,642 |
| Investments | **18** | **282** | 122 |
| Deferred tax asset | **19** | **113,919** | 76,076 |
| Trade and other receivables | **21** | **36,047** | 22,837 |
| Derivative financial instruments | **27** | **20** | - |
| **Total non-current assets** | | **1,824,808** | 1,921,460 |
| **Current assets** | | | |
| Inventories | **20** | **5,547** | 3,049 |
| Trade and other receivables | **21** | **63,275** | 43,986 |
| Corporate tax receivable | | **-** | 1,375 |
| Cash and cash equivalents | **22** | **149,391** | 181,170 |
| **Total current assets** | | **218,213** | 229,580 |
| **Total assets** | | **2,043,021** | 2,151,040 |
| **Current liabilities** | | | |
| Trade and other payables | **23** | **289,623** | 207,033 |
| Corporate tax payable | | **537** | - |
| Interest-bearing loans and other liabilities | **24** | **23,226** | 30,000 |
| Lease liabilities | **16** | **105,496** | 95,811 |
| Provisions | **26** | **981** | 892 |
| Derivative financial instruments | **27** | **680** | - |
| **Total current liabilities** | | **420,543** | 333,736 |
| **Non-current liabilities** | | | |
| Trade and other payables | **23** | **7,186** | 9,465 |
| Interest-bearing loans and other liabilities | **24** | **1,972,519** | 1,863,783 |
| Lease liabilities | **16** | **755,141** | 829,757 |
| Provisions | **26** | **2,130** | 3,308 |
| Deferred tax liability | **19** | **2,142** | 5,488 |
| **Total non-current liabilities** | | **2,739,118** | 2,711,801 |
| **Total liabilities** | | **3,159,661** | 3,045,537 |
| **Net liabilities** | | **(1,116,640)** | (894,497) |
| **Equity** | | | |
| Share capital | **28** | **4,718** | 4,718 |
| Foreign currency translation reserve | | **(3,838)** | 30,905 |
| Share-based payment reserve | **25** | **10,274** | 10,274 |
| Hedging reserve | | **(660)** | - |
| Accumulated losses | | **(1,127,134)** | (940,476) |
| **Equity attributable to owners of the parent** | | **(1,116,640)** | (894,579) |
| Non-controlling interests | | **-** | 82 |
| **Total equity** | | **(1,116,640)** | (894,497) |

(1) Refer to note 3.21

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the board of directors on 27 May 2022 and are signed on its behalf by

Alison Cornwell
Director

## Vue International Bidco plc

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 NOVEMBER 2021**

| | Notes | Year ended 30 November 2021 £000 | (1) Restated Year ended 30 November 2020 £000 |
|---|---|---|---|
| Net cash inflow from operating activities | 31 | **129,494** | 45,623 |
| **Net cash inflow from operating activities** | | **129,494** | 45,623 |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | **257** | 334 |
| Acquisition of property plant and equipment and intangibles | | **(10,017)** | (20,048) |
| Payment for acquisition of subsidiary net of cash | | **(860)** | (5,672) |
| Distributions paid to non-controlling interest | | **(82)** | (112) |
| **Net cash outflow from investing activities** | | **(10,702)** | (25,498) |
| | | | |
| **Cash flow from financing activities** | | | |
| Interest paid | | **(41,215)** | (31,263) |
| Repayment of borrowings | | **(7,254)** | - |
| Proceeds from borrowings | | **-** | 180,000 |
| Fees paid on issuance of borrowings | | **(34)** | (29,323) |
| Payment of lease liabilities | | **(98,618)** | (93,500) |
| **Net cash (outflow) / inflow from financing activities** | | **(147,121)** | 25,914 |
| | | | |
| **Net (decrease) / increase in cash and cash equivalents** | | **(28,329)** | 46,039 |
| | | | |
| **Cash and cash equivalents at the beginning of the period** | | **181,170** | 131,156 |
| Exchange (loss) / gain on cash and cash equivalents | | **(3,450)** | 3,975 |
| **Cash and cash equivalents at the end of the year** | **22** | **149,391** | 181,170 |

(1) Refer to note 3.21

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

## Vue International Bidco plc

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 30 NOVEMBER 2021

| | Note | Share capital £000 | Share-based payments reserve £000 | Accumulated losses £000 | Hedging reserve £000 | Foreign currency translation reserve £000 | Total £000 | Non-controlling interest £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 December 2019 | | 4,718 | 10,274 | (576,235) | - | 5,210 | (556,033) | 194 | (555,839) |
| Original stated loss for the year | | - | - | (364,071) | - | - | (364,071) | - | (364,071) |
| Restatement of 2020 balance | **3.21** | - | - | (13) | - | - | (13) | - | (13) |
| Restated loss for the year | | - | - | (364,084) | - | - | (364,084) | - | (364,084) |
| Other comprehensive (loss)/income for the year | | - | - | (157) | - | 25,695 | 25,538 | - | 25,538 |
| Total comprehensive (loss)/income for the year | | - | - | (364,241) | - | 25,695 | (338,546) | - | (338,546) |
| Distributions to non-controlling interests | | - | - | - | - | - | - | (112) | (112) |
| Balance at 30 November 2020 | **28** | 4,718 | 10,274 | (940,476) | - | 30,905 | (894,579) | 82 | (894,497) |
| **Balance at 1 December 2020** | | **4,718** | **10,274** | **(940,476)** | **-** | **30,905** | **(894,579)** | **82** | **(894,497)** |
| **Loss for the year** | | **-** | **-** | **(186,741)** | **-** | **-** | **(186,741)** | **-** | **(186,741)** |
| **Other comprehensive loss for the year** | | **-** | **-** | **83** | **(660)** | **(34,743)** | **(35,320)** | **-** | **(35,320)** |
| **Total comprehensive loss for the year** | | **-** | **-** | **(186,658)** | **(660)** | **(34,743)** | **(222,061)** | **-** | **(222,061)** |
| **Distributions to non-controlling interests** | | **-** | **-** | **-** | **-** | **-** | **-** | **(82)** | **(82)** |
| **Balance at 30 November 2021** | **28** | **4,718** | **10,274** | **(1,127,134)** | **(660)** | **(3,838)** | **(1,116,640)** | **-** | **(1,116,640)** |

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

## 1. General information

Vue International Bidco plc ("the Company") is a Public Limited Company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is 10 Chiswick Park, 566 Chiswick High Road, London, W4 5XS.

The Company and its subsidiaries develop and operate state-of-the-art multiplex cinemas. Further information on the principal activities of the Group and its operations are set out in the Strategic Report.

The consolidated and company financial statements and the related notes are presented in Pounds Sterling as it is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.9.

## 2. New accounting standards, amendments and interpretations

### 2.1 New standards and interpretations applied

The accounting policies adopted are consistent with those of the previous year. The following standards, amendments and interpretations were adopted for the year ended 30 November 2021 and have not had a material impact on the consolidated financial statements of the group.

| | |
|---|---|
| IFRS 16 (Amendments) | Leases |

### 2.2 New standards and interpretations not applied

At the date of authorisation of these financial statements the following new standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective:

| | |
|---|---|
| IFRS 3 (Amendments) | Business combinations |
| IAS 16 (Amendments) | Property, plant and equipment |
| IAS 37 (Amendments) | Provisions, contingent liabilities and contingent assets |
| IAS 1 (Amendments) | Presentation of financial statements |
| IAS 12 (Amendments) | Income taxes |
| IFRS 17 | Insurance contracts |

The directors do not expect that the adoption of the standards listed above will have an impact on the financial statements of the Group in future periods.

## 3. Significant accounting policies

### 3.1 Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

## 3. Significant accounting policies *(continued)*

### 3.1 Basis of preparation *(continued)*

The financial statements have been prepared on the historical cost basis, except for where required, certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. The principal accounting policies adopted are set out below and have been applied consistently to all periods presented in these financial statements.

## 3. Significant accounting policies *(continued)*

### 3.2 Basis of consolidation

***Subsidiaries***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as listed in note 29. Consolidation of a subsidiary occurs when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary. Control exists where the Group has the right to variable returns arising from power over the entity which is derived from the ability to direct the relevant activities.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. They are entitled to a proportionate share of net assets upon liquidation which may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets.

***Joint ventures***

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The results, assets and liabilities of joint ventures are accounted for using the equity method of accounting.

***Investments in associates***

Associates are entities where the Group has significant influence but not control, accompanying a shareholding of between 20% - 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting from the date on which the investee becomes an associate. The investment is initially recognised at cost and then increased or decreased in relation to the Group’s share of post-acquisition profits or losses and reduced by any dividends received.

## 3. Significant accounting policies *(continued)*

### 3.3 Going concern

In assessing the going concern position of the Company and the Group for the year ended 30 November 2021, the Directors have considered the performance of the Group's business operations in each territory together with the upcoming film slate and external factors such as increased energy costs, inflation and cost of living pressures and the impact of remaining covid restrictions which should end on 15 June 2022 when the wearing of facemasks in Italian cinemas will no longer be required.

As at 30 November 2021 the Group had significant liquidity of £172.0m comprising unrestricted cash of £144.7m and undrawn overdraft and revolving credit facilities of £27.3m. The unrestricted cash comprised total cash of £149.4m less £4.7m cash in escrow in support of landlord guarantees in Germany and the Netherlands. The undrawn overdraft and revolving credit facilities of £27.3m were in respect of the Group's £65m revolving credit facility ("RCF") which comprises an overdraft facility of £20m, a £30m revolver and £15m which is undrawn but ring-fenced in support of landlord guarantees. At 30 November 2021 the overdraft facility was undrawn and £7.3m of the £30m revolver was undrawn. The RCF is available through the going concern period and expires in July 2025.

The Group has two financial covenants; a minimum liquidity covenant of £35m which is tested at the end of each month and a springing covenant test which is measured only if drawings under the RCF exceed £22.75m on the testing date at the end of each financial quarter. During 2020 a unanimous covenant waiver was agreed with the RCF providers for the 4 quarters up to and including 31 August 2021. The Group's financing arrangements also contain a covenant that there are no proceedings pending or threatened, which would reasonably be expected to have a Material Adverse Effect.

In the first financial quarter of the year the Group's liquidity reduced to £136.6m comprising unrestricted cash of £109.3m and undrawn overdraft and revolving credit facilities of £27.3m. This reduction was due mainly to the emergence and rapid spread of the Omicron variant which resulted in mandated closures in Denmark and the Netherlands and significant operating restrictions in all other countries, notably the prohibition of food and beverage sales in Poland and Italy, vaccine passports in Germany and Italy, and country-specific capacity restrictions and the wearing of facemasks. The situation has improved in recent months and all operating restrictions have been lifted with the exception of the legal requirement to wear FFP2 grade facemasks in Italy. This final restriction is expected to end on 15 June 2022.

## 3. Significant accounting policies *(continued)*

### 3.3 Going concern *(continued)*

In considering the going concern position of the Company and the Group, the Company has taken the starting liquidity position in the second financial quarter of the year and has developed an 18-month Base Case liquidity model by territory which runs to 30 November 2023. The key assumptions supporting this forecast include the following:

- Admissions and trading levels have been forecast by territory based on the current view of the performance of the film slate for the remainder of the current financial year, adjusted downwards to include a contingency for prudence. In the financial year ending 30 November 2023, admissions are based on normalised markets (i.e. an average slate year pre pandemic) reduced by a territory-specific factor (average c.8%) to reflect a post pandemic contingency.
- The projections include receipts from Government support schemes in Germany and Italy relating to the current financial year amounting to £24.7m in 2022 and £0.9m in early 2023 and a repayment of subsidy to the German authorities of £14m in 2022 with respect to the prior year. It should also be noted that the German business has substantial cash of c£20m, net of the subsidy repayment, but any surplus cash cannot be repatriated until 1 January 2023 due to the current subsidy regulations in Germany.
- Following a successful series of negotiations with landlords throughout the pandemic which delivered discounts, landlord contributions to capex and rent deferrals, the Group is now paying the agreed rent deferrals and these payments have been included in the projections. The balance due at the end of the first financial quarter of 2022 was approximately £50.6m with £32.2m expected to be paid in 2022, £17.6m in 2023 and the residual balance in 2024.
- In addition, the projections reflect ongoing actions to reduce non-essential operating costs and to restrict expenditure on capital projects to essential maintenance, landlord-funded recliner seat conversions, energy saving projects and key IT system enhancements.
- The projections also assume that one of the Polish freehold properties is sold for net proceeds of £20m by the end of 2022. This site is located in a zone with high density residential planning which makes it the most valuable of our 4 freehold sites. We have received expressions of interest from several parties and have engaged a property expert to run the sale process.
- The projections do not assume any impact from any potential litigation.

Under this Base Case scenario, the Company projects potential covenant breaches and a potential liquidity need during the final quarter of 2022 due to the impact of the Omicron variant during the early part of the financial year, the payment of landlord rents that were deferred due to the pandemic and cash repatriation restrictions in Germany for the balance of 2022. Consequently the Company has been in discussion with its largest lenders and their advisers about contingency planning including raising additional funding to cover any liquidity requirements within the currently remaining available baskets under the existing financing documents of c£88m (i.e. without requiring syndicate consent) or, with syndicate consent, a new basket. At this stage, although no lender has provided any firm commitment, the directors believe that the current lenders will ultimately act as providers of necessary funding, if needed.

**3. Significant accounting policies *(continued)***

**3.3 Going concern *(continued)***

Given the uncertainty caused by the pandemic and the resulting forecasting challenges, similar to last year, the Company has developed a 'Severe but Plausible' Downside Case to stress test the Group's financial projections. These projections include the impact of:

- an outbreak of a new, relatively mild Covid strain during Winter 2022/2023, similar to the Omicron outbreak during Winter 2021/22. Given the recent positions taken by European Governments in terms of 'living with COVID', it is assumed the response to such an outbreak will be similar to that adopted by the UK Government this past Winter, being limited social restrictions, a new vaccination round and 'personal responsibility' messaging. As such, it is assumed that there is a 15% reduction in admission volumes in Q1 2023 whilst the social impact of a new strain is felt. The 15% assumption is in line with the impact on UK admissions in December 2021 following the Omicron outbreak and is prudently assumed to continue through Q1 even though the impact on UK consumer confidence was not this prolonged during last Winter;
- an additional reduction of 5% throughout 2023 has been included to reflect a more conservative trading position given certain other economic factors which may impact the cinema market; and
- that the sale of the Polish freehold does not conclude.

The Downside case results in additional liquidity pressure in H2 2023 but management believe this could be managed through remediation actions including further cost cutting and negotiation with landlords. In the event of such a scenario, the Group would also approach its lenders to discuss possible remediation options including covenant waivers and/or the raising of incremental debt financing. Furthermore, the formal request for arbitration that was filed by Greater Union International B.V. on 24 May 2022 in relation to the CineStar transaction (see Post Balance Sheet Events, page 33) could preclude the Group from making its periodic "no proceedings pending or threatened" confirmations. In this scenario the Group would be required to notify its lenders and would seek a covenant waiver, standstill or other contractual arrangement(s) with respect to that matter.

The Directors expect that the Group's lenders will continue to support the business if the scenarios described above arose for the following reasons. Firstly, the Group successfully obtained a covenant waiver for its RCF in summer 2020 and renegotiated the underlying covenant requirement with the unanimous consent of the relevant lenders. Furthermore, the Group demonstrated its ability to raise incremental debt financing in November 2020 despite the impact of COVID-19 and, to this end, additional capacity to raise incremental financing is currently retained under the Group's debt documentation. Finally, as previously noted, the Company is in discussion with its largest lenders and their advisers about general contingency planning including raising additional funding to cover any liquidity requirements using the currently remaining available baskets of c£88m or, with syndicate consent, a new basket. At this stage, although no lender has provided any firm commitment the directors believe that the nature and the tone of the discussions are such that the current lenders will ultimately act as providers of necessary funding, if needed.

**3. Significant accounting policies *(continued)***

**3.3 Going concern *(continued)***

Taking the above into consideration, the Directors are satisfied that the Company and Group have adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Company and Group continue to adopt the going concern basis in preparing these financial statements. Nevertheless, in the event of further lockdown measures being introduced that impact the Group's operations which are not sufficiently mitigated by government support, or litigation arose that met the definition of a Material Adverse Event, the possibility of a covenant breach or liquidity issue cannot be discounted and the Group would be dependent on obtaining further covenant waivers or additional financing in addition to that currently contemplated. As such, the ability to obtain additional funding and potential waivers in relation to trading uncertainties and the possible Material Adverse Effect in relation to the Cinestar transaction represents a material uncertainty that may cast significant doubt on the Company's or the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or Group were unable to continue as a going concern.

**3.4 Revenue recognition**

Revenue represents the total amount receivable for goods sold and services provided, excluding sales related taxes and intra-group transactions. The entire Group's revenue is received from the sale of goods and services. The recognition of revenue under each of the Groups material revenue streams is as follows:

- Box office revenue is recognised on the date of showing the film which reflects the satisfaction of the company's performance obligation

- Concessions revenue is recognised at the point of sale at which time the company's performance obligation to the customer has been satisfied

- Screen advertising revenue is recognised in the period that the advertisement is shown in the cinema reflecting the satisfaction of the company's performance obligations as the advertisement is displayed

- Corporate partnership revenues are recognised in the period the event takes place given the company's performance obligation has been met on completion of the event

- The Group records proceeds from the sale of gift cards and other advanced bulk tickets in deferred income and recognises admissions or revenue when redeemed. Additionally, the Group recognises unredeemed gift cards and bulk tickets as other revenues based on a proportion of redemptions, which is estimated primarily based on the Groups historical experience

- Other revenue is recognised in the period to which it relates provided the associated performance obligation has been met

## 3. Significant accounting policies *(continued)*

### 3.5 Barter transactions

The Group engages in certain non-monetary barter transactions where cinema on-screen advertising space is exchanged for external advertising on other third party mediums.

In accounting for barter transactions, the associated sales and cost of sales are valued at the weighted average sales price achieved for equivalent cash sales of the Group's own on-screen advertising space.

### 3.6 Net financing costs

Net financing costs comprise interest payable, amortisation of financing costs, unwind of discount on property provisions, finance lease interest, interest receivable on funds invested and net foreign exchange gains or losses on financing activities.

### 3.7 Retirement benefit costs

The Group operates a number of defined contribution schemes for its employees. The assets of the plans are held separately from those of the Group in independently administered funds. The Group retains no obligations in respect of these independent funds. Contributions to these funds are made by employees and are supplemented by contributions from the Group which are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group also participates in mandatory government schemes in applicable territories. In such cases an obligation is retained by the Group until retirement of the employees and any resulting liability is held as a provision calculated on an actuarial basis.

### 3.8 Leases

From 1 December 2019, the Group applied IFRS 16 using the modified retrospective approach.

The Group's lease portfolio relates, predominantly, to property leases for each cinema site, however also includes other assets such as motor vehicles.

Under IFRS 16, at inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the date the identified asset is available to the Group a right-of-use asset and a lease liability is recognised.

## 3. Significant accounting policies *(continued)*

### 3.8 Leases *(continued)*

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, less any lease incentives receivable; and
- Variable lease payments that depend on an index or a rate.

Future increases in variable lease payments based on an index or rate, are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The incremental borrowing rate is defined as the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The incremental borrowing rates applied to leases ranged between 4.8% and 15.2% (2020: 4.8% and 13.7%). The weighted average incremental borrowing rate applied to leases was 9.8% (2020: 5.9%).

Movement in the lease liability results from:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Re-measuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is re-measured when there are changes to lease payments or lease length and the corresponding adjustment is made to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement thought the Consolidated Income Statement.

The cost of the right-of-use asset is calculated as:

- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before the date of initial application; and
- Any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are depreciated over the lease term on a straight-line basis and reported through the Consolidated Income Statement within Administrative expenses.

## 3. Significant accounting policies *(continued)*

### 3.8 Leases *(continued)*

Right-of-use assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss which is recognised in the income statement.

An impairment is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount. 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. Where leases have been modified, resulting in a reduction in the carrying value of the right-of-use asset, the impairment loss reversal will not exceed the modified carrying amount.

Interest on the lease liability in each period during the lease term is charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Both principal and interest are recognised within financing cash flows in the Consolidated Statement of Cash Flows.

***Low value and short term exempt leases***

Payments associated with short-term leases and leases of low-value assets are exempt from IFRS 16 and as such continue to be recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less or leases on adoption date which has a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office and cinema equipment.

***Lease incentives***

Lease incentives predominantly relate to rent free periods or cash contributions from landlords for agreed investment in property, plant or equipment.

Where the Group receives contributions and incentives from landlords at the start of the lease or later following subsequent negotiations, these are recorded against the right-of-use asset. Where conditions are met after the start of the lease, these are reflected in the future lease payments resulting in a re-measurement of lease liability and adjustment to right-of-use asset.

Lease incentives are only recognised once all conditions of the incentive are met.

## 3. Significant accounting policies *(continued)*

### 3.8 Leases *(continued)*

***Variable lease payments***

Some property leases contain variable payment terms that are linked to performance measures generated from a particular cinema site. Variable payment terms are common in the cinema and retail industries in the countries where the Group operates. Variable lease payments are recognised in administrative expenses within the Consolidated Income Statement in the period in which the condition that triggers those payments occurs.

### 3.9 Foreign currencies

For each Group company the presentation currency used in the individual financial statements is the same as the Company's functional currency. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Company.

In preparing the financial statements of the individual companies and the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date and income and expense items are translated at the average exchange rates for the period.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. Exchange differences arising are recognised in other comprehensive income.

### 3.10 Taxation

***Current tax***

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

## 3. Significant accounting policies *(continued)*

### 3.10 Taxation *(continued)*

***Deferred tax***

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 3. Significant accounting policies *(continued)*

### 3.10 Taxation *(continued)*

***Current tax and deferred tax for the year***

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 3.11 Business combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The cost of acquisition is measured as the fair value of assets transferred, the liabilities incurred or assumed at the date of exchange of control and equity instruments issued by the Group in exchange for control of the acquiree. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. Costs directly attributable to business combinations are recognised as an expense in the income statement as incurred.

The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition except those where specific guidance is provided by IFRSs as outlined below:

- Non-current assets and directly attributable liabilities that are classified as held for sale in accordance with IFRS 5, are recognised and measured at fair value less costs to sell;
- Deferred tax assets and liabilities are recognised and measured in accordance with IAS 12;
- Liabilities and assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19; and
- Share-based payments reserves are measured in accordance with IFRS 2.

Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts where appropriate. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

## 3. Significant accounting policies *(continued)*

### 3.11 Business combinations *(continued)*

Goodwill on acquisition is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in income statement as a bargain purchase gain.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units acquired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement and is not subsequently reversed. When there is a disposal of a cash-generating unit, goodwill relating to the operation disposed of is taken into account in determining the gain or loss on disposal of that operation. The amount of goodwill allocated to a partial disposal is measured on the basis of the relative values of the operation disposed of and the operation retained.

### 3.12 Goodwill

Goodwill is initially recognised and measured as set out in the business combinations note (note 3.11).

The Group considers each cinema site to be a cash-generating unit ("CGU") however, for the purposes of goodwill, the Group considers each territory grouping of individual sites to be a CGU as permitted by IAS 36. Goodwill is allocated to each CGU and is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The need for an impairment provision is assessed by a comparison of the carrying value of a CGU or group of CGUs with its recoverable amount being the future value in use to the business. The value in use is assessed with reference to the future business forecasts of the Group making certain adjustments as required by the accounting standard.

The discount rate used in assessing the value in use is the estimated weighted average cost of capital employed by the Group, adjusted as necessary for any particular risks of the CGU being reviewed. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## 3. Significant accounting policies *(continued)*

### 3.13 Intangible assets

The Group holds the following intangible assets: customer relationships and software. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recorded at their fair value at the acquisition date. Following initial recognition, these assets are carried at cost less any accumulated amortisation or impairment losses, on the same basis as intangible assets that are acquired separately. The useful economic lives of acquired intangible assets are estimated based on discounted future cash flows of the acquired business.

Computer software is initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Customer relationships | 6 years |
| Computer software | 3 - 7 years |

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset are recognised in the income statement when the asset is derecognised.

Intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are measured on a similar basis to property, plant and equipment and recognised in the income statement. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

An impairment is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount. 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.

### 3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

## 3. Significant accounting policies *(continued)*

### 3.15 Inventories

Inventories are valued on a first-in, first-out (FIFO) basis and are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventory. Inventory cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

### 3.16 Provisions

Provisions for property, restructuring or other legal costs are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material), discounted using an appropriate discount rate to reflect the risks of those cash flows.

### 3.17 Financial instruments

Financial instruments are classified as financial assets, financial liabilities or equity instruments, and are initially recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income statement) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through Income Statement are recognised immediately in the Income Statement.

**Financial assets**

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and in hand, credit and debit card debtors, short-term deposits and other short-term highly liquid investments with original maturities of three months or less held for the purpose of meeting short-term cash commitments. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

## 3. Significant accounting policies *(continued)*

### 3.17 Financial instruments *(continued)*

***Trade and other receivables***

Trade receivables are measured at amortised cost using the effective interest method, less any impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on aging. The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the year end. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the income statement. Intercompany receivables balances with the Group are assessed for impairment under IFRS 9.

**Impairment of financial assets**

Loss allowances will be measured on either of the following bases: i.12-month expected credit losses ('ECLs') are the ECLs that result from possible default events within 12 months after the reporting date; and ii. Life time ECLs which are ECLs that result from all possible default events over the expected life of a financial instruments. The Company measures expected credit losses using a lifetime expected loss allowance for all intercompany receivables. The expected loss rates are based on historical loss rates which reflect current and forward looking information on macroeconomic factors.

**Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

***Trade and other payables***

Trade and other payables are initially measured at fair value. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables where the recognition of interest would be immaterial. Trade and other payables principally comprise of amounts owed to suppliers, accrued expenses and social security and other taxes.

## 3. Significant accounting policies *(continued)*

### 3.17 Financial instruments *(continued)*

***Interest-bearing loans***

Interest-bearing loans are initially measured at fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, loan capital and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

***Cash flow hedges***

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement, within Other Income/(Expenses).

### 3.18 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss, with the exception of freehold land which is not depreciated. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement to write assets down to their residual values on a straight line basis over the estimated useful lives on the following basis:

| | |
|---|---|
| Freehold Buildings | 10 - 40 years |
| Long-term Leasehold Land and Buildings | 15 - 40 years |
| Short-term Leasehold Land and Buildings | Over the life of the lease capped at 25 years |
| Furniture, Fittings and Equipment | 3 -15 years |
| Freehold land | Not depreciated |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets under construction are not depreciated until projects are completed and brought into use.

## 3. Significant accounting policies *(continued)*

### 3.18 Property, plant and equipment *(continued)*

Property, plant and equipment are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss which is recognised in the income statement.

An impairment is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount. 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.

Landlord contributions are recognised in investing activities within the cash flow statement, within acquisition of property, plant and equipment and intangibles.

### 3.19 Pre-opening and initial site development expenses

Start up, pre-opening and pre-operating costs are written off in the period in which they are incurred.

Expenditure of capital nature, as set out in IAS 16, is not incurred until the board approves the development of the cinema site. Once approved the expenditure is capitalised.

### 3.20 Government assistance

Government assistance is recognised in the income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where government assistance has been received in relation to specific costs the expenses are recognised net of the government assistance. All other government assistance is recognised as other income. This applies to government assistance received in relation to Covid-19.

**3. Significant accounting policies *(continued)***

**3.21 Prior year adjustment**

The accounts have been restated to reflect the impact of a 2020 lease modification which was omitted:

| **Consolidated Income Statement** | **£000** |
|---|---|
| Decrease in administrative expenses, depreciation of right-of-use assets | 115 |
| Increase in finance expenses, right-of-use liability lease interest | (128) |
| **Total** | **(13)** |

| **Consolidated Balance Sheet** | **£000** |
|---|---|
| Decrease in right-of-use assets, lease modifications | (9,161) |
| Increase in right-of-use assets, depreciation | 115 |
| Increase in current trade and other receivables, prepayments | 538 |
| Increase in non-current lease liabilities, interest expense related to lease liabilities | (128) |
| Decrease in non-current lease liabilities, lease modifications | 9,161 |
| Increase in non-current lease liabilities, repayment of lease liabilities | (538) |
| **Total** | **(13)** |

**4. Critical accounting estimates and judgements**

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions including about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Apart from the judgement on going concern discussed in note 3.3, the following are the critical estimates and judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Impairment of goodwill (estimate and judgement)**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date and details of any impairment are set out in note 17. Management has applied sensitivity analysis to the estimates, see note 17.

**4. Critical accounting estimates and judgements *(continued)***

**Impairment charge and reversal of right-of-use assets property, plant and equipment (estimate and judgement)**

When indicators of impairment exist the Group determines whether the right-of-use asset or property, plant and equipment are impaired. The impairment is determined by estimating the value in use of the cash-generating units to which the assets are allocated, which involves making an estimate of the expected future cash flows from the cash-generating units that hold the fixed assets at a suitable discount rate to calculate the present value of those future cash flows. The Group is required to make certain assumptions about the future cash flows to be generated from the individual cinema sites; it is also required to discount these cash flows using an appropriate discount rate. The resulting calculation is sensitive to these assumptions. The directors consider the assumptions to represent the best estimate of the future cash flows generated by the cinema sites and that the discount rate used is appropriate given the risks. Management has applied sensitivity analysis to the estimates, see note 16.

**Valuation of right-of-use assets and lease liabilities (estimate and judgement)**

The application of IFRS 16 requires the Group to make estimates and judgements that affect the measurement of right-of-use assets and lease liabilities, at inception for new leases or during modifications of existing leases. In determining the lease term the Group must consider all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options). This includes the length of time remaining before the option is exercisable; current and future trading forecast as to the ongoing profitability of the site; and the level and type of planned future capital investment. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Estimates are required to determine the appropriate incremental borrowing rate used to recognise lease liabilities at fair value. Management has applied sensitivity analysis to the estimates, see note 16.

Under IFRS 16 the cost of a right-of-use asset includes the costs of dismantling and removing the item and restoring the site on which it is located i.e. dilapidations. Judgement is required in determining if a contact includes an obligation to cover these costs and that future outflow of resources is probable in order to settle the obligation. Estimates are required in determining the amount where these conditions exist.

**Recognition of deferred tax assets (judgement)**

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether it is probable that there will be sufficient taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Management therefore exercises judgement in assessing the future financial performance of the particular entity or tax group in which the deferred tax asset is to be recognised. In assessing the recoverability of deferred tax assets, the Group has considered future projections of profitability consistent with those underpinning other areas of financial reporting, such as impairment testing.

## 5. Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the follow territories:

| | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| **Revenue by geographical market** | | |
| United Kingdom | **162,913** | 133,410 |
| Germany | **103,553** | 65,325 |
| Poland | **30,795** | 38,257 |
| Netherlands | **24,823** | 30,395 |
| Italy | **44,008** | 62,107 |
| Ireland | **4,661** | 3,812 |
| Denmark | **11,618** | 13,420 |
| Latvia | **-** | 747 |
| Lithuania | **977** | 1,442 |
| Taiwan | **2,740** | 3,967 |
| **Total revenue** | **386,088** | 352,882 |

Revenue per operating segment can be broken down by product and services provided as follows:

| | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| **United Kingdom** | | |
| **Revenue by product and service provided** | | |
| Box office | **83,817** | 76,770 |
| Concessions | **55,825** | 37,621 |
| Screen advertising and other income | **23,271** | 19,019 |
| **Total revenue** | **162,913** | 133,410 |
| | | |
| **Continental Europe & Ireland** | | |
| **Revenue by product and service provided** | | |
| Box office | **82,186** | 121,771 |
| Concessions | **45,012** | 53,729 |
| Screen advertising and other income | **93,237** | 40,005 |
| **Total revenue** | **220,435** | 215,505 |
| | | |
| **Rest of world** | | |
| **Revenue by product and service provided** | | |
| Box office | **2,292** | 3,032 |
| Concessions | **418** | 792 |
| Screen advertising and other income | **30** | 143 |
| **Total revenue** | **2,740** | 3,967 |

## 5. Revenue *(continued)*

Timing of revenue recognition is split as follows:

| | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| **Timing of revenue recognition is split as follows** | | |
| At a point in time | **282,961** | 306,608 |
| Over time | **103,127** | 46,274 |
| **Total revenue** | **386,088** | 352,882 |

## 6. Segment information

Segment information is presented in accordance with IFRS 8, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Chief Operating Decision Maker in order to allocate resources to the segments and assess their performance.

The Group considers the board to be the Chief Operating Decision Maker. The Group's operating segments comprise geographical territories in the UK, Continental Europe and the Rest of World. In accordance with IFRS 8, the Group believes that it has three reportable segments: UK, Continental Europe and the Rest of World.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Inter-segment sales are not material and have not been disclosed.

The following tables present the results and certain asset and liability information regarding the Group's reportable segments and central cost centres for the year ended 30 November 2021 and the comparative period.

| **Revenue** | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| United Kingdom | **162,913** | 133,410 |
| Continental Europe & Ireland | **220,435** | 215,505 |
| Rest of World | **2,740** | 3,967 |
| **Total** | **386,088** | 352,882 |

| **(Net liabilities) / net assets** | **Year ended 30 November 2021 £000** | (1) Restated Year ended 30 November 2020 £000 |
|---|---|---|
| United Kingdom | **(1,413,919)** | (1,228,291) |
| Continental Europe & Ireland | **297,457** | 332,135 |
| Rest of World | **(178)** | 1,659 |
| **Total** | **(1,116,640)** | (894,497) |

*(1) Refer to note 3.21*

## 7. Barter Transactions

The value recognised in revenue during the year was £0.2m (2020: £0.4m) in relation to barter transactions. This was as a result of 71 (2020: 140) individual transactions.

## 8. Operating profit / (loss)

Included in operating profit / (loss) for the year are the following:

| | **Year ended 30 November 2021 £000** | (1) Restated Year ended 30 November 2020 £000 |
|---|---|---|
| Government assistance received | **(96,297)** | (34,797) |
| Realised foreign exchange losses | **94** | 54 |
| Depreciation of property, plant and equipment | **43,399** | 48,624 |
| Depreciation of right-of-use assets | **68,158** | 90,072 |
| Remeasurement gains on right-of-use assets | **(4,878)** | (4,427) |
| Impairment of property, plant and equipment | **2,818** | 10,170 |
| Impairment reversal of property, plant and equipment | **(6,677)** | - |
| Impairment of right-of-use assets | **5,372** | 30,931 |
| Impairment reversal of right-of-use assets | **(19,663)** | - |
| Impairment of intangible assets | - | 95 |
| Impairment reversal of intangible assets | **(95)** | - |
| (Profit) / loss on disposal of property, plant and equipment | **(37)** | 267 |
| Amortisation of intangibles assets | **2,835** | 4,499 |

(1) Refer to note 3.21

Government assistance received relates to various government support schemes put in place in response to COVID-19. See note 3.20 for further details on the Group's recognition policy.

In line with the Group policy £74.4m has been recognised within other income and the remaining £21.9m against costs for which the schemes are intended to compensate.

Last year's impairment was driven by the increase in asset base due to IFRS16 along with the impacts of COVID-19 on future cash flows and the rates at which these are discounted.

Changes in the right-of-use asset base due to modifications to leases with landlords, as well as an improving long-term outlook on the easing of COVID-19 restrictions within the forecast cash flows has resulted in impairment reversals of £26.4m and additional impairment of £8.2m this year.

## 9. Auditors' remuneration

| | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Group and Company financial statements | **363** | 320 |
| Fees payable to the Company's auditors and its associates in respect of: | | |
| - Audit of the financial statements of the subsidiaries | **788** | 776 |
| - Tax advisory services not included above | **57** | - |
| - Corporate finance services | **-** | 293 |
| - Other non-audit services | **276** | 24 |
| **Total audit and non-audit fees** | **1,484** | 1,413 |

Revisions to the Ethical Standard (ES 2019) were introduced by the Financial Reporting Council (FRC) in 2020 for Other Entities of Public Interest (OEPI). As an OPEI, the statutory auditor is restricted from providing non-audit services (other than required by law or regulation and permissible under ES 2019) for the period beyond 15 December 2020 unless, under the transition provisions, those services commenced before 15 December 2020 and were anticipated to be completed in a relatively short time period. The Tax advisory services above were transitional services completed in the financial year. The Other non-audit services related to advice and regulatory confirmation of certain Covid-related claims in the financial year, all of which were completed within 12 months of the transition date.

## 10. Finance income and expenses

| **Finance income** | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| Interest income | **250** | 334 |
| Dividends receivable | **7** | - |
| **Total finance income** | **257** | 334 |

| **Finance expenses** | **Year ended 30 November 2021 £000** | (1) Restated Year ended 30 November 2020 £000 |
|---|---|---|
| Interest on bank loans and amortisation of capitalised finance costs | **71,795** | 51,769 |
| Shareholder loan interest | **109,836** | 105,020 |
| Unrealised foreign exchange (gain) / loss on senior secured debt | **(29,869)** | 28,305 |
| Right-of-use liability lease interest | **80,626** | 69,490 |
| **Total finance expenses** | **232,388** | 254,584 |

(1) Refer to note 3.21

Unrealised foreign exchange gains and losses arise on the translation of the Euro denominated senior term loan are classified as a financing item.

## 11. Employees

| | Year ended 30 November 2021 £000 | Year ended 30 November 2020 £000 |
|---|---|---|
| Wages and salaries | **72,255** | 71,824 |
| Social security costs | **9,231** | 10,567 |
| Other pension costs | **2,279** | 2,419 |
| **Total** | **83,765** | 84,810 |

During the year the group received government assistance for staff costs due to COVID-19 of £17.4m. The above figures are shown net of government assistance received.

The average monthly number of employees, including Executive Directors and part-time employees, during the year was as follows:

| | Year ended 30 November 2021 No. | Year ended 30 November 2020 No. |
|---|---|---|
| Cinema | **7,572** | 9,129 |
| Administration | **451** | 502 |
| **Total** | **8,023** | 9,631 |

## 12. Directors' remuneration

| | Year ended 30 November 2021 £000 | Year ended 30 November 2020 £000 |
|---|---|---|
| Wages and salaries | **3,173** | 7,337 |
| Social security costs | **843** | 695 |
| Other pension costs | **5** | 5 |
| **Total** | **4,021** | 8,037 |

The highest paid director received remuneration of £1.3m (2020: £3.7m) excluding company paid social security of £391k (2020: £335k) and pension payments of £5k (2020: £5k).

The directors of the Company are remunerated in respect of their executive management services to both the Company and Group as a whole. Their remuneration is borne by the Company and a portion is recharged to some of the Group undertakings as part of a management service fee. Non-executive directors are not remunerated for their services to the Company and Group.

## 13. Pension commitments

The Group operates a number of defined contribution schemes for its employees. The assets of the plans are held separately from those of the Group in independently administered funds. The Group retains no obligations in respect of these independent funds. Contributions to these funds are made by employees and are matched by equal contributions from the Group. The amount charged to the income statement in respect of these Group funds for the year ended 30 November 2021 amounted to £1.4m (2020: £1.3m).

## 13. Pension commitments *(continued)*

The Group participates in a mandatory government scheme in Italy where obligations are retained to the date that employees leave the Group. The amount charged to the income statement for the year ended 30 November 2021 amounted to £0.8m (2020: £1.0m).

## 14. Taxation

| | **Year ended 30 November 2021** | Year ended 30 November 2020 |
|---|---|---|
| **Corporation tax:** | **£000** | £000 |
| Current year | **3** | 3 |
| Over provision for prior years | **(295)** | (3,476) |
| Overseas tax charge / (credit) | **2,173** | (332) |
| Total current tax charge / (credit) | **1,881** | (3,805) |
| | | |
| **Deferred tax (see note 19)** | | |
| Timing differences, origination and reversal | **(24,050)** | (38,418) |
| Adjustment attributable to changes in tax rates and laws | **(14,119)** | - |
| Over provision for prior years | **(5,433)** | (7,105) |
| Total deferred tax | **(43,602)** | (45,523) |
| | | |
| **Total tax credited on loss on ordinary activities** | **(41,721)** | (49,328) |

UK Corporation tax is calculated at 19.00% (2020: 19.00%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled as follows:

| | **Year ended 30 November 2021 £000** | [(1)] Restated Year ended 30 November 2020 £000 |
|---|---|---|
| **Loss on ordinary activities before tax** | **(228,462)** | (413,412) |
| | | |
| Tax at the UK corporation tax rate of 19% (2020: 19%) | **(43,408)** | (78,548) |
| | | |
| Expenses not deductible for tax | **14,004** | 19,071 |
| Non-taxable income | **(3,254)** | (2,098) |
| Effect of different tax rates of foreign subsidiaries and branch | **94** | (8,558) |
| Adjustment attributable to changes in tax rates and laws | **(14,119)** | - |
| Tax over provided in prior periods | **(5,728)** | (10,581) |
| Derecognition of deferred tax | **(10,551)** | 1,181 |
| Tax losses carried forward / (utilised) | **373** | 12,001 |
| Group Relief | **20,868** | 18,204 |
| **Tax credit for the year** | **(41,721)** | (49,328) |

***(1) Refer to note 3.21***

## 15. Property, plant and equipment

| | Freehold Land and Buildings | Long Leasehold Land and Buildings | Short Leasehold Land and Buildings | Furniture, Fixtures and Equipment | Assets under Construction | Total |
|---|---|---|---|---|---|---|
| **Cost** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 December 2019 | 6,760 | 100,880 | 360,169 | 196,359 | 2,944 | 667,112 |
| Adjustment for change in accounting policy (note 16) | - | - | (72,679) | (6,259) | - | (78,938) |
| Additions | - | 18,157 | 5,739 | 15,200 | 7,266 | 46,362 |
| Disposals | (698) | (30,401) | (7,745) | (22,866) | (72) | (61,782) |
| Transfers (note 17) | 67 | 18 | 541 | 2,362 | (2,964) | 24 |
| Foreign exchange movement | 227 | 4,686 | 1,541 | 6,046 | 95 | 12,595 |
| As at 30 November 2020 | 6,356 | 93,340 | 287,566 | 190,842 | 7,269 | 585,373 |
| | | | | | | |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 December 2019 | 3,744 | 79,934 | 160,920 | 109,889 | - | 354,487 |
| Adjustment for change in accounting policy (note 16) | - | - | (48,983) | (2,760) | - | (51,743) |
| Charge for the year | 264 | 2,155 | 23,864 | 22,341 | - | 48,624 |
| Impairment | - | - | 1,789 | 8,381 | - | 10,170 |
| Disposals | (698) | (26,889) | (271) | (22,460) | - | (50,318) |
| Foreign exchange movement | 93 | 4,067 | 1,444 | 3,919 | - | 9,523 |
| As at 30 November 2020 | 3,403 | 59,267 | 138,763 | 119,310 | - | 320,743 |
| | | | | | | |
| **Cost** | | | | | | |
| **At 1 December 2020** | **6,356** | **93,340** | **287,566** | **190,842** | **7,269** | **585,373** |
| **Additions** | **186** | **94** | **4,772** | **10,764** | **6,748** | **22,564** |
| **Disposals** | **-** | **-** | **(165)** | **(1,018)** | **-** | **(1,183)** |
| **Transfers (note 17)** | **38** | **35** | **3,470** | **877** | **(4,451)** | **(31)** |
| **Foreign exchange movement** | **(252)** | **(5,418)** | **(4,615)** | **(8,109)** | **(377)** | **(18,771)** |
| **As at 30 November 2021** | **6,328** | **88,051** | **291,028** | **193,356** | **9,189** | **587,952** |
| | | | | | | |
| **Accumulated depreciation and impairment** | | | | | | |
| **At 1 December 2020** | **3,403** | **59,267** | **138,763** | **119,310** | **-** | **320,743** |
| **Charge for the year** | **332** | **2,360** | **19,134** | **21,573** | **-** | **43,399** |
| **Impairment** | **-** | **-** | **482** | **2,336** | **-** | **2,818** |
| **Impairment reversal** | **-** | **-** | **-** | **(6,677)** | **-** | **(6,677)** |
| **Disposals** | **-** | **-** | **(164)** | **(1,384)** | **-** | **(1,548)** |
| **Transfers (note 17)** | **-** | **-** | **-** | **(31)** | **-** | **(31)** |
| **Foreign exchange movement** | **(82)** | **(3,280)** | **(2,732)** | **(4,984)** | **-** | **(11,078)** |
| **As at 30 November 2021** | **3,653** | **58,347** | **155,483** | **130,143** | **-** | **347,626** |
| | | | | | | |
| **Net Book Value** | | | | | | |
| **At 30 November 2021** | **2,675** | **29,704** | **135,545** | **63,213** | **9,189** | **240,326** |
| At 30 November 2020 | 2,953 | 34,073 | 148,803 | 71,532 | 7,269 | 264,630 |
| At 30 November 2019 | 3,016 | 20,946 | 199,249 | 86,470 | 2,944 | 312,625 |

Assets under construction mainly relates to assets placed into new cinema sites that had yet to commence trading at the date of these financial statements.

### 15. Property, plant and equipment *(continued)*

In the year no items have been reclassified as intangible assets (2020: £nil). Refer to note 17 for further details.

The directors do not consider that there is a material difference between the fair value and cost less depreciation and any impairment of freehold land and buildings.

**Impairment**

Management approved three year plans are driven by a combination of local management assumptions and Group led strategic initiatives. Key assumptions include market size, competitor behaviour, initiatives related to pricing, and cost efficiencies.

The Group considers each cinema site to be a cash-generating unit ("CGU") and each CGU is reviewed annually for indicators of impairment. The Group estimates value in use using a discounted cash flow model, applying a pre-tax discount rate of:

| | **Year ended 30 November 2021** | Year ended 30 November 2020 |
|---|---|---|
| | **%** | % |
| Germany and Denmark | **12.8** | 14.1 |
| Italy | **12.7** | 13.9 |
| Netherlands | **11.6** | 12.4 |
| Poland and Baltics | **11.7** | 13.0 |
| United Kingdom and Ireland | **11.3** | 12.7 |

After transition to IFRS16 the cost of leases forms a key assumption in determining an appropriate discount rate. The decrease in discount rates is primarily driven by the impact COVID-19 has had on various market based assumptions.

The future cash flows are based on management approved forecasts which have been prepared up to the end of FY24.

Year 1 expected future cash flows are primarily based on available distributor film slate data along with estimates for the impact of social distancing, capacity constraints and other mitigating factors related to both revenue and costs. Future cash flows from year 2 onwards are deemed to be generated in a normal (normalised market) trading environment therefore do not include adjustments for social distancing or other mitigating factors.

Territory specific growth rates of 1.2% to 3.5% (2020: 2.0%) are applied to estimate the cash flows beyond the forecast period up to the end of the life of the lease and all future cash flows are then discounted to their present value.

Due to improving long-term outlook on the easing of COVID-19 restrictions within the forecast cash flows the Group impairment test resulted in £6.7m of reversals and charges of £2.8m of (2020: £10.2m charge) being recognised against property, plant and equipment.

## 15. Property, plant and equipment *(continued)*

**Sensitivity to changes in assumptions**

Impairment reviews are sensitive to changes in key assumptions. Sensitivity analysis has been performed on the CGU's calculated recoverable amounts giving consideration to incremental changes in the key assumptions of EBITDA and discount rates.

Discount rate calculations are derived from market data, in part and as a result the models are sensitive to changes. Increases by a factor of 1% and 2% have been applied in the sensitised scenarios on the basis they reflect the range of likely to maximum variances in the rates applied.

The growth rates for EBITDA have been reduced by 1% and 2%. EBITDA sensitivities reflect reductions in growth which would largely be driven by changes in admissions and ticket prices. Given admissions trends and ticket price inflation, sensitivities applied are believed to reflect a potential downside scenario.

Market size and spend per person (SPP) are key assumptions within our forecasts. We have run a scenario with a further 25% reduction in admissions and a 33% decrease in SPP for 4 months of FY22 to reflect a potential downside scenario.

The impact on the total impairment charge after applying different assumptions to growth rates, discount rates and lockdown scenarios would be as follows:

| | **Additional impairment £000** |
|---|---|
| EBITDA growth rate in beyond forecast period reduced by 1% | **184** |
| EBITDA growth rate in beyond forecast period reduced by 2% | **1,143** |
| Discount rate increased by 1 percentage point | **1,031** |
| Discount rate increased by 2 percentage points | **3,640** |
| Downside scenario | **2,980** |

## 16. Leases

| Right-of-use assets | Land and Buildings £000 | Other £000 | Total £000 |
|---|---|---|---|
| At 1 December 2019 | - | - | - |
| Reclassification of previously held finance leases | 23,691 | 3,504 | 27,195 |
| Adjustment due to adoption of IFRS 16 | 812,810 | 865 | 813,675 |
| Additions | 9,025 | - | 9,025 |
| Lease modifications as reported | (76,163) | - | (76,163) |
| (1) Restatement to lease modifications | (9,161) | - | (9,161) |
| Disposals | - | (1,295) | (1,295) |
| Foreign exchange movement | 25,849 | 31 | 25,880 |
| Impairment | (30,931) | - | (30,931) |
| Depreciation as reported | (89,487) | (700) | (90,187) |
| (1) Restatement to depreciation | 115 | | 115 |
| As at 30 November 2020 | 665,748 | 2,405 | 668,153 |

| Lease liabilities | Land and Buildings £000 | Other £000 | Total £000 |
|---|---|---|---|
| At 1 December 2019 | 32,833 | 2,102 | 34,935 |
| Adjustment due to adoption of IFRS 16 | 968,290 | 850 | 969,140 |
| Additions | 10,439 | - | 10,439 |
| Interest expense related to lease liabilities as reported | 69,250 | 112 | 69,362 |
| (1) Restatement to interest expense related to lease liabilities | 128 | - | 128 |
| Lease modifications as reported | (82,614) | - | (82,614) |
| (1) Restatement to lease modifications | (9,161) | - | (9,161) |
| Disposals | 184 | - | 184 |
| Foreign exchange movement | 26,612 | 43 | 26,655 |
| Repayment of lease liabilities as reported | (92,810) | (1,228) | (94,038) |
| (1) Restatement of repayment of lease liabilities | 538 | - | 538 |
| As at 30 November 2020 | 923,689 | 1,879 | 925,568 |

(1) Refer to note 3.21

| Lease liabilities | Land and Buildings £000 | Other £000 | Total £000 |
|---|---|---|---|
| Current | 94,827 | 984 | 95,811 |
| Non-current | 828,862 | 895 | 829,757 |
| Total | 923,689 | 1,879 | 925,568 |

## 16. Leases *(continued)*

| Right-of-use assets | Land and Buildings £000 | Other £000 | Total £000 |
|---|---|---|---|
| At 1 December 2020 | **665,748** | **2,405** | **668,153** |
| Additions | **13,830** | **-** | **13,830** |
| Lease modifications | **(28,344)** | **24** | **(28,320)** |
| Disposals | **-** | **(392)** | **(392)** |
| Foreign exchange movement | **(21,879)** | **(197)** | **(22,076)** |
| Impairment | **(5,372)** | **-** | **(5,372)** |
| Impairment reversal | **19,663** | **-** | **19,663** |
| Depreciation | **(67,739)** | **(419)** | **(68,158)** |
| **As at 30 November 2021** | **575,907** | **1,421** | **577,328** |

| Lease liabilities | Land and Buildings £000 | Other £000 | Total £000 |
|---|---|---|---|
| At 1 December 2020 | **923,689** | **1,879** | **925,568** |
| Additions | **13,731** | **-** | **13,731** |
| Interest expense related to lease liabilities | **80,569** | **57** | **80,626** |
| Lease modifications | **(33,942)** | **17** | **(33,925)** |
| Disposals | **-** | **(126)** | **(126)** |
| Foreign exchange movement | **(26,601)** | **(18)** | **(26,619)** |
| Repayment of lease liabilities | **(97,640)** | **(978)** | **(98,618)** |
| **As at 30 November 2021** | **859,806** | **831** | **860,637** |

| Lease liabilities | Land and Buildings £000 | Other £000 | Total £000 |
|---|---|---|---|
| Current | **104,855** | **641** | **105,496** |
| Non-current | **754,951** | **190** | **755,141** |
| **Total** | **859,806** | **831** | **860,637** |

### Impairment

The Group recognised impairment reversals of £19.7m and a charge of £5.4m (2020: £30.9m charge) against right-of-use assets, note 15 summarises the assumptions and sensitivities applied. The impairment reversal is primarily driven by reductions in right-of-use asset values from lease modifications and the ability to support these with future cash flows.

The Consolidated Income Statement shows the following amounts relating to leases:

| | **Year ended 30 November 2021 £000** | (1) Restated Year ended 30 November 2020 £000 |
|---|---|---|
| Depreciation charge of right-of-use assets | **68,158** | 90,072 |
| Remeasurement gain on right-of-use assets | **(4,878)** | (4,427) |
| Impairment of right-of-use assets | **5,372** | 30,931 |
| Impairment reversal of right-of-use assets | **(19,663)** | - |
| Expenses relating to short-term leases | **317** | 235 |
| Expenses relating to low-value leases | **239** | 173 |
| Expenses relating to variable lease payments | **2,209** | 1,326 |
| **Charge to operating profit / (loss)** | **51,754** | 118,310 |
| Interest expense | **80,626** | 69,490 |
| **Charge to profit before taxation** | **132,380** | 187,800 |

(1) Refer to note 3.21

## 16. Leases *(continued)*

The total cash outflow for leases was £98.6m (restated 2020: £93.5m).

Commitments for short-term leases at 30 November 2021 was £0.1m (2020: £0.1m).

## 17. Goodwill and intangible assets

| | Goodwill | Customer Relationships | Computer software & other development costs | Total |
|---|---|---|---|---|
| **Cost** | **£000** | **£000** | **£000** | **£000** |
| At 1 December 2019 | 859,442 | 5,311 | 28,666 | 893,419 |
| Additions | - | - | 2,627 | 2,627 |
| Transfers (note 15) | - | - | (24) | (24) |
| Foreign exchange movement | 20,901 | 238 | 1,021 | 22,160 |
| As at 30 November 2020 | 880,343 | 5,549 | 32,290 | 918,182 |
| | | | | |
| **Accumulated amortisation and impairment** | | | | |
| At 1 December 2019 | - | 4,004 | 19,032 | 23,036 |
| Charge for the year | - | 800 | 3,699 | 4,499 |
| Impairment | - | - | 95 | 95 |
| Foreign exchange movement | - | 170 | 740 | 910 |
| As at 30 November 2020 | - | 4,974 | 23,566 | 28,540 |
| | | | | |
| **Cost** | | | | |
| **At 1 December 2020** | **880,343** | **5,549** | **32,290** | **918,182** |
| **Additions** | **987** | **-** | **389** | **1,376** |
| **Transfers (note 15)** | **-** | **-** | **31** | **31** |
| **Foreign exchange movement** | **(31,127)** | **(248)** | **(1,183)** | **(32,558)** |
| **As at 30 November 2021** | **850,203** | **5,301** | **31,527** | **887,031** |
| | | | | |
| **Accumulated amortisation and impairment** | | | | |
| **At 1 December 2020** | **-** | **4,974** | **23,566** | **28,540** |
| **Charge for the year** | **-** | **548** | **2,287** | **2,835** |
| **Impairment reversal** | **-** | **-** | **(95)** | **(95)** |
| **Transfers (note 15)** | **-** | **-** | **31** | **31** |
| **Foreign exchange movement** | **-** | **(221)** | **(945)** | **(1,166)** |
| **As at 30 November 2021** | **-** | **5,301** | **24,844** | **30,145** |
| | | | | |
| **Net Book Value** | | | | |
| **At 30 November 2021** | **850,203** | **-** | **6,683** | **856,886** |
| At 30 November 2020 | 880,343 | 575 | 8,724 | 889,642 |
| At 30 November 2019 | 859,442 | 1,307 | 9,634 | 870,383 |

### Additions to goodwill

On 26 May 2021 the Group acquired the remaining shares of CinemaxX Danmark A/S for €1.1m.

## 17. Goodwill and intangible assets *(continued)*

**Impairment testing of goodwill and intangible assets**

The Group allocates goodwill to territories which are considered to be groups of cash-generating units ("CGUs") for the purposes of goodwill impairment testing. The carrying amount of each CGU is then compared to the recoverable amount. The recoverable amount is deemed to be the higher of the CGU's value in use or fair value less costs to sell. Value in use for each GCU is determined by aggregating the value in use calculations from right-of-use asset, property, plant and equipment impairment testing.

The Group considers each cinema site to be a cash generating unit ("CGU") and each CGU is reviewed annually for indicators of impairment. The Group estimates value in use using a discounted cash flow model, applying a pre-tax discount rate of:

| | **Year ended 30 November 2021** | Year ended 30 November 2020 |
|---|---|---|
| | **%** | % |
| Germany and Denmark | **12.8** | 14.1 |
| Italy | **12.7** | 13.9 |
| Netherlands | **11.6** | 12.4 |
| Poland and Baltics | **11.7** | 13.0 |
| United Kingdom and Ireland | **11.3** | 12.7 |

The future cash flows are based on management approved forecasts.

Year 1 expected future cash flows are primarily based on available distributor film slate data along with estimates for the impact of social distancing, capacity constraints and other mitigating factors related to both revenue and costs. Future cash flows from year 2 onwards are deemed to be generated in a normal (normalised market) trading environment therefore do not include adjustments for social distancing or other mitigating factors. Where generic growth rates have been applied these have been based on the most recent IMF forecasts.

Territory specific growth rates of 1.2% to 3.5% (2020: 2.0%) are applied to estimate the cash flows beyond the forecast period up to the end of the life of the lease and all future cash flows are then discounted to their present value.

No impairment was booked to goodwill (2020: £nil) following the Group impairment test.

Management has conducted sensitivity analysis of the key assumptions in the impairment test of each CGU and the Group of units carrying value. Management believe that any reasonably possible change in the growth or discount rate on which recoverable amounts are based would not cause the carrying value to exceed its recoverable amount for any of the CGU's assessed.

As a result of the Group impairment test a reversal of £95k (2020: £95k charge) was booked against intangible asset.

## 18. Investments

The investments in which the Company has an interest are listed in note 29. An analysis of the Group's investments is as follows:

| | Investments in associates £000 | Investments in joint ventures £000 | Total £000 |
|---|---|---|---|
| At 1 December 2020 | **79** | **43** | **122** |
| Additions | **-** | **615** | **615** |
| Share of loss | **-** | **(446)** | **(446)** |
| Foreign exchange movement | **(4)** | **(5)** | **(9)** |
| **At 30 November 2021** | **75** | **207** | **282** |
| **Net book value** | | | |
| **As at 30 November 2021** | **75** | **207** | **282** |
| As at 30 November 2020 | 79 | 43 | 122 |

## 19. Deferred tax

| | Asset | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
| Fixed assets | **24,735** | 10,707 | **(448)** | (1,153) | **24,287** | 9,554 |
| Provisions | **2,954** | 4,117 | - | - | **2,954** | 4,117 |
| Tax losses | **48,118** | 35,708 | - | (88) | **48,118** | 35,620 |
| Intangibles including goodwill | - | 180 | **(1,694)** | (2,154) | **(1,694)** | (1,974) |
| Lease accounting differences | **32,940** | 21,387 | - | (480) | **32,940** | 20,907 |
| Other temporary differences | **5,172** | 3,977 | - | (1,613) | **5,172** | 2,364 |
| **Tax assets/(liabilities)** | **113,919** | 76,076 | **(2,142)** | (5,488) | **111,777** | 70,588 |

| | **As at 1 December 2020 £000** | Recognised in income 2021 £000 | Foreign exchange 2021 £000 | **As at 30 November 2021 £000** |
|---|---|---|---|---|
| Fixed assets | **9,554** | 14,860 | (127) | **24,287** |
| Provisions | **4,117** | (969) | (194) | **2,954** |
| Tax losses | **35,620** | 13,711 | (1,213) | **48,118** |
| Intangibles including goodwill | **(1,974)** | 6 | 274 | **(1,694)** |
| Lease accounting differences | **20,907** | 12,859 | (826) | **32,940** |
| Other temporary differences | **2,364** | 3,135 | (327) | **5,172** |
| **Tax assets/(liabilities)** | **70,588** | 43,602 | (2,413) | **111,777** |

The Group reviews the carrying amount of deferred tax assets the end of each reporting period and reduces them to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. The Group recognises deferred tax assets for any unused tax losses carried forward on the basis of the Group's forecasted future profits and it is considered probable that there will be sufficient future taxable profit against which the recognised carried forward losses can be utilised.

## 20. Inventories

| | Year ended 30 November 2021 £000 | Year ended 30 November 2020 £000 |
|---|---|---|
| Inventories | **5,547** | 3,049 |
| **Total** | **5,547** | 3,049 |

During the year ended 30 November 2021 £1.2m (2020: £2.4m) was charged to the Consolidated Income Statement for slow moving and obsolete inventories. This includes £1.1m (2020: £1.7m) of stock wastage as a result of the Covid-19 pandemic, see page 6.

The cost of inventories recognised as an expense amounted to £18.0m (2020: £17.9m).

## 21. Trade and other receivables

| | 30 November 2021 £000 | [1] Restated 30 November 2020 £000 |
|---|---|---|
| Non-current | **36,047** | 22,837 |
| Current | **63,275** | 43,986 |
| **Total** | **99,322** | 66,823 |

(1) Refer to note 3.21

| | 30 November 2021 £000 | [1] Restated 30 November 2020 £000 |
|---|---|---|
| Trade receivables | **24,383** | 13,040 |
| Allowance for doubtful debts | **(4,442)** | (4,903) |
| Amounts receivable from parent undertakings | **19,259** | 19,259 |
| Other receivables | **36,207** | 29,236 |
| Prepayments | **23,915** | 10,191 |
| **Total** | **99,322** | 66,823 |

(1) Refer to note 3.21

Trade receivables are non-interest bearing. Credit terms offered to customers vary based on the territory of operation. As at 30 November 2021 trade receivables of £4.4m (2020: £4.9m) were provided for.

Other receivables include unbilled debtors, government assistance receivable and rental deposits. As at 30 November 2021 the Group had £6.3m (2020: £6.8m) of government assistance receivable.

The movement in Other Receivables and Prepayments from 2020 is as a result of normal trading business and is not as a result of any material acquisitions or disposals.

Amounts receivable from parent undertakings are unsecured and non-interest bearing.

Receivables are classified as non-current when, at the balance sheet date, there is no expectation to settle the receivables in the next 12 months.

## 21. Trade and other receivables *(continued)*

The ageing of trade receivables is as follows:

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| 0-30 days | **13,469** | 6,294 |
| 31-90 days | **2,690** | 46 |
| 90+ days | **8,224** | 6,700 |
| **Total** | **24,383** | 13,040 |

Movements on the Group provision for impairment of trade receivables are as follows:

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Opening balance | **4,903** | 4,490 |
| Provision for impairment | **(347)** | 428 |
| Receivables written off during the year as uncollectable | **(145)** | (231) |
| Unused amounts reversed | **18** | - |
| Foreign exchange movements | **13** | 216 |
| **Closing balance** | **4,442** | 4,903 |

The ageing of the Group provision for impairment of trade receivables is as follows:

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| 0-30 days | **-** | - |
| 31-90 days | **-** | - |
| 90+ days | **4,442** | 4,903 |
| **Total** | **4,442** | 4,903 |

## 22. Cash and cash equivalents

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Cash at bank | **149,391** | 181,170 |
| **Total** | **149,391** | 181,170 |

The cash held in bank deposits includes £4.7m (2020: £4.9m) relating mainly to restricted cash for bank guarantees in Germany and the Netherlands.

## 23. Trade and other payables

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Non-current | **7,186** | 9,465 |
| Current | **289,623** | 207,033 |
| **Total** | **296,809** | 216,498 |

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Trade payables | **56,374** | 58,565 |
| Accrued expenses | **186,237** | 106,504 |
| Other payables | **14,336** | 13,114 |
| Other taxation and social security | **7,248** | 3,986 |
| Deferred income | **32,614** | 34,329 |
| **Total** | **296,809** | 216,498 |

Trade payables are non-interest bearing. Normal settlement terms vary based on the territory of operation.

Deferred income includes gift vouchers of £20.5m (2020: £22.8m).

The movement in Accrued expenses and Deferred income from 2020 is as a result of normal trading business and is not as a result of any material acquisitions or disposals; materially all the prior year deferred income relating to gift cards has been recognised as revenue within the year.

Other payables include wages payable, payroll deductions, pension payables and deferred consideration.

## 24. Interest-bearing loans and other liabilities

The contractual terms of the Group's interest-bearing loans and other financial liabilities together with details of the Group's exposure to credit, liquidity, interest rate and foreign currency risk are as follows:

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Non-current | **1,972,519** | 1,863,783 |
| Current | **23,226** | 30,000 |
| **Total** | **1,995,745** | 1,893,783 |

## 24. Interest-bearing loans and other liabilities *(continued)*

The terms and conditions of outstanding loans were as follows:

| | Current | | Non-Current | | Total | |
|---|---|---|---|---|---|---|
| | **30 November 2021 £000** | 30 November 2020 £000 | **30 November 2021 £000** | 30 November 2020 £000 | **30 November 2021 £000** | 30 November 2020 £000 |
| 1st Lien - Senior Term Loan (€634m) | **-** | - | **539,345** | 568,712 | **539,345** | 568,712 |
| 2nd Lien - PIK notes (£165m) | **-** | - | **205,058** | 183,968 | **205,058** | 183,968 |
| (SSTL) -Senior Secured Term Loan (£150m) | **-** | - | **150,000** | 150,000 | **150,000** | 150,000 |
| RCF (£65m) | **22,746** | 30,000 | - | - | **22,746** | 30,000 |
| External loans | **480** | - | **662** | 740 | **1,142** | 740 |
| Shareholder loan notes | **-** | - | **1,111,689** | 1,001,851 | **1,111,689** | 1,001,851 |
| **Total** | **23,226** | 30,000 | **2,006,754** | 1,905,271 | **2,029,980** | 1,935,271 |
| **Less:** | | | | | | |
| Revolving credit facility capitalised fees | **-** | - | **(583)** | (746) | **(583)** | (746) |
| 1st Lien capitalised fees | **-** | - | **(7,787)** | (9,139) | **(7,787)** | (9,139) |
| 2nd Lien capitalised fees | **-** | - | **(3,199)** | (3,380) | **(3,199)** | (3,380) |
| SSTL capitalised fees | **-** | - | **(22,666)** | (28,223) | **(22,666)** | (28,223) |
| **Total interest-bearing loans and borrowings** | **23,226** | 30,000 | **1,972,519** | 1,863,783 | **1,995,745** | 1,893,783 |

### Revolving credit facility

The Group is able to draw on a £65m multicurrency revolving credit and overdraft facility with Lloyds Bank plc (£35m), Morgan Stanley (£15m), and J.P. Morgan (£15m). The facility matures on 3 July 2025. At 30 November 2021 there was a £22.7m (2020: £30m) capital drawing on the facility. The facility bears interest at LIBOR, EURIBOR, CIBOR (Denmark) or WIBOR (Poland) depending on the currency drawn down plus a margin of 3.75% (subject to ratchet).

Costs incurred in obtaining the revolving credit facility are capitalised and are allocated to the Consolidated Income Statement over the life of the related debt facility. At 30 November 2021 the unamortised issue costs were £0.6m (2020: £0.7m).

## 24. Interest-bearing loans and other liabilities *(continued)*

### Senior Term Loans & PIK notes

On 3 July 2019, the Group issued the following debt:

- €634m EUR Senior Secured Term Loan B, maturing in 2026, with a variable margin of EURIBOR + 475 bps. A zero percent floor applies to EURIBOR.
- £165m 2nd Lien PIK Notes provided by OMERS, maturing in 2027, with a variable margin of LIBOR + 1,000 bps. A one percent floor applies to LIBOR.

On 3 November 2020, the Group issued the following debt:

- £150m Senior Secured Term Loan B (SSTL), maturing in 2024, with a variable margin of LIBOR + 900 bps. A quarter of a percent floor applies to LIBOR.

### Shareholder loan notes

Shareholder loans bear interest of 11.0% and have a termination date of 9 August 2033. Early repayment cannot be requested by the shareholders before the termination of the Senior Secured Term Loan and 2nd Lien PIK Notes. Interest roll up and capital is repayable on the termination date.

### Security

The Senior debt and revolving credit facility are secured by cross guarantees and charges over certain of the Group's shares and assets.

### Senior debt capitalised issue costs

Costs incurred in issuing the senior debt and the credit facility are capitalised and are allocated to the Consolidated Income Statement over the life of the related debt facility. At 30 November 2021 borrowings are stated net of unamortised issue costs of £33.8m (2020: £41.5m).

### External loans

External loans relate to loans from the German Federal Film Fund (FFA). These loans have a variety of maturity dates with the last due to be repaid in 2024.

## 25. Share-based payments

Vue International Holdco Limited, the ultimate parent undertaking, operates one senior executive share-based payment scheme.

The scheme is accounted for in accordance with IFRS 2 'Share-based Payments' as an equity settled share-based payment scheme. The fair value of this benefit as at the 8 August 2013 grant date was expensed evenly to the income statement over the vesting period with a corresponding increase in the share-based payment reserve in equity. The fair value of the benefit has been fully expensed over the vesting period of the agreement. The charge booked to the income statement was £nil (2020: £nil).

## 26. Provisions

| **Analysis of total provisions:** | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Current | **981** | 892 |
| Non-Current | **2,130** | 3,308 |
| **Total** | **3,111** | 4,200 |

| | **Property provisions £000** | **Jubilee retirement £000** | **Other provisions £000** | **Total £000** |
|---|---|---|---|---|
| At 1 December 2020 | 1,062 | 2,246 | 892 | **4,200** |
| Additions during year | - | - | 374 | **374** |
| Utilised during the year | (763) | (254) | (204) | **(1,221)** |
| Foreign exchange movement | (48) | (113) | (81) | **(242)** |
| **At 30 November 2021** | **251** | **1,879** | **981** | **3,111** |

### Property provisions

Property provisions mainly relate to an onerous property contract. The contract is a short term lease and so is exempt from IFRS 16.

### Jubilee retirement provision

This provision is for one-off payments to Italian employees upon retirement as required by Italian law. The provision is calculated by local Italian actuaries annually with reference to assumptions on final salary, employee movements and inflation rates. Actuarial gains and losses are recorded in other comprehensive income with the provision being discounted at the Italian actuarial rate.

### Other provisions

Other provisions relate to claims currently going through legal process.

## 27. Financial instruments

### (a) Cash flow hedge

| Non-current assets | 30 November 2021 £000 | 30 November 2020 £000 |
|---|---|---|
| Interest rate cap - cash flow hedge | 20 | - |
| Total | 20 | - |

| Current liabilities | | |
|---|---|---|
| Interest rate cap - cash flow hedge | 680 | - |
| Total | 680 | - |

Derivatives are only used for economic hedging purposes and not as speculative investments. The group's accounting policy for its cash flow hedges is set out in note 3.17.

### (b) Fair value of financial instruments

**Fair value hierarchy**

Financial instruments are held at amortised costs. The carrying values of each class of financial assets and liabilities are considered to be the fair value amounts at the balance sheet date, with the exception of borrowings and finance leases. The classifications of the Group's financial assets and liabilities at the balance sheet date are shown in the table below:

| | 30 November 2021 | |
|---|---|---|
| **Financial Assets per the balance sheet** | | |
| **Group** | **Assets at amortised cost £000** | **Fair value of assets at amortised cost £000** |
| Trade and other receivables excluding prepayments | 75,407 | 75,407 |
| Cash and cash equivalents | 149,391 | 149,391 |
| Derivative financial instruments | 20 | 20 |
| **Total** | 224,818 | 224,818 |

| **Financial Liabilities per the balance sheet** | | |
|---|---|---|
| **Group** | **Liabilities at amortised cost £000** | **Fair value of liabilities at amortised cost £000** |
| Borrowings | 1,995,745 | 986,725 |
| Lease liabilities | 860,637 | 860,637 |
| Trade and other payables excluding non-financial liabilities | 256,947 | 256,947 |
| Derivative financial instruments | 680 | 680 |
| **Total** | 3,114,009 | 2,104,989 |

## 27. Financial instruments *(continued)*

### (b) Fair value of financial instruments *(continued)*

**Fair value hierarchy *(continued)***

| | Carrying amount | Contractual cash flows | 0-1 Year | 2-5 years | More than 5 years |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1st Lien and 2nd Lien | 733,417 | (744,403) | - | - | (744,403) |
| SSTL | 127,334 | (150,000) | - | (150,000) | - |
| RCF | 22,163 | (22,746) | (22,746) | - | - |
| Shareholder loan notes | 1,111,689 | (1,111,689) | - | - | (1,111,689) |
| Leases | 860,637 | (1,693,654) | (143,259) | (517,608) | (1,032,787) |
| Trade payables | 256,947 | (256,947) | (256,947) | - | - |
| External Loans | 1,142 | (1,142) | (480) | (662) | - |
| Derivative financial instruments | 680 | (2,964) | (741) | (2,223) | - |
| **Total** | **3,114,009** | **(3,983,545)** | **(424,173)** | **(670,493)** | **(2,888,879)** |

(1) Restated 30 November 2020

| Assets per the balance sheet | Assets at amortised cost | Fair value of assets at amortised cost |
|---|---|---|
| Group | £000 | £000 |
| Trade and other receivables excluding prepayments | 56,632 | 56,632 |
| Cash and cash equivalents | 181,170 | 181,170 |
| Total | 237,802 | 237,802 |

Liabilities per the balance sheet

| | Liabilities at amortised cost | Fair value of liabilities at amortised cost |
|---|---|---|
| Group | £000 | £000 |
| Borrowings | 1,893,783 | 903,122 |
| Lease liabilities | 925,568 | 925,568 |
| Trade and other payables excluding non-financial liabilities | 178,183 | 178,183 |
| Total | 2,997,534 | 2,006,873 |

(1) Refer to note 3.21

| | Carrying amount | Contractual cash flows | 0-1 Year | 2-5 years | More than 5 years |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1st Lien and 2nd Lien | 740,161 | (752,680) | - | - | (752,680) |
| SSTL | 121,777 | (150,000) | - | (150,000) | - |
| RCF | 29,254 | (30,000) | (30,000) | - | - |
| Shareholder loan notes | 1,001,851 | (1,001,851) | - | - | (1,001,851) |
| Leases | 925,568 | (1,686,398) | (140,789) | (536,476) | (1,009,133) |
| Trade payables | 178,183 | (178,183) | (178,183) | - | - |
| External Loans | 740 | (740) | - | (740) | - |
| Total | 2,997,534 | (3,799,852) | (348,972) | (687,216) | (2,763,664) |

**27. Financial instruments *(continued)***

**Trade and other receivables**

Trade and other receivables are carried at recoverable amount, less provisions for any amount where recovery is doubtful. All trade and other receivables are expected to be short-term and therefore no discounting of future cash flow is required.

**Cash and cash equivalents**

The fair value of cash and cash equivalents is estimated at its carrying amount.

**Interest-bearing borrowings and finance lease liabilities**

Fair value, which, after initial recognition is determined for disclosure purposes only, is calculated discounting the current value at prevailing interest rates.

**Trade and other payables**

Trade and other payables are carried at the face value of the payable. All trade and other payables are expected to be short-term and therefore no discounting of future cash flow is required. The fair value of trade and other payables approximate the carrying value.

**(c) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and from the Group's receivables from customers.

The Group seeks to ensure that the banks used for the financing of the loan facilities have an acceptable credit rating by independent credit rating agencies.

The Group's operations are principally retail and so the exposure to credit risk is minimal. The Group periodically reviews its receivables and makes appropriate allowances where recovery is deemed to be doubtful.

**(d) Liquidity risk**

Liquidity risk is risk that the Group will not be able to meet its financial obligations as they fall due.

The directors believe that the Group will be able to continue to meet its need for liquidity from the Group's existing cash balances and facilities. The Group monitors its headroom monthly, forecasts its cash flow on a quarterly basis for approximately a year ahead, and monitors its financing agreements on a monthly basis to ensure that there are no unforeseen liquidity issues. See Going Concern note 3.3 for further detail.

## 27. Financial instruments *(continued)*

### (e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Market risk – foreign currency risk**

The Group has operations in Ireland, Continental Europe and Taiwan where businesses buy and sell goods and services in their local currencies rather than Pounds Sterling. As a result, the value of the Group's non-sterling revenues, purchases, financial assets and liabilities, and cash flows can be affected by movements in exchange rates. The majority of foreign operations income and expenditure are within the functional currency of the foreign operator providing natural hedging in these currencies. The board does not consider there to be any significant unmitigated foreign currency risk in relation to the Group's pre-tax result.

***Sensitivity analysis***

In managing currency risks, the Group aims to reduce the impact of short-term fluctuations on the Company and foreign Group's earnings. Over the longer term, however, permanent changes in foreign exchange rates would have an impact on consolidated earnings. This impact would be mitigated by many factors both internal and external, making it impossible to estimate the size of that impact. A change of €0.01 in foreign exchange rates applied to the Group's borrowings as at the balance sheet date would increase or decrease profit or loss for a full year by £4.6m. Due to the natural hedge inbuilt in the Group's operations any movements in Euro denominated borrowings are offset by movements in the Euro denominated earnings.

**Market risk – interest rate risk**

At the balance sheet date the interest rates for the Group's interest-bearing financial instruments are as described in note 24.

The directors continue to monitor the exposure on an ongoing basis.

***Sensitivity analysis***

A change of 10 basis points in interest rates applied to the Group's borrowings as at the balance sheet date would increase or decrease profit or loss for a full year by £1.0m.

### (f) Capital management

The Group's objective when managing capital is to enable the ongoing trade and expansion of its operations and to safeguard its ability to continue as a going concern in order to provide returns for shareholders, provide benefits for the other stakeholders, and to maintain an optimal capital structure.

## 27. Financial instruments *(continued)*

### *(f)* Capital management *(continued)*

The directors look to optimise the debt and equity balance and to maintain adequate liquidity. There were no changes in the Group's approach to capital management during the year. The funding requirements of the Group are met by cash generated from operations and access to external borrowings.

## 28. Share capital

| | **30 November 2021** | 30 November 2020 |
|---|---|---|
| **Allotted, issued and fully paid** | **£000** | £000 |
| 4,718,100 Ordinary shares of £1 each (2020: 4,718,100) | **4,718** | 4,718 |
| **Total** | **4,718** | 4,718 |

The Company has one class of ordinary shares which carry no right to fixed income.

## 29. Subsidiaries, joint ventures and associates

The Group, headed by Vue International Bidco plc, is incorporated in the UK and holds a number of subsidiaries and associates directly and indirectly which operate and are incorporated around the world.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in subsidiary undertakings do not differ from the voting rights held. This note lists all related undertakings of the Group. Information about the composition of the Group at the end of the reporting period is as follows:

| Name of undertaking | Country of Registration | Proportion of shares held (ordinary shares) | Address of registered office |
|---|---|---|---|
| **Direct subsidiary undertakings** | | | |
| Vue Entertainment International Limited | Jersey | 100% | 44 Esplanade,<br>St Helier, Jersey,<br>JE4 9WG |
| **Indirect subsidiary undertakings** | | | |
| Vue Holdings (Jersey) Limited | Jersey | 100% | 44 Esplanade,<br>St Helier, Jersey,<br>JE4 9WG |
| Vue Holdings (UK) Limited | UK | 100% | 10 Chiswick Park<br>566 Chiswick High Road<br>London, W4 5XS |
| Vue Entertainment Investment Limited | UK | 100% | |
| Vue Booking Services Limited | UK | 100% | |
| Vue Entertainment Holdings Limited | UK | 100% | |
| Vue Entertainment Holdings (UK) Limited | UK | 100% | |
| A3 Cinema Limited | UK | 100% | |
| Aurora Holdings Limited | UK | 100% | |
| Aurora Cinema Limited | UK | 100% | |
| Ster Century (UK) Limited | UK | 100% | |
| SBC Portugal Limited | UK | 100% | |
| Vue Theatres (UK) Limited | UK | 100% | |
| Vue Cinemas Limited | UK | 100% | |
| Vue Cinemas (UK) Limited | UK | 100% | |
| Apollo Cinemas Limited | UK | 100% | |
| Vue Services Limited | UK | 100% | |
| Shake UK Newco Limited | UK | 100% | |
| Treganna Bidco Limited | UK | 100% | |
| Vue Properties Limited | UK | 100% | |
| Tulip UK Newco Limited | UK | 100% | |
| Vue Entertainment Limited | UK | 100% | |

## 29. Subsidiaries, joint ventures and associates *(continued)*

| Name of undertaking | Country of Registration | Proportion of shares held (ordinary shares) | Address of registered office |
|---|---|---|---|
| Spean Bridge Luxembourg S.a.r.l | Luxembourg | 100% | 49 boulevard du Prince Henri Luxembourg |
| Spean Bridge Luxembourg Investments S.a.r.l | Luxembourg | 100% | |
| Spean Bridge Taiwan S.a.r.l | Luxembourg | 100% | |
| CinemaxX Danmark A/S | Denmark | 100% | Kalvebod Brygge 57 1560 Copenhagen V. Denmark |
| CinemaxX Entertainment GmbH & Co. KG | Germany | 100% | Valentinskamp 18-20 20354 Hamburg Germany |
| CinemaxX MaxXtainment GmbH | Germany | 100% | |
| CinemaxX Movietainment GmbH | Germany | 100% | |
| CinemaxX Cinema GmbH & Co. KG | Germany | 100% | |
| Verwaltung CinemaxX Cinema GmbH | Germany | 100% | |
| CinemaxX Cinetainment GmbH | Germany | 100% | |
| CinemaxX Holdings GmbH | Germany | 100% | |
| CinemaxX Entertainment Verwaltungsgesellschaft GmbH | Germany | 100% | |
| Vue Beteiligungs GmbH | Germany | 100% | |
| CinemaxX Multiplex Mülheim GmbH | Germany | 100% | |
| Multikino Media Sp. z o.o. | Poland | 100% | 2 ul. Przesko Warsaw 00-032 Poland |
| Multikino S.A. | Poland | 100% | |
| SBC Taiwan Limited | Taiwan | 100% | 4F, 5F, 6F and 7F. No.501, Sec. 2 Zhongyuan Rd. Zhongli Dist. Taoyuan City 320 Taiwan |
| SIA Multikino Latvia (Liquidated 18/02/2021) | Latvia | 100% | Mūkusalas iela 71, Rīga, LV-1004 Latvia |
| UAB Multikino Lietuva | Lithuania | 100% | J.Jasinskio str. 16B Vilnius Lithuania |
| Vue Italy SpA | Italy | 100% | Via Monte Rosa 91 - 20149 - Milano |
| The Space Cinema 1 SpA | Italy | 100% | Piazza Augusto Imperatore 3 - 00186 - Roma |

**29. Subsidiaries, joint ventures and associates *(continued)***

| Name of undertaking | Country of Registration | Proportion of shares held (ordinary shares) | Address of registered office |
|---|---|---|---|
| Vue Nederland B.V. | Netherlands | 100% | Danzigerkade 2D 1013 AP Amsterdam The Netherlands |
| Vue Cinemas B.V. | Netherlands | 100% | |
| Vue Kerkrade B.V. | Netherlands | 100% | |
| Vue Deventer B.V. | Netherlands | 100% | |
| Vue Steenwijk B.V. | Netherlands | 100% | |
| Vue Meppel B.V. | Netherlands | 100% | |
| Vue Hoogeven B.V. | Netherlands | 100% | |
| Vue Deutschland B.V. | Netherlands | 100% | |
| Aurora Cinema (Ireland) Limited | Ireland | 100% | 70 Sir John Rogerson's Quay Dublin 2, Ireland |
| Vue Entertainment Holdings (Ireland) Limited | Ireland | 100% | 6th Floor, South Bank House, Barrow St, Dublin 4 |
| Showtime Cinemas (Ashbourne) Limited | Ireland | 100% | 6th Floor, South Bank House, Barrow St, Dublin 4 |
| Showtime Cinemas (Limerick) Limited | Ireland | 100% | 6th Floor, South Bank House, Barrow St, Dublin 4 |
| **Joint Ventures** | | | |
| Red Carpet Cinema Communication Verwaltungs GmbH (Liquidated 23/03/2022) | Germany | 50% | Valentinskamp 18-20 20354 Hamburg Deutschland Germany |
| Red Carpet Cinema Communication GmbH & Co. KG (Liquidated 08/03/2022) | Germany | 50% | |
| Digital Cinema Advertising – DCA S.r.l | Italy | 50% | Piazza Duse Eleonora 2 20122 Milan Italy |
| **Associates** | | | |
| Kino.dk A/S | Denmark | 26% | Kalvebod Brygge 57, 1560 Copenhagen V., Denmark |
| Cineplex GmbH Mannheim & Co. KG | Germany | 10% | P4, 6; 68161 Mannheim; Germany |
| Multiplex-Kino GmbH & Co. Objekt Veitschochheimer Staße KG | Germany | 5.5% | Nonnenstraße 44; 04229 Leipzig; Germany |
| DeinKinoticket GmbH (Disposed 31/12/2020) | Germany | 19% | Schlosserstr. 4; 80336 München; Germany |
| UFA Theater GmbH (Liquidated 14/05/2021) | Germany | 10% | c/o P + P Pöllath + Partner, Zeil 127 60313 Frankfurt am Main |

## 29. Subsidiaries, joint ventures and associates *(continued)*

During the year, the Group acquired the remaining 5% share of CinemaxX Danmark A/S. Immediately prior to the purchase, the carrying amount of the equity attributable to the non-controlling interest in CinemaxX Danmark A/S was £82k.

## 30. Commitments

### (a) Capital commitments

The Group had capital commitments as follows:

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Contracted for but not provided for in these financial statements | **3,854** | 2,921 |
| **Total** | **3,854** | 2,921 |

### (b) Operating lease commitments

From 1 December 2019, following adoption of IFRS 16 the Group has recognised right-of-use assets for these leases, except for short-term leases. Refer to note 16 for further details.

## 31. Net cash inflow from operating activities

| | **Year ended 30 November 2021 £000** | (1) Restated Year ended 30 November 2020 £000 |
|---|---|---|
| **Operating profit / (loss) before tax** | **4,113** | (158,761) |
| | | |
| **Adjustment for:** | | |
| Depreciation | **111,557** | 138,696 |
| Amortisation | **2,835** | 4,499 |
| Remeasurement gains on right-of-use assets | **(4,878)** | (4,427) |
| Impairment | **8,190** | 41,196 |
| Impairment reversal | **(26,435)** | - |
| (Decrease) / increase in provisions | **(848)** | 989 |
| (Increase) / decrease in inventories | **(2,626)** | 2,638 |
| (Increase) / decrease in trade and other receivables | **(33,732)** | 32,883 |
| Increase / (decrease) in trade and other payables | **70,894** | (11,757) |
| (Profit) / loss on disposals | **(37)** | 267 |
| Other non cash | **360** | (851) |
| **Cash generated from operations** | **129,393** | 45,372 |
| Income taxes received | **101** | 251 |
| **Net cash inflow from operating activities** | **129,494** | 45,623 |

(1) Refer to note 3.21

## 31. Net cash inflow from operating activities *(continued)*

### Net debt reconciliation

| | Cash and Bank | 1st Lien | 2nd Lien | Senior Secured Term Loan | RCF | Share-holder loans | External Loans | Capital-ised fees | Lease liabilities | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Net debt as at 30 November 2019** | **131,156** | **(540,541)** | **(165,000)** | **-** | **-** | **(896,830)** | **(800)** | **14,230** | **(34,935)** | **(1,492,720)** |
| Cash flows | 46,039 | - | - | (150,000) | (30,000) | - | - | 29,323 | 93,500 | (11,138) |
| Foreign exchange adjustments | 3,975 | (28,171) | - | - | - | - | 60 | 80 | (26,655) | (50,711) |
| Non-cash movement | - | - | (18,968) | - | - | (105,021) | - | (2,146) | 11,662 | (114,473) |
| Change in accounting policy | - | - | - | - | - | - | - | - | (969,140) | (969,140) |
| **Net debt as at 30 November 2020** | **181,170** | **(568,712)** | **(183,968)** | **(150,000)** | **(30,000)** | **(1,001,851)** | **(740)** | **41,487** | **(925,568)** | **(2,638,182)** |
| Cash flows | (28,329) | - | - | - | 7,254 | - | - | - | 98,618 | 77,543 |
| Foreign exchange adjustments | (3,450) | 29,367 | - | - | - | - | (38) | - | (26,619) | (740) |
| Non-cash movement | - | - | (21,090) | - | - | (109,838) | (364) | (7,252) | (7,068) | (145,612) |
| **Net debt as at 30 November 2021** | **149,391** | **(539,345)** | **(205,058)** | **(150,000)** | **(22,746)** | **(1,111,689)** | **(1,142)** | **34,235** | **(860,637)** | **(2,706,991)** |

Non-cash movements include interest charges.

## 32. Contingent liabilities

As at 30 November 2021 no contingent liabilities existed (2020: £0.1m).

## 33. Post balance sheet events

On 24 May 2022 the Group received a formal Request for Arbitration (“Request”) from Event Hospitality & Entertainment (“Event”) in relation with the non-completed acquisition of the CineStar business (“CineStar) by the Group. The Request was issued by Greater Union International B.V. as seller of the CineStar business and was addressed to (i) Vue Nederland B.V. as Buyer and (ii) Vue International Bidco plc as Purchaser Guarantor under the terms of the CineStar Sale and Purchase Agreement dated 21 October 2018. The Sale and Purchase Agreement is governed by German law and provides that any disputes arising under it are to be settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS). On 25 May 2022 Event released an announcement on the Australian Securities Exchange (ASX) announcing that it had issued the Request. The Group has advised its retained German legal counsel and will progress the matter under their guidance.

## 34. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below.

### Management fee services

The Company is party to a management services agreement with OMERS Private Equity Inc., PE12GV (Artist) Ltd. and PE12PX (Artist Management) Ltd, as service providers. Each service provider provides corporate finance, strategic corporate planning and other services. The charge for the year ended 30 November 2021 was £0.4m (2020: nil) which was still outstanding at the end of the year. There were no payments made in the year (2020: £0.4m) related to the prior year’s charge.

## 34. Related party transactions *(continued)*

### Key management remuneration

The remuneration of key management personnel of the Group is set out below. Refer to note 12 for Directors' remuneration.

| | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| Remuneration | **12,736** | 19,733 |
| Contributions to defined contribution pension schemes | **196** | 180 |
| **Total** | **12,932** | 19,913 |

Key management personnel comprise of the Managing Directors of each major market and the Group senior team who are not statutory directors.

### Other Related Party Transactions

Ron Sterk, CEO of Vue Netherlands, is a member of the board of NVBF (the Dutch Exhibitors Association) and Stichting Bio Kinderrevalidatie. Remon Guitjens, CFO of Vue Netherlands, is a director of Stichting Nationale Bioscoopbon. J. Timothy Richards, CEO of the Group, is Chair of the BFI. Martin Kelleher, acting as non-executive director of Irish subsidiaries, is a senior partner of Mason Hayes & Curren LLP.

During the year the Group had the following transactions take place and amounts outstanding at balance date with these related parties:

| | **Year ended 30 November 2021** | | Year ended 30 November 2020 | |
|---|---|---|---|---|
| | **Income / (Expense) £000** | **Receivable / (Payable) £000** | Income / (Expense) £000 | Receivable / (Payable) £000 |
| NVBF | **(188)** | **(87)** | (261) | (49) |
| Stichting Nationale Bioscoopbon | **789** | **22** | 1,414 | 11 |
| Stichting Bio Kinderrevalidatie | **(18)** | **(3)** | (22) | 5 |
| BFI | **77** | **-** | - | - |
| Mason Hayes & Curran LLP | **(32)** | **(1)** | (34) | (34) |
| **Total** | **628** | **(69)** | 1,097 | (67) |

### Other Group Entity Related Party Transactions

During the year the Group incurred interest charges of £109.8m (2020: £105.0m) by companies under the ownership of Vue International Holdco Limited Group which are not eliminated on consolidation. As at 30 November 2021 £1,111.7m (2020: £1,001.9m) is owed in respect of shareholder loans.

In August 2021, OMERS transferred 6% of its holding in the 2nd Lien PIK Notes into a related entity which is controlled by OMERS and managed by an independent third party. Units in this vehicle have been or will be allocated to key management subject to future vesting conditions. A tax valuation was undertaken by EY as at August 2021 and concluded that the expected return was considered to be zero.

## 35. Ultimate parent company and controlling party

At 30 November 2021, the immediate parent undertaking of the Company is Vue International Midco Limited.

This set of financial statements, with the Company as parent undertaking, is the smallest group of undertakings for which consolidated Group financial statements are drawn up and publicly available.

At 30 November 2021, Vue International Holdco Limited, a company incorporated in Jersey, is the parent undertaking of the largest Group in which the results of the Company are consolidated. The consolidated financial statements of Vue International Holdco Limited are publicly available and may be obtained from Vue International Holdco Limited, 44 Esplanade, St Helier, Jersey, JE4 9WG.

At 30 November 2021, the ultimate controlling party is Vue International Holdco Limited, an investment vehicle for OMERS Administration Corporation and certain clients of Alberta Investment Management Corporation.

## Vue International Bidco plc

### COMPANY BALANCE SHEET
### AS AT 30 NOVEMBER 2021

| | | **As at 30 November 2021** | As at 30 November 2020 |
|---|---|---|---|
| **Non-current assets** | **Note** | **£000** | £000 |
| Property, plant and equipment | | **37** | 52 |
| Right-of-use assets | | **379** | 665 |
| Intangible assets | | **863** | 873 |
| Deferred tax asset | | **128** | 56 |
| Investments | **6** | **204,976** | 204,976 |
| Trade and other receivables | **7** | **1,672,954** | 1,528,978 |
| Derivative financial instruments | | **20** | - |
| **Total non-current assets** | | **1,879,357** | 1,735,600 |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | **7** | **29,378** | 28,636 |
| Cash and cash equivalents | | **15,327** | 29,657 |
| **Total current assets** | | **44,705** | 58,293 |
| **Total assets** | | **1,924,062** | 1,793,893 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | **8** | **228,894** | 167,100 |
| Interest-bearing loans and borrowings | **9** | **22,746** | 30,000 |
| Lease liabilities | | **297** | 284 |
| Derivative financial instruments | | **680** | - |
| **Total current liabilities** | | **252,617** | 197,384 |
| | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | **9** | **1,971,857** | 1,863,043 |
| Lease liabilities | | **75** | 369 |
| **Total non-current liabilities** | | **1,971,932** | 1,863,473 |
| **Total liabilities** | | **2,224,549** | 2,060,857 |
| **Net liabilities** | | **(300,487)** | (266,964) |
| | | | |
| **Equity** | | | |
| Share capital | **10** | **4,718** | 4,718 |
| Share-based payment reserve | | **10,274** | 10,274 |
| Hedging reserve | | **(660)** | 10,275 |
| Accumulated losses | | **(314,819)** | (281,956) |
| **Total equity** | | **(300,487)** | (266,964) |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent company income statement. The loss of the Company for the year was £32.9m (2020: £68.8m).

The financial statements on pages 108 to 115 were authorised for issue by the board of directors on 27 May 2022 and are signed on its behalf by

Alison Cornwell
Director

## Vue International Bidco plc

### COMPANY STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 30 NOVEMBER 2021

| | Note | Share capital £000 | Share-based payments reserve £000 | Hedging Reserve £000 | Accumulated losses £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| Balance at 1 December 2019 | | 4,718 | 10,274 | - | (213,171) | (198,179) |
| Loss for the year | | - | - | - | (68,785) | (68,785) |
| Total comprehensive loss for the year | | - | - | - | (68,785) | (68,785) |
| Balance at 30 November 2020 | 10 | 4,718 | 10,274 | - | (281,956) | (266,964) |
| | | | | | | |
| **Balance at 1 December 2020** | | **4,718** | **10,274** | **-** | **(281,956)** | **(266,964)** |
| **Loss for the year** | | **-** | **-** | **(660)** | **(32,863)** | **(33,523)** |
| **Total comprehensive loss for the year** | | **-** | **-** | **(660)** | **(32,863)** | **(33,523)** |
| **Balance at 30 November 2021** | **10** | **4,718** | **10,274** | **(660)** | **(314,819)** | **(300,487)** |

## 1. Accounting policies

### Basis of preparation

The financial statements of the Company have been prepared in accordance with the Financial Reporting Standard 101, ‘Reduced Disclosure Framework’ (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by accordance with the Companies Act 2006 as applicable to companies using FRS 101. The accounting policies have been applied consistently.

The following exemptions from the requirements of IFRS have been applied in these financial statements, in accordance with FRS 101:

- IFRS 7, ‘Financial instruments: Disclosures’
- Paragraphs 91-99 of IFRS 13,’Fair value measurement’ (disclosure of valuation techniques and inputs used for the fair value measurement of assets and liabilities)
- Paragraphs 38 of IAS 1, ‘ Presentation of financial statements’ comparative information requirements in respect of:
  - Paragraph 79 (a)(iv) of IAS 1
  - Paragraph 73(e) of IAS Property, plant and equipment; paragraph 118(e) of IAS 30 Intangible assets (reconciliations between carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, ‘ Presentation of financial statements’:
  - 10(d), (statement of cash flows),
  - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements,
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement of minimum two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statements of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, ‘Statement of cash flows’
- Paragraph 30 and 31 of IAS 8 ‘Accounting policies, changes in accounting estimates and errors’ (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation)
- The requirements in IAS 24, ‘Related party disclosures’ to disclose related party transactions entered into between two or more members of a group.

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to the year end 30 November 2021. No individual profit or loss account is presented for the Company as permitted by section 408 of the Companies Act 2006.

## 1. Accounting policies *(continued)*

### Going concern

The directors have adopted the going concern basis of preparation in preparing these financial statements. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. See going concern note 3.3 in the Group financial statements which is also applicable to the Company.

### Investment in subsidiary undertakings

Investments in subsidiaries are held at cost, less any provision for impairment.

### Trade and other receivables

Trade receivables are measured at amortised cost using the effective interest method, less any impairment. The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on aging. The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the year end. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the income statement. Intercompany receivables balances with the Group are assessed for impairment under IFRS 9.

### Interest-bearing loans, capital and borrowings

Interest-bearing loans, capital and borrowings are initially measured at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, loan capital and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to income statement.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### Taxation

Current tax including UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## 2. Critical accounting estimate and judgements

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions including about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical estimates and judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### Carrying value of investments

The Company is required to make certain assumptions about the carrying value of investments. In doing so the Company has made certain assumptions about cash flows to be generated from each subsidiary. The resulting conclusion is therefore sensitive to these assumptions in respect of future cash flows. However, the directors consider that the assumptions made represent their best estimate of the future cash flows generated by each subsidiary, and of the discount rate used to calculate the present value of those cash flows.

### Recoverability of trade and other receivables

The Company is required to make certain assumptions to assess the recoverability of trade and other receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables (see note 1). In doing so the Company has made certain assumptions about cash flows to be generated from each debtor. The resulting conclusion is therefore sensitive to these assumptions in respect of future cash flows. However, the directors consider that the assumptions made represent their best estimate of the future cash flows generated by each debtor, and of the discount rate used to calculate the present value of those cash flows.

## 3. Auditors' remuneration

The audit fee for the Company of £5k (2020: £5k) was paid by the Group. Refer to note 9 in the consolidated financial statements for full detail.

## 4. Loss

The Company made an after tax loss of £32.9m during the year (2020: £68.8m).

### 5. Directors' remuneration

| | **Year ended 30 November 2021 £000** | Year ended 30 November 2020 £000 |
|---|---|---|
| Wages and salaries | **3,173** | 7,337 |
| Social security costs | **843** | 695 |
| Other pension costs | **5** | 5 |
| **Total** | **4,021** | 8,037 |

The highest paid director received remuneration of £1.3m (2020: £3.7m) excluding company paid social security of £391k (2020: £335k) and pension payments of £5k (2020: £5k).

The directors of the Company are remunerated in respect of their executive management services to both the Company and Group as a whole. Their remuneration is borne by the Company and a portion is recharged to some of the Group undertakings as part of a management service fee. Non-executive directors are not remunerated for their services to the Company and Group.

### 6. Investments

The investment balances held by the Company during the year are as follows:

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Cost and carrying value | **204,976** | 204,976 |

Refer to note 29 in the consolidated financial statements for a list of subsidiaries.

### 7. Trade and other receivables

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Non-current | **1,672,954** | 1,528,978 |
| Current | **29,378** | 28,636 |
| **Total** | **1,702,332** | 1,557,614 |

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Amounts receivable from group undertakings | **1,691,214** | 1,549,232 |
| Prepayments | **93** | 32 |
| Other debtors | **11,025** | 8,350 |
| **Total** | **1,702,332** | 1,557,614 |

Amounts receivable from group undertakings are loan balances which are unsecured and primarily repayable on demand. The interest rates on these receivable vary from 5% to 9%.

## 7. Trade and other receivables *(continued)*

Receivables are classified as non-current when, at the balance sheet date, there is no expectation to settle the receivables in the next 12 months.

## 8. Trade and other payables

| | **30 November 2021 £000** | 30 November 2020 £000 |
|---|---|---|
| Amounts payable to group undertakings | **211,380** | 144,231 |
| Accrued expenses | **17,514** | 22,869 |
| **Total** | **228,894** | 167,100 |

Amounts payable to group undertakings are trading balances which are unsecured, repayable on demand and non-interest bearing.

## 9. Interest-bearing loans and borrowings

| | **Current** | | **Non-Current** | | **Total** | |
|---|---|---|---|---|---|---|
| | **30 November 2021 £000** | 30 November 2020 £000 | **30 November 2021 £000** | 30 November 2020 £000 | **30 November 2021 £000** | 30 November 2020 £000 |
| 1st Lien - Senior Term Loan (€634m) | **-** | - | **539,345** | 568,712 | **539,345** | 568,712 |
| 2nd Lien - PIK notes (£165m) | **-** | - | **205,058** | 183,968 | **205,058** | 183,968 |
| (SSTL) -Senior Secured Term Loan (£150m) | **-** | - | **150,000** | 150,000 | **150,000** | 150,000 |
| RCF (£65m) | **22,746** | 30,000 | **-** | - | **22,746** | 30,000 |
| Shareholder loan notes | **-** | - | **1,111,689** | 1,001,851 | **1,111,689** | 1,001,851 |
| **Total** | **22,746** | 30,000 | **2,006,092** | 1,904,531 | **2,028,838** | 1,934,531 |
| **Less:** | | | | | | |
| Revolving credit facility capitalised fees | **-** | - | **(583)** | (746) | **(583)** | (746) |
| 1st Lien capitalised fees | **-** | - | **(7,787)** | (9,139) | **(7,787)** | (9,139) |
| 2nd Lien capitalised fees | **-** | - | **(3,199)** | (3,380) | **(3,199)** | (3,380) |
| SSTL capitalised fees | **-** | - | **(22,666)** | (28,223) | **(22,666)** | (28,223) |
| **Total interest-bearing loans and borrowings** | **22,746** | 30,000 | **1,971,857** | 1,863,043 | **1,994,603** | 1,893,043 |

## 10. Share capital

| | **30 November 2021** | 30 November 2020 |
|---|---|---|
| **Allotted, issued and fully paid** | **£000** | £000 |
| 4,718,100 Ordinary shares of £1 each (2020: 4,718,100) | **4,718** | 4,718 |
| **Total** | **4,718** | 4,718 |

## 11. Related parties

The Company has taken advantage of the exemption under IAS 24 available to parent companies not to disclose transactions with its wholly owned subsidiaries within its financial statements.

**Other Group Entity Related Party Transactions**

During the year the Company incurred interest charges of £109.8m (2020: £105.0m) by companies under the ownership of Vue International Holdco Limited. J. Timothy Richards, Stephen Knibbs, Alison Cornwell, Jason Peters, Matthew Baird, Lance Pridham and Robert Barr are directors of both companies. As at 30 November 2021 £1,111.7m (2020: £1,001.9m) are owed in respect of shareholder loans.

## 12. Ultimate parent company and controlling party

At 30 November 2021, the immediate parent undertaking of the Company is Vue International Midco Limited.

At 30 November 2021, Vue International Holdco Limited, a company incorporated in Jersey, is the ultimate parent undertaking. The consolidated financial statements of Vue International Holdco Limited are publicly available and may be obtained from Vue International Holdco Limited, 44 Esplanade, St Helier, Jersey, JE4 9WG.

At 30 November 2021, the ultimate controlling party is Vue International Holdco Limited, an investment vehicle for OMERS Administration Corporation and certain clients of Alberta Investment Management Corporation.

## 13. Post balance sheet events

On 24 May 2022 the Group received a formal Request for Arbitration (“Request”) from Event Hospitality & Entertainment (“Event”) in relation with the non-completed acquisition of the CineStar business (“CineStar) by the Group. The Request was issued by Greater Union International B.V. as seller of the CineStar business and was addressed to (i) Vue Nederland B.V. as Buyer and (ii) Vue International Bidco plc as Purchaser Guarantor under the terms of the CineStar Sale and Purchase Agreement dated 21 October 2018. The Sale and Purchase Agreement is governed by German law and provides that any disputes arising under it are to be settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS). On 25 May 2022 Event released an announcement on the Australian Securities Exchange (ASX) announcing that it had issued the Request. The Group has advised its retained German legal counsel and will progress the matter under their guidance.