# Everyman Media Group PLC

Registered number: 08684079

Annual report and financial statements

Year ended

2 January 2020

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## Company information

| Directors | Function |
|---|---|
| Adam Kaye | Executive Director |
| Charles Dorfman | Non-Executive Director |
| Crispin Lilly | Chief Executive Officer |
| Elizabeth Lake FCA (appointed 16 September 2019) | Chief Financial Officer |
| Jonathan Peters FCA (resigned 14 June 2019) | Finance Director |
| Michael Rosehill FCA | Non-Executive Director |
| Paul Wise | Executive Chairman |
| Philip Jacobson FCA | Independent Non-Executive Director |
| Streisan Bevan | Independent Non-Executive Director |

**Company secretary**
One Advisory Limited (appointed 14 June 2019)
Jonathan Peters FCA (resigned 14 June 2019)

**Registered office address of the Company**
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2 Downshire Hill
London
NW3 1NR

**Company registration number**
08684079 (registered in England & Wales)

**Nominated adviser and broker**
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London
EC2V 7QR

**Auditor to the Company**
KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

**Solicitor to the Company**
Howard Kennedy
No. 1 London Bridge
London
SE1 9BG

**Registrar to the Company**
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

# Chairman's statement

### Another year of significant progress and delivering on expectations - challenges ahead

At the time of writing, we are facing unprecedented uncertainty both personally and commercially. Whilst we are confident in our position, results and fundamentals of our business, we along with everyone else, are subject to the ongoing risk of COVID-19 and all the challenges it presents.

As you would expect, we are following government advice to protect the health and welfare of our staff and customers. The Board are monitoring this constantly to ensure we are able to react quickly to changes in advice.

As part of this we have been planning for various scenarios, including the closure of cinemas for a period of time, and all the implications that might arise. 2020 has become a year that is difficult to predict as the situation can change by the hour. Our ambition is to ensure the business is in the best possible position for the future and we are taking whatever steps we can in the short term, to best prepare for the long term.

Reflecting on 2019, the Everyman experience continues to be embraced and enjoyed by our customers across our ever-growing variety of locations throughout the UK. Whether our venues are located as part of urban communities in larger cities, or smaller, more rural towns, the business model continues to deliver. With seven new openings in the year, 2019 marked another year of strong growth as the business performed in line with the Board's expectations across all key areas.

We are very pleased to be operating 33 venues with 110 screens as at 18 March 2020, up from 26 venues and 84 screens at the beginning of 2019. We continue to be proud of the positive impact that our venues are having on high streets and communities, breathing new life into public spaces either through regeneration, or new developments.

Our financial performance has again been strong, in line with expectations, delivering revenue for the period up 25.2% and pre-IFRS16 EBITDA up 31.2% to £12.0m. Pleasingly, EBITDA grew ahead of revenue, demonstrating the benefits of our roll-out strategy.

### Review of the business

By the end of 2019, Everyman had grown market share by box office to 3.1% from 2.6%. We remain the fifth largest UK cinema business for the second year in a row, as defined by gross box office revenue (source: ComScore), and continue to be seen as a trusted and highly regarded national brand.

This is set against a background of the UK cinema industry which delivered close to the modern-day record last year of 177m admissions, with 176m in 2019 (source: UK Cinema Association). This continues to demonstrate the power of cinema during times of economic uncertainty, with people's appetite for entertainment continuing to be an important trend.

The Board's long-held confidence in the business and it's differentiated proposition continues to be vindicated by the significant opportunities that continue to arise in order to expand the business, whether measured by the pipeline of venues, the increased market share or the exceptional experiences we continue to provide to our customers.

### Openings

We opened new sites during the year in Horsham (3 screens, April 2019), Newcastle (4 screens, May 2019), London Broadgate (3 screens, October 2019), Clitheroe (4 screens, October 2019), Manchester (3 screens, November 2019), Wokingham (3 screens, December 2019) and Cardiff (5 screens, December 2019). The opening of five sites in the last quarter of 2019 was especially pleasing as it demonstrates our ability to manage numerous openings successfully in a short time period.

In addition to the refurbishment of our Walton-On-Thames venue, we invested in a new third screen at Gerrards Cross along with an expanded bar and new kitchen now capable of serving our full Spielburger menu. These investments are important to support further growth of our existing estate.

We conditionally exchanged contracts on five further sites in Chelsea, Dublin, Exeter, Egham and Aberdeen during the year, and for a further site in Marlow in February 2020. This brings the pipeline of signed sites to 13, with a number of other potential sites in advanced stages of negotiation. As you would expect, we are deferring investment in new openings where we have not already started on site.

### Staff

We have invested in senior management in order to support further growth. Elizabeth Lake joined us as Chief Financial Officer on 16 September 2019. Elizabeth is an excellent addition to the team and will support the Group going forward.

We would like to recognise the hard work that all our team put into the business throughout 2019, and thank them for their support and understanding during the challenging time we now find ourselves in.

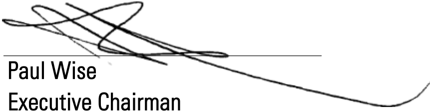
### Current trading

The potential financial impact of COVID-19 on admissions is unknown. The Board is closely monitoring the situation.

## Chairman's statement *(continued)*

### Future of the Group

Along with all businesses and communities, we face challenges in the short to medium term as a result of dealing with the COVID-19 outbreak. We believe the business will be in a strong position in the future to evaluate and execute both our strategy and other opportunities that might arise.



Paul Wise
Executive Chairman
18 March 2020

## Strategic report

The Directors present their strategic report for the Group for the year ended 2 January 2020 (comparative period: 53 weeks to 3 January 2019), comprising the Chief Executive's statement and Chief Financial Officer's statement.

### Review of the business

The Group made a profit after tax of £1.8m (2018: £2.0m). This is after charging an additional £1.2m in interest on lease liabilities and depreciation of right-of-use assets in excess of operating lease equivalents under IFRS16.

Further details are shown below and in the consolidated statement of profit and loss and other comprehensive income, together with the related notes to the financial statements.

## Chief Executive's statement

### Development of the Group's business

2019 was another strong year for the Group, as we delivered in line with our proven growth plan, and the 25.2% growth in revenue delivered in the period reflects the effect of an increase in the number of venues and admissions, an increase in box office pricing and an improved spend per head on food and beverage. The growth of all our KPIs reflects the work the team has put in throughout the period enhancing the Everyman experience.

### Business model and growth strategy

*Delivering exceptional leisure experiences to all*

Everyman's business model is simple; our aim is to further build our portfolio of venues whilst successfully growing our existing estate by bringing together great food, drink, atmosphere, service and of course film, to create exceptional experiences for our customers.

Our growth strategy is multi-faceted:

i. Expanding the geographical footprint by establishing new venues in order to reach new customers

ii. Continually evolving the quality of experience and breadth of choice we offer at our venues

iii. Engaging in effective brand and marketing activity, to expand awareness of Everyman and increase the frequency of visits from our existing loyal customers.

Our model is one that delivers financial benefits, with the premium experience warranting a premium price point, and with more revenue-generating activities offered than the traditional cinema. As we grow, we also benefit from increasingly efficient central costs, allowing top line revenue growth to drop to bottom line.

### Progress against strategy

*Key performance indicators*

The Group uses the following key performance indicators, in addition to total revenues, to monitor the progress of the Group's activities:

| | | Year ended 2 January 2020 *(52 weeks)* | Year ended 3 January 2019 *(53 weeks)* |
|---|---|---|---|
| Admissions | 17% ↑ | **3,271,166** | 2,795,359 |
| Box office average ticket price | 1% ↑ | **£11.37** | £11.26 |
| Food and beverage spend per head | 13% ↑ | **£7.13** | £6.30 |

Average ticket price grew by 1%, diluted by the disproportionate increase in admissions being generated by the Group at new venues outside London. Like for like, the Group is continuing to realise annual increases in ticket prices in line with inflation.

In contrast, the food and beverage spend per head continues to grow off the back of enhanced menu development, further roll out of Spielburger and operational improvements. Actual price increases are kept in line with inflation. The average spends in our new venues remain disproportionately strong as we continue to improve the design and operational support that we put into new openings.

## Chief Executive's statement *(continued)*

### *Enhancing the Everyman experience*

Maintaining a focus on enhancing the quality of its venues, F&B offering, staff service and content programming is vital for Everyman and its continued growth.

We have seen an increased focus on digital engagement and membership, advancing our understanding of our existing customers, which is helping to increase frequency whilst the ongoing development of our food and beverage offering is increasing dwell time and associated spends. The continued development of all categories, further Spielburger roll out to venues, and a focus on improving operational speed were particularly successful in driving F&B revenues in 2019. Further investment in partnerships and sponsorship saw Everyman working with Green & Blacks and American Airlines.

Investment in the underlying business also continued with additional new training programmes for our teams, including the successful roll out of online training models across venues and head office, and continuing improvement to our IT infrastructure. These investments and the continuing expansion will be financed from current resources including the bank facility and retained earnings.

### *Expansion of our geographic footprint*

We continue to focus on our footprint growth as well as increasing our customer base, frequency and ancillary spends from existing venues.

Since the start of 2019 the Group signed a further six agreements to lease new venues, which brings the committed pipeline to 13 on top of the existing 33 venues open. The opportunities for further new venues are strong through a combination of larger developer-led builds and smaller high street opportunities. The latter, in particular, is encouraging with spaces continuing to become available in line with our desire to be a core part of the regeneration of town centres.

### *Current estate*

The Group currently has venues in the following locations:

| Location | Number of Screens | Number of Seats |
|---|---|---|
| Altrincham | 4 | 247 |
| Birmingham | 3 | 328 |
| Bristol | 3 | 439 |
| Cardiff* | 5 | 253 |
| Chelmsford | 5 | 379 |
| Clitheroe* | 4 | 255 |
| Esher | 4 | 336 |
| Gerrards Cross** | 3 | 257 |
| Glasgow | 3 | 201 |
| Harrogate | 5 | 410 |
| Horsham* | 3 | 239 |
| Leeds | 5 | 611 |
| Liverpool | 4 | 288 |
| London, Baker Street | 2 | 118 |
| London, Barnet | 5 | 429 |
| London, Belsize Park | 1 | 129 |
| London, Broadgate* | 3 | 264 |
| London, Canary Wharf | 3 | 266 |
| London, Crystal Palace | 4 | 313 |
| London, Hampstead | 2 | 194 |
| London, Islington | 1 | 125 |
| London, Kings Cross | 4 | 276 |
| London, Maida Vale | 2 | 149 |
| London, Muswell Hill | 5 | 478 |
| Manchester* | 3 | 247 |
| Newcastle* | 4 | 215 |
| Oxted | 3 | 212 |
| Reigate | 2 | 170 |
| Stratford-Upon-Avon | 4 | 384 |
| Walton-On-Thames | 2 | 158 |
| Winchester | 2 | 236 |
| Wokingham* | 3 | 289 |
| York | 4 | 329 |
| | **110** | **9,224** |

*New venues in the year
**Extended in the year

Over the course of 2019 the Group conditionally exchanged contracts on a further five new venues in Chelsea, Dublin, Exeter, Aberdeen and Egham. This has subsequently been added to with the exchanging of contracts on a new venue in Marlow in February 2020.

The Directors are confident of being able to grow the existing pipeline beyond the 13 new sites which are already committed and expected to open by 2022. The £30 million loan facility has a term of four further years and supports growth opportunities for the Group.

*Building the Everyman brand*

We continue to materially invest in marketing within the business, including investment in digital technology. We launched our new App in October 2019 which has been well received and achieved 50,000 downloads in the first three months. The app allows our customers to make bookings faster and easier, and increases brand engagement through features such as 'Everyman Playlists' where Everyman's own curated playlists are available. We have also invested in social media, resulting in strong engagement across key social channels.

Typically, we avoid more traditional advertising, preferring to focus on delivering in-venue events and experiences that surprise and exceed our customers' expectations. This in turn builds loyalty and goodwill whilst fostering tremendous word of mouth, increasingly shared on social media. Such events in 2019 included the world premiere of Busby in our new Manchester venue, several exclusive Q&A screenings, the 5th annual Everyman Music & Film Festival and an outdoor cinema season at The Grove Hotel, Hertfordshire.

## UK cinema market

*Market performance*

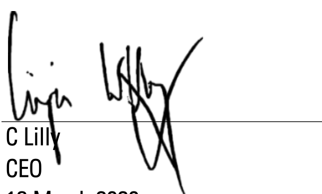
The UK cinema industry delivered close to the modern-day record last year of 177m admissions, with 176m in 2019 (source: UK Cinema Association). Gross box office for the UK was flat at £1.26bn (source: UK Cinema Association) reflecting the continued growth in family and subscription audiences.

Our share of UK & Ireland box office revenue in 2019 rose from 2.5% in 2018 to 3.1% (source: ComScore).

The volume of films and event cinema being released theatrically in the UK continues to be very healthy with around 900 titles continuing to be released each year. The breadth and quality of this content remains strong. With these factors as a backdrop, the Directors continue to believe that the cinema market is healthy and that the Group's continued focus on delivering great value in the overall experience puts us in a strong and robust position within that market.

## A strong brand with significant expansion ahead

We have a clear continued opportunity for further growth ahead with plans for our roll out programme continuing out to 2023, all to be achieved within the Group's strict internal rate of return guidelines. Through focusing on this, alongside investment in the current estate, we will drive further market share growth. As our central costs become increasingly efficient, we also expect top line revenue growth to drop through to the bottom line and as such are well placed for significant earnings growth in 2020 and 2021.



C Lilly
CEO
18 March 2020

## Chief Financial Officer's statement

I am pleased to report on the Group's results for the year ended 2 January 2020.

### Results

Revenue for the year was up 25.2% on last year to £65.0m (2018: £51.9m).

The Group's adjusted operating profit (before depreciation, amortisation, pre-opening expenses, acquisition costs and share-based payments) was up 70.4% to £15.6m (2018: £9.2m). On a like-for-like accounting basis pre-IFRS16 was up 31.2% to £12.0m for the year. This is an adjusted IFRS measure which has been further explained in note 2 and on the face of the statement of profit and loss and other comprehensive income. The Group generated an operating profit for the year of £4.8m (pre-IFRS16 equivalent: £3.9m, 2018: £2.9m) and profit after tax for the year of £1.8m (pre-IFRS16 equivalent: £3.0m, 2018: £2.0m).

The Directors believe that the Group's balance sheet remains well capitalised, with sufficient working capital to service all its day-to-day requirements. The increase in net liabilities is due to the Group adoption of IFRS16. The Directors take a prudent approach to the Group's leverage ratio and regularly review its balance sheet with this in mind. The Board does not recommend the payment of a dividend at this stage of the Group's development (2018: £nil).

### Cash flows

Net cash generated from operating activities was £15.9m (2019: £7.6m). Net cash outflows for the year, before financing, were £8.2m (2018: £15.5m). This is largely represented by capital expenditure on the expansion of the business through build and fit-out costs of new sites and refurbishment of existing sites during the year.

Cash held at the end of the year was £4.3m (2018: £3.5m). The cash held will be invested in the continuing development and expansion of the Group's business in 2020.

On 16 January 2019 the Group agreed a 5 year loan facility of £30m with Barclays Bank PLC and Santander UK PLC. This replaced the £20m loan facility signed in March 2017 with Barclays Bank PLC. At the year end the Group had drawn down £14.0m (2018: £7.0m) of the available funds. Charges have been put in place over the net assets of the Group as collateral against the loan balance.

### Pre-opening costs

Pre-opening costs, which have been expensed within administrative expenses, were £1.0m (2018: £1.1m). Included within depreciation and financial expenses is £0.3m also relating to pre-opening expenditure. This was accounted for as pre-opening operating lease expenditure in the prior year. These costs include expenses which are necessarily incurred in the period prior to a new venue being opened but which are specific to the opening of that venue.

### Annual general meeting

The Directors look forward to welcoming shareholders to the annual general meeting of the Company which will be held at 10:00am on 3 June 2020 at Everyman Cinema Hampstead, 5 Holly Bush Vale, London NW3 6TX.

### Principal risks and uncertainties

*Risks relating to the Group's business*

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are reviewed regularly. A risk register is in place which the Board reviews and updates on an ad-hoc basis during meetings.

The identified risks remain largely unchanged from our last annual report:

1. **Admissions** - The Group's revenues are dependent on admissions. Nearly all revenues (box office, food & beverage, screen advertising) are linked to this. As a result, the Group's financial position is largely reliant on the continued popularity and the overall quantity and quality of the films (and other content) which it shows. The Board believes that the Group's strategy of focusing on customer experience, the venue environment and hospitality mitigates this risk somewhat as customers are more willing to try smaller, more diverse films that may not get the same exposure either in above-the-line advertising spend or through wider platform releases by the industry.

2. **Film licensing** - The Group's ability to license films on acceptable terms is also largely dependent on its relationships with film distributors and remains a core risk to the costs of the business. This risk is managed through healthy partnership-based relations with distributors of all sizes as well as careful weekly negotiation on specific titles.

*Risks relating to the Group's business (continued)*

3 **Alternative media channels** - The proliferation of alternative media channels, including streaming, has introduced new competitive forces for the film-going audience. To date this has proven to be a more virtuous relationship, both increasing the investment in film production and further fuelling an overall interest in film with customers of all ages. It remains an ever-present caution however, that we must continue to deliver an exceptional experience in order to deliver real added value for our customers who choose to see a film at our venues.

4 **Piracy** - Film piracy, aided by technological advances, continues to be a real threat to the cinema industry generally. Any theft within our venues may result in distributors withholding content to the business. Everyman's typically smaller, more intimate auditoria, with much higher occupancy levels than the industry average, make our venues less appealing to film thieves. In addition, higher levels of staffing further mitigate this risk.

5 **Seasonality** - Release schedules affect the Group's box office revenues as they fluctuate throughout the course of any given year and are largely dependent on the timing of release of films, over which the Group has no control. As a result, the Group's revenues may vary significantly from month to month and within any given financial year. The Board mitigates this risk by reviewing changes in the release schedule and through the development and promotion of special events at certain times of the year.

6 **Extreme weather** - The Group's business may suffer as a result of periods of abnormal, severe or unseasonal weather conditions. Cinema admissions are affected by periods such as exceptionally hot weather or heavy snowfall. This is mitigated somewhat by becoming a national player, ensuring that localised extreme weather has a decreasing impact on the overall business.

7 **Extraordinary events and consumer environment** - Specific large events can temporarily reduce cinema admissions, for example royal weddings, elections or large sporting events. In addition, a reduction in consumer spending because of broader economic factors could impact the group's revenues. Film release schedules tend to work around large, known events such as a World Cup or the Olympics, so that admissions are typically lower at these times anyway. Historically, cinema has been incredibly resilient to recession with it remaining an affordable treat during such times for most consumers. However, the Group constantly monitors long term trends as well as the broader leisure market.

8 **Food & Beverage** - Retail sales of food & beverage form an important part of the revenues of the Group. Our cinemas sell freshly prepared food and drink which also presents food hygiene risks. Stringent operational procedures exist to ensure compliance with all necessary regulations and the Group retains the services of an external health, safety and food hygiene audit company to check standards regularly.

9 **Advertising revenue** - The Group earns revenue from advertising which may fluctuate due to broader macro-economic factors. Revenue earned from advertising is influenced by the level of admissions and the size of the Group's portfolio of properties and as such, may decrease in line with any reduction of admissions. The Group over-indexes on this revenue stream due to its reputation for partnership-driven sponsorship activity and this, combined with the growth of other revenue streams, helps mitigate any decline in traditional advertising revenues.

10 **Property** - The Group's operating costs include rent and energy costs. These costs may be volatile due to increased market fluctuations in the price of property rental, business rates, gas and electricity. The Board mitigates this risk by regularly assessing alternative energy suppliers, rating and rental costs when open market rent reviews are due on each property. In addition, the Group will be able to benefit from new rate reliefs at a number of venues.

11 **Competition** - Where the Group has an existing cinema, it may be subject to competition from the introduction of new and/or upgraded cinema operated by other chains. The Board continuously monitors competing operators and significant capital budget is set aside for refurbishments. We believe the Everyman offer represents great value to our customers and is more resilient to competition than more traditional cinema offers.

12 **Key suppliers** - The Group is reliant on certain key contracts and arrangements with partners and suppliers, mainly in the UK. The loss of some of these arrangements may cause temporary disruption to the operations and financial performance of the Group. The Board mitigates this risk by maintaining relationships with a number of alternative suppliers as well as appropriate reviews of these contracts.

13 **Reputation** - The strong positive reputation of the Everyman brand is a key benefit, helping to ensure the successful future performance and growth which also serves to mitigate many of the risks identified above. The Group consistently focuses on customer experience and monitors feedback from many different sources. A culture of partnership and respect for customers and our suppliers is fostered within the business at all levels.

14 **Brexit** - Risks linked to Brexit include consumer confidence, foreign exchange rate risk, a lack of availability of certain food items and staff. Whilst the full business implications of Brexit remain uncertain, and will do for some time, the Board believes the Group is well positioned to react to the potential challenges and opportunities ahead. The Group has no exchange rate exposure and is only directly impacted by the fall in sterling due to cost pressure on a small number of imported food and beverage purchases. These are, for the most part, offset by increased buying power due to our rapid expansion. The cinema industry is historically resilient to recessionary pressures however, the Board is continuing to monitor the situation closely. The Group has secured financing to allow it to fully fund its next phase of expansion.

Chief Financial Officer's statement *(continued)*

15 **Public Health** - Risks linked to an infectious pandemic which could close public places i.e. cinemas, cause significant absenteeism from work and disruption to supply chains. The Board mitigate this risk by closely monitoring the latest information and advice from the Government. All staff are trained in Health & Safety and how to minimise the spread of disease.

*Financial risks*

The Group does not have a direct exposure to foreign currency movements and does not contract any hedging arrangements in respect of currency positions.

The Group takes out suitable insurance against property and operational risks where considered material to the anticipated revenue of the Group.

*Companies Act s172 Statement*

This section serves as our s172 statement and should be read in conjunction with the whole Strategic Report. s172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders including the impact of its activities on the community, the environment and the Company's reputation when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members long term.

Within the Corporate Governance report, we describe how the Board operates, the culture of the business and employee engagement. Our principle stakeholders are engaged with on a regular basis. With regards to our shareholders, this includes face to face meetings at least twice a year. We also engage in constant dialogue with our workforce and suppliers.

E Lake
CFO
18 March 2020

## Corporate Governance

It is the responsibility of the Chairman of the Board of Directors of Everyman Media Group PLC to ensure that the Group has both sound corporate governance and an effective Board. This is managed by ensuring that the Group and the Board are acting in the best interests of shareholders, and by making sure that the Board discharges its responsibilities appropriately. This includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Executive Chairman also has a key role in creating and planning the strategic direction of the Group and is intimately involved in the branding and creative direction of the Group and its venues.

Key governance matters which have occurred during the year include the appointment of a second independent non-executive director, the appointment of a new CFO and the appointment of One Advisory as independent Company Secretary.

The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Group. The Board recognises that the Group does not fully comply with the 10 principles and general provisions of the QCA code but does use it as a benchmark in assessing its corporate governance standards. Areas of non-compliance are disclosed below.

While seeking to build a strong governance framework the Board is mindful to ensure that the Group takes a proportionate approach and that processes remain fit for purpose as well as embedded within the culture of the organisation. The Group continues to evolve its approach and make ongoing improvements as part of building a successful and sustainable business. Good governance provides a framework that allows the right decisions to be taken by the right people at the right time. As the Group grows over the medium term, the Board is targeting full compliance with the QCA code.

### QCA principles

A description of the Group's business model and strategy can be found in the strategic report along with key challenges in their execution and information in relation to the Group's risk management.

### Directors

The Board comprises the Executive Chair, Paul Wise; the CEO, Crispin Lilly; Executive Director, Adam Kaye; CFO, Elizabeth Lake; two independent Non-Executive Directors, Streisan Bevan and Philip Jacobson; and two non-independent Non-Executive Directors, Charles Dorfman and Michael Rosehill.

Philip Jacobson has an interest in 86,336 Ordinary Shares and holds 100,000 options over Ordinary Shares which were granted to him as part of the Group's admission to AIM. Neither Philip Jacobson nor the other Directors believe his shareholding or options are significant in assessing his independence.

All Directors are encouraged to challenge and to bring independent judgement to bear on all matters, both strategic and operational. Biographical details of the Directors can be found on the Group's website.

All Non-Executive Directors are expected to dedicate at least one day per month to the Group. The Chairman dedicates approximately 10 days per month. The Board is satisfied that each of the Directors are able to allocate sufficient time to the Group to discharge their responsibilities effectively. The number of meetings of the Board and its Committees are outlined below:

| | Board | Audit | Remuneration | Nomination |
|---|---|---|---|---|
| *Attendance by Directors* | | | | |
| Paul Wise | 10 | n/a | n/a | n/a |
| Crispin Lilly | 10 | 1 | n/a | n/a |
| Adam Kaye | 8 | n/a | n/a | n/a |
| Elizabeth Lake** | 4 | 1 | n/a | n/a |
| Jonathan Peters* | 5 | n/a | n/a | n/a |
| Streisan Bevan*** | 10 | n/a | n/a | n/a |
| Philip Jacobson | 10 | 2 | 3 | 2 |
| Charles Dorfman | 7 | n/a | 3 | 1 |
| Michael Rosehill | 7 | 2 | 3 | 2 |
| Total meetings held | 10 | 2 | 3 | 2 |

*Resigned 16 June 2019
**Appointed on 16 September 2019
***Appointed on 18 January 2019

The Group accepts that having a Chairman and two Non-Executive Directors who are not independent is not in line with best practice or the recommendations made by the QCA. However, the Board believes that the skill-sets of the Chairman and non-independent Directors are appropriate and beneficial for all shareholders and stakeholders. Each of the Chairman and non-independent Directors has significant experience in building successful businesses and offer key expertise to the Executive Directors that are beneficial to the Group as a whole.

## Corporate governance *(continued)*

To enable each Director to keep their skill-set up to date, individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues. In addition, there are regular 'deep dives' from across the business at Board level to ensure the Directors' understanding of the operational aspects of the business are kept up to date. From time to time Board meetings are held at operational sites away from the head office to further enhance the Directors' understanding of the business.

### Advisors

One Advisory acts as Group Secretary and support to ensure the necessary information is supplied to Directors on a timely basis and to enable them to discharge their duties effectively. All Directors have access to the advice of the Group's solicitors as well as access to independent professional advice, at the Group's expense, as and when required.

Neither the Board nor its Committees have sought external advice on a significant matter.

### Board evaluation

The Group is the process of developing and implementing an evaluation procedure which will be disclosed in detail on its website when fully implemented. The Board evaluation is based on clear and relevant objectives and seeks continuous improvement. The Board accepts that the Group does not fully comply with this aspect of the QCA code, although in the frequent Board meetings, Directors can discuss any areas where they feel a change would benefit the Group, and the independent Group Secretary and other Group advisers remain on hand to provide impartial advice.

### Culture

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Group as a whole and that this will impact the performance of the Group. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way employees behave. The Corporate Governance arrangements that the Board has adopted are designed to ensure that the Group delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Group in a manner that encourages open dialogue with the Board. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives.

A large part of the Group's activities are centred on an open and respectful dialogue with employees, customers and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Group does. The Directors consider that the Group has an open culture facilitating comprehensive dialogue and feedback that enables positive and constructive challenge.

The Board also recognises that as an operator of cinemas within local communities, it has responsibility to engage openly, transparently and effectively with community stakeholders, local planning and government agencies.

The Group places considerable emphasis on maintaining good relations with all its employees. The Group places great importance on managers at each venue being well trained and capable of recruiting, training and developing a strong team and equips them with the necessary tools in order to provide a positive working environment. The Group regularly communicates important updates with employees and seeks engagement and consultation whenever making decisions that affect them or their interests. Employees are provided with regular on-the-job training, including a staff handbook and career development opportunities. The Group places a significant importance on developing from within.

The Group is an equal opportunities employer and is committed to the employment of people with disabilities and guarantees an interview for those who meet the minimum selection criteria. The Group provides training and development for people with disabilities tailored, where appropriate, to ensure they have the opportunity to achieve their potential. If an employee becomes disabled while in our employment the Group will do its best to retain them, including consulting with them about their requirements, making reasonable and appropriate adjustments and providing alternative suitable employment where possible.

The Group has an anti-bribery and confidentiality policy in place to ensure the highest standards of personal and professional ethical behaviour are adhered to. The Company has adopted a code for Directors' and employees' dealings in securities in relation to its Ordinary Shares and related securities which is compliant with AIM as well as being in accordance with the requirements of the market abuse regulation which came into effect in 2016.

There is a system in place for financial reporting and the Board receives regular reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad-hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

The Board has responsibility for the effectiveness of the internal financial control framework. Such a system can only provide reasonable and not absolute assurance against material misstatement. The Group does not currently have, nor considers there is currently a need for, an internal audit function. As the number of venues operated by the Group increases, the Board intends to regularly assess the ongoing need for strengthening internal financial controls.

The Board's financial risk management, objectives and policies together with the Board's policies in respect of credit risk, liquidity risk and cash flow risk are set out in the notes to the financial statements.

## Audit committee

The audit committee has the primary responsibility of monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit committee meets no less than twice a year and has unrestricted access to the Group's external auditors. The audit committee is chaired by Philip Jacobson and also includes Michael Rosehill.

The audit committee met twice during the year. The external auditors attended each of these meetings at the invitation of the committee chairman. The committee also met with the external auditors without the presence of the CFO.

## Remuneration committee

The remuneration committee is chaired by Philip Jacobson and also includes Charles Dorfman and Michael Rosehill. The remuneration committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The remuneration committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation. The remuneration committee meets as and when necessary.

Base salary, benefits in kind and Company pension contributions are determined by the committee with reference to the experience and responsibilities of each individual and having regard to prevailing market conditions.

Bonus plans, share option awards and the Company's LTIP scheme are regularly reviewed by the committee to ensure that they are appropriately incentivising key management.

The committee met 3 times during the year.

## Directors' report

The Directors present their annual report and audited financial statements for the Group for the year ended 2 January 2020 (comparative period: 53 weeks to 3 January 2019).

### Results and dividends

The results of the Group are included in the strategic report. Further details are shown in the consolidated statement of profit and loss and other comprehensive income and the related notes to the financial statements. The Group generated a profit after tax for the year of £1.8m (pre-IFRS16 equivalent: £3.0m, 2018: £2.0m). As mentioned in the Chairman's statement, the Directors do not recommend the payment of a dividend (2018: £nil).

### Principal activity

The Group is a leading independent cinema group in the UK. Further information is contained in the strategic report. The principal activity of the Company is that of a holding company. The subsidiaries of the Group are set out in the related notes to the financial statements.

### Financial risk management: objectives and policies

The financial and other risks to which the Group is exposed, together with the Group's objectives and policies in respect of these risks, are set out in the strategic report.

### Capital structure

2.5m new shares were issued in 2019. The number of Ordinary shares in issue at 2 January 2020 was 73.5m (2018: 71.0m). The Group also issued options over the share capital of the Company to members of the Board and to certain employees which amounted to 4.3m Ordinary shares (2018: 5.6m Ordinary shares) which, if exercised, would comprise 5.8% (2018: 7.9%) of the current issued share capital of the Company (see also Directors' interests below and the related notes). Of these, nil (2018: 1.4m) are represented by 'A' Ordinary shares issued by Everyman Media Holdings Limited which were converted into Ordinary shares of the Company during the year. The shares of the Company are quoted on the London AIM market.

### Going concern

Uncertainty due to the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. Trading over recent days has been impacted by COVID-19 and the delay of major movie releases. Following guidance provided by the UK government yesterday, the Board of Everyman has taken the decision to close its venues to guests until further notice. The health of our staff and our customers is the Board's highest priority.

All appropriate measures have been put in place to reduce the impact on the Group, including cost reduction and the postponement of new sites, refurbishments and other capital expenditure projects. Whilst the Group has significant headroom in its loan facility there is a risk of breaching the Group's financial covenants. The Board is in discussions with its lenders and is in the process of re-negotiating its loan covenants to maintain liquidity through this period of uncertainty. The Board is hopeful of lenders continued support in this period of uncertainty which is underpinned by the Government announcement to provide guaranteed loans to business.

The Board's latest forecasts are based on a scenario where the business is closed for a period of three months with reduced admissions for the following two months at 50% and 65% of normal trade respectively. The Board has factored in a delay in all non-committed capital expenditure, reduction in variable costs including staffing and moving to monthly rent payments. In addition the Government has recently announced a twelve month business rates holiday for the hospitality sector. Under this scenario there is a risk of breaching the Group's financial covenants as stated above.

The Board has also considered the severe but plausible downside scenario of complete closure and delayed re-opening. This continues to be under review given current market conditions associated with COVID-19. The business, subject to the renegotiation of its loan covenants, has the ability to remain trading for a period of at least 12 months from the date of signing of these financial statements.

The Group also has a very supportive shareholder base who are committed to the long term success of the Group, and currently there is £14m headroom in the loan facility at the date of these financial statements. Subject to the waiver or agreement of new loan covenants which match the expected trading position of the business, the Group is able to operate within the level of its current facility for at least 12 months from the approval date of the financial statements.

The events of arising as a result of the COVID-19 outbreak has meant that there is a material uncertainty. Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Directors' report *(continued)*

### Substantial shareholdings

As at 2 January 2020 the Company was aware of the following interests in 3% or more of the Company's Ordinary share capital as set out below.

| Shareholder | % of issued share capital 2019 | % of issued share capital 2018 |
|---|---|---|
| Blue Coast Private Equity LP | **18.77%** | 19.44% |
| BlackRock Inc | **8.88%** | 5.41% |
| Canaccord Genuity Group Inc | **8.33%** | 10.85% |
| Charles Dorfman* | **7.98%** | 7.56% |
| Adam Kaye | **7.28%** | 7.38% |
| Samuel Kaye | **5.98%** | 6.20% |
| Tellworth | **5.24%** | 3.13% |
| Schroders PLC | **4.86%** | 8.33% |
| Paul Wise** | **3.75%** | 3.26% |
| Otus | **3.36%** | 3.29% |
| Jonathan Kaye | **3.19%** | 3.08% |
| Phillip Kaye | **3.08%** | 3.19% |

*Of the 5,870,027 Ordinary shares Charles Dorfman is interested in, 3,213,876 (2018: 3,592,565) Ordinary shares are held by the Lloyd Dorfman Children's Settlement. Charles Dorfman is one of the potential beneficiaries of the settlement.
**Of the 2,756,752 Ordinary shares Paul Wise is interested in, 2,744,326 (2018: 2,260,052) Ordinary shares are held by the Paul Wise Family Trust. Paul Wise is one of the potential beneficiaries of the Trust.

### Directors

Biographical details of continuing Directors are set out on the Company's website: investors.everymancinema.com. The Directors of the Company during the year were:

| Name | Function |
|---|---|
| Adam Kaye | Executive Director |
| Charles Dorfman *1 *2 | Non-Executive Director |
| Crispin Lilly | Chief Executive Officer |
| Elizabeth Lake FCA (appointed 16 September 2019) | Chief Financial Officer |
| Jonathan Peters FCA (resigned 14 June 2019) | Finance Director |
| Michael Rosehill FCA *1 *2 *3 | Non-Executive Director |
| Paul Wise | Executive Chairman |
| Philip Jacobson FCA *1 *2 *3 | Independent Non-Executive Director |
| Streisan Bevan (appointed 18 January 2019) | Independent Non-Executive Director |

*1 Member of the remuneration committee
*2 Member of the nominations committee
*3 Member of the audit committee

### Directors' interests in the Company

The following Directors held shares in the Company at the year end (there were no significant changes between the shareholdings at the year end and the date of this report):

| Director | Number of Ordinary shares 2019 | % of issued share capital 2019 | Number of Ordinary shares 2018 | % of issued share capital 2018 |
|---|---|---|---|---|
| Charles Dorfman | **5,870,027** | **7.98%** | 5,370,027 | 7.56% |
| Adam Kaye | **5,349,956** | **7.28%** | 5,239,682 | 7.38% |
| Paul Wise | **2,756,752** | **3.75%** | 2,311,479 | 3.26% |
| Michael Rosehill FCA* | **198,710** | **0.27%** | 198,710 | 0.28% |
| Philip Jacobson FCA | **86,336** | **0.12%** | 86,336 | 0.12% |

*Michael Rosehill is a director of Blue Coast Private Equity LP and therefore has an interest in its shareholding.

As at the date of this document, the following options over Ordinary shares were held by the Directors (see also notes to the financial statements):

Directors' report *(continued)*

Directors' interests in the Company *(continued)*

| Director | Grant date | Vesting conditions | Exercise price Pence | 3 January 2019 Number | Issued in the year Number | Lapsed in the year Number | Exercised in the year Number | 2 January 2020 Number |
|---|---|---|---|---|---|---|---|---|
| Crispin Lilly | 29 Oct 15 | 9 | 85 | 117,647 | - | - | - | **117,647** |
| | 13 Mar 17 | 10 | 109.5 | 250,000 | - | - | - | **250,000** |
| | 23 Nov 17 | 11 | 10 | 52,746 | - | - | - | **52,746** |
| | 23 Apr 18 | 12 | 10 | 43,617 | - | 29,660 | - | **13,957** |
| | 13 Mar 19 | 10 | 181 | - | 500,000 | - | - | **500,000** |
| | 28 May 19 | 14 | 10 | - | 60,000 | - | - | **60,000** |
| Elizabeth Lake FCA | 24 Sep 19 | 10 | 184 | - | 250,000 | - | - | **250,000** |
| Jonathan Peters FCA | 20 Apr 15 | 7 | 85 | 104,725 | - | - | 104,725 | **-** |
| | 20 Apr 15 | 8 | 85 | 233,349 | - | - | 233,349 | **-** |
| | 29 Oct 15 | 9 | 85 | 90,130 | - | - | 90,130 | **-** |
| | 23 Nov 17 | 11 | 10 | 35,659 | - | 35,659 | - | **-** |
| | 23 Apr 18 | 12 | 10 | 32,051 | - | 32,051 | - | **-** |
| Paul Wise | 29 Oct 15 | 9 | 85 | 499,977 | - | - | 499,977 | **-** |
| | 29 Oct 13 | 4 | 83 | 696,432 | - | - | 696,432 | **-** |
| Adam Kaye | 29 Oct 15 | 9 | 85 | 499,977 | - | - | 499,977 | **-** |
| | 29 Oct 13 | 4 | 83 | 696,432 | - | - | 696,432 | **-** |
| Philip Jacobson FCA | 29 Oct 13 | 2 | 83 | 100,000 | - | - | - | **100,000** |
| Charles Dorfman | 29 Oct 13 | 2 | 83 | 50,000 | - | - | - | **50,000** |
| Michael Rosehill FCA | 29 Oct 13 | 2 | 83 | 50,000 | - | - | - | **50,000** |
| | | | | | 810,000 | 97,370 | 2,821,022 | **1,444,350** |

Details of the option scheme vesting and performance conditions are set out at note 31 of the financial statements. 2,821,022 share options (2018: 849,660) were exercised by Directors during the year, resulting in a gain of £1.4m (2018: £1.2m).

Directors' remuneration

For the year ended 2 January 2020

| Director | Salary £000 | Fees £000 | Pension contributions £000 | Other benefits £000 | Bonus £000 | Share-based payments £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Crispin Lilly | 194 | - | 11 | 4 | 41 | 237 | 487 |
| Elizabeth Lake FCA | 50 | - | - | - | 11 | 22 | 83 |
| Jonathan Peters FCA | 66 | - | 7 | 1 | 30 | (35) | 69 |
| Paul Wise | 50 | 85 | - | 2 | 10 | - | 147 |
| Adam Kaye | 30 | - | - | 3 | - | - | 33 |
| Philip Jacobson FCA | 30 | - | - | - | - | - | 30 |
| Streisan Bevan | 43 | - | 1 | - | - | - | 44 |
| | 463 | 85 | 19 | 10 | 92 | 224 | 893 |

For the year ended 3 January 2019

| Director | Salary £000 | Fees £000 | Pension contributions £000 | Other benefits £000 | Bonus £000 | Share-based payments £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Crispin Lilly | 172 | - | 17 | 2 | 55 | 97 | 343 |
| Jonathan Peters FCA | 123 | - | 12 | - | 15 | 48 | 198 |
| Paul Wise | 50 | 75 | - | 2 | - | 24 | 151 |
| Adam Kaye | 30 | - | - | 2 | - | 24 | 56 |
| Philip Jacobson FCA | 30 | - | - | - | - | - | 30 |
| | 405 | 75 | 29 | 6 | 70 | 193 | 778 |

Other benefits include interest in respect of an amount of uncalled share capital due in respect of the issue of performance shares in Everyman Media Holdings Limited, a subsidiary of the Company, to certain members of the Board.

Share-based payments are valued using the share price at the original grant date.

Directors' report *(continued)*

### Policy and practice on the payment of creditors

The policy of the Group is to settle supplier invoices within the terms and conditions of trade agreed with individual suppliers.

### Employees

*Employee involvement*

The Group places considerable emphasis on maintaining good relations with all its employees. The Group places great importance on managers at each venue being well trained and capable of recruiting, training and developing a strong team and the Group equips them with the necessary tools in order to provide a positive working atmosphere. The Group regularly communicates important updates with employees and seeks engagement and consultation whenever making decisions that affect them or their interests. Employees are provided with regular on-the-job training and career development opportunities and the Group places a significant importance on developing from within.

*Employment of disabled persons*

The Group is an equal opportunities employer and is committed to the employment of people with disabilities and guarantees an interview for those who meet the minimum selection criteria. The Group provides training and development for people with disabilities tailored, where appropriate, to ensure they have the opportunity to achieve their potential. If a Group employee becomes disabled while in our employment the Group will do its best to retain them, including consulting with them about their requirements, making reasonable and appropriate adjustments and providing alternative suitable employment where possible.

### Political and charitable donations

The Group made charitable donations of £22,000 in the year (2018: £36,000).

### Post balance sheet events

There has been a significant event after the balance sheet date associated with the COVID19 outbreak. See the Chairman's report and basis of preparation in the notes to the financial statements.

### Disclosure of information to auditor

In the case of each person who was a Director at the time this report was approved:

- So far as that each Director was aware, there was no relevant available information of which the Company's auditor is unaware.
- Each Director has taken all steps that they ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

### Auditor

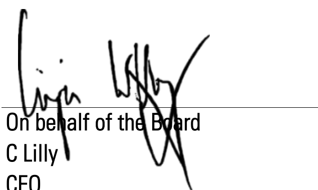
In accordance with s489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

### Internal financial control

The Group operates a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a system in place for financial reporting and the Board receives regular reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

The Board has responsibility for the effectiveness of the internal financial control framework. Such a system can only provide reasonable and not absolute assurance against material misstatement. The Group does not currently have, nor considers there is currently a need for, an internal audit function. As the number of sites operated by the Group increases the Board intends to regularly assess the ongoing need for strengthening internal financial controls.

The Board's financial risk management, objectives and policies together with the Board's policies in respect of price risk, credit risk, liquidity risk and cash flow risk are set out in the notes to the financial statements.



On behalf of the Board
C Lilly
CEO
*Everyman Media Group PLC*
Studio 4, 2 Downshire Hill
London
NW3 1NR
18 March 2020

## Statement of Directors' responsibilities in respect of the annual report and financial statements

The Directors are responsible for preparing the annual report and the Group and parent Company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant, reliable and prudent.
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU.
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a Directors' report that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 1 Our opinion is unmodified

We have audited the financial statements of Everyman Media Group PLC (the Company) for year ended 2 January 2020 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and the related notes, including the accounting policies in note 2.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 2 January 2020 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- The parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS101 Reduced Disclosure Framework; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006;

### Basis for opinion

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

## 2 Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the group has profit for the year of £1.8m (2018 £2.0m and net current liabilities of £7.9m (2018 £4.7m). Due to the recent COVID-19 outbreak trading over recent days has been impacted. Following guidance provided by the UK government, the group has taken the decision to close its venues until further notice. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

*The risk: disclosure quality*

There is little judgement involved in the Directors' conclusion that risks and circumstances described in note 2 to the financial statements represent a material uncertainty over the ability of the group and company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.

However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

*Our response: our procedures included:*

*Assessing transparency*

Assessing the completeness and accuracy of the matters covered in the going concern disclosure by evaluating management's cashflow projections for the next 12 months and the underlying assumptions.

## 3 Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 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 arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2018):

3 Other key audit matters: our assessment of risks of material misstatement *(continued)*

**Recoverability of property, plant and equipment (including Right-of-Use assets), goodwill and parent company investment in subsidiary (risk vs 2018: ◄►)**

Group: Goodwill - £9.0m (2018: £9.0m), property, plant and equipment £83.5m (2018: £66.2m), Right-of-Use assets £58.4m (2018: £nil), parent investments: £32.0m (2018: £30.3m) - refer to the audit committee report, accounting policy note 2 and financial disclosures notes 15-18 in the notes to the financial statements.

*The risk: forecast-based valuation*

Plant, property and equipment (including the ROU asset recognised) and goodwill in the Group, and the carrying amount of the parent Company's investment in its trading subsidiary, are significant and at risk of potential impairment due to the Group operating in a competitive industry where box office revenues along with beverage revenues are dependent on admissions. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting the related future cash flows.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of property, plant and equipment, goodwill and the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

*Our response: our procedures included:*

*Our sector experience*

- We challenged the cash flow forecasts, and the assumptions behind them, based on our knowledge of the business and market for all cinema sites with goodwill, and those others where there was an indicator of impairment such as potential loss-making sites, identified by inspecting the Group's records of performance by site.
- We completed procedures including assessing the method and underlying completeness of management's recognition of the ROU asset that resulted from the adoption of IFRS16.

*Historical comparisons*

- We compared the EBITDA of each site against budget and prior year results for any changes that could have a potential impairment impact.
- We assessed the historical accuracy of the forecast used in the impairment model by considering actual prior year performance to budget.

*Benchmarking assumptions*

- We compared the Group's assumptions to externally derived data in relation to key inputs such as projected growth and the discount rate using a discount rate tool provided by valuations specialists.

*Sensitivity analysis*

- For all cinemas with goodwill, and those with impairment indicators over plant, property and equipment, we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring.

*Assessing transparency*

- We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of property, plant, and equipment and goodwill.
- We have assessed the Group's compliance with the requirements of IFRS16: Leases including Identification of leases and the completeness of the leases schedule, accuracy of information recorded; and discount rate.

**Recoverability of parent company investment in subsidiary (risk vs 2018: ◄►)**

Parent: £32.0m (2018: £30.3m).

*Low risk, high value*

The carrying amount of the parent company's investments in subsidiaries represents 33.2% (2018: 40%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

*Our response: our procedures included:*

*Comparing valuations*

- We compared the carrying amount of the parent company's investment in its trading subsidiary with the expected value of the business based on the Group's year end market capitalisation.

## 4 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £580,000 (2018: £450,000), determined with reference to a benchmark of group revenue, of which it represents 0.9% (2018: 0.9%). We consider revenue to be an appropriate benchmark as the group continues to expand through capital expenditure, and therefore is a more stable measure than profit or loss before tax.

Materiality for the parent company financial statements as a whole was set at £520,000 (2018: £400,000), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2018: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £30,000 (2018: £22,600), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team subjected all (2018: all) of the Group's three reporting components to full scope audits for group purposes and performed the audit of the parent company. The Group team approved the component materiality's, which ranged from £85,000 to £505,000 (2018: £50,000 to £440,000), having regard to the mix of size and risk profile of the Group across the components.

## 5 We have nothing to report on the other information in the annual report

The Directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

*Strategic report and Directors' report*

Based solely on our work on the other information:

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

## 6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

## 7 Respective responsibilities

*Directors' responsibilities*

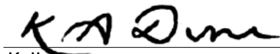
As explained more fully in their statement set out on page 17, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities*

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

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

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



Kelly Dunn
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Botanic House
100 Hills Road
Cambridge
CB2 1AR

18 March 2020

## Consolidated statement of profit and loss and other comprehensive income for the year ended 2 January 2020

| | Note | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|---|
| **Revenue** | 5 | 64,955 | 51,880 |
| Cost of sales | | (24,937) | (20,248) |
| **Gross profit** | | 40,018 | 31,632 |
| Other operating income | | - | 3 |
| Administrative expenses | | (35,213) | (28,759) |
| **Operating profit** | | 4,805 | 2,876 |
| Financial income | 11 | 1 | - |
| Financial expenses | 12 | (2,510) | (160) |
| **Net financing expense** | | (2,509) | (160) |
| **Profit before tax** | 6 | 2,296 | 2,716 |
| Tax expense | 13 | (526) | (679) |
| **Profit for the year** | | 1,770 | 2,037 |
| Other comprehensive income for the year | | 1 | - |
| **Total comprehensive income for the year** | | 1,771 | 2,037 |
| **Basic earnings per share (pence)** | 14 | 2.45 | 2.89 |
| **Diluted earnings per share (pence)** | 14 | 2.42 | 2.78 |

All amounts relate to continuing activities.

| Non-GAAP measure: adjusted profit from operations | | | |
|---|---|---|---|
| Adjusted profit from operations | | 15,588 | 9,150 |
| Before: | | | |
| Depreciation and amortisation* | 15,17 | (8,763) | (4,563) |
| Disposal of property, plant and equipment | | (52) | - |
| Acquisition and incorporation expenses | | (25) | (9) |
| Pre-opening expenses | | (1,044) | (1,099) |
| Share-based payment expense | 31 | (688) | (500) |
| Option-based social security | | (211) | (103) |
| Operating profit | | 4,805 | 2,876 |

| | |
|---|---|
| Equivalent operating lease expense included within administrative expenses prior to IFRS16 | (3,580) |
| Adjusted profit from operations comparable with prior year | 12,008 |

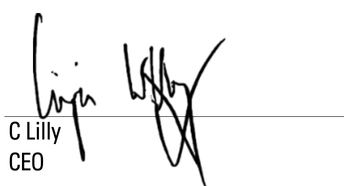
*Included within depreciation and financial expenses is £298k relating to pre-opening expenditure. This was accounted for as pre-opening operating lease expenditure in the prior year.

## Consolidated balance sheet at 2 January 2020

Registered in England & Wales
08684079

| | Note | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 83,499 | 66,150 |
| Right-of-use assets | 16 | 58,415 | - |
| Intangible assets | 17 | 10,694 | 10,655 |
| Trade and other receivables | 21 | 173 | 173 |
| | | 152,781 | 76,978 |
| **Current assets** | | | |
| Inventories | 19 | 507 | 406 |
| Trade and other receivables | 21 | 4,463 | 3,790 |
| Cash and cash equivalents | 20 | 4,271 | 3,517 |
| | | 9,241 | 7,713 |
| **Total assets** | | 162,022 | 84,691 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Other interest-bearing loans and borrowings | 24 | 122 | 56 |
| Trade and other payables | 22 | 14,408 | 12,398 |
| Lease liabilities | 25 | 2,386 | - |
| Corporation tax liabilities | 23 | 186 | - |
| | | 17,102 | 12,454 |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | 24 | 14,000 | 7,000 |
| Other payables | 22 | - | 7,796 |
| Lease liabilities | 25 | 74,005 | - |
| Provisions for other liabilities | 28 | - | 1,794 |
| Deferred tax liabilities | 29 | 1,362 | 1,210 |
| | | 89,367 | 17,800 |
| **Total liabilities** | | 106,469 | 30,254 |
| **Net assets** | | 55,553 | 54,437 |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 30 | 7,352 | 7,099 |
| Share premium | 30 | 41,920 | 39,066 |
| Merger reserve | 30 | 11,152 | 11,152 |
| Forex reserve | | 1 | - |
| Retained earnings | | (4,872) | (2,880) |
| **Total equity** | | 55,553 | 54,437 |

These financial statements were approved by the Board of Directors on 18 March 2020 and signed on its behalf by:



C Lilly
CEO

## Consolidated statement of changes in equity for the year ended 2 January 2020

| | Note | Share capital £000 | Share premium £000 | Merger reserve £000 | Forex reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 29 December 2017** | | 7,003 | 38,354 | 11,152 | - | (5,170) | 51,339 |
| Profit for the year | | - | - | - | - | 2,037 | 2,037 |
| Total comprehensive income | | - | - | - | - | 2,037 | 2,037 |
| Shares issued in the period | 30 | 96 | 712 | - | - | - | 808 |
| Share issue expenses | 30 | - | - | - | - | - | - |
| Share-based payments | 31 | - | - | - | - | 500 | 500 |
| Tax on share-based payments | 23,29 | - | - | - | - | (247) | (247) |
| Total transactions with owners of the parent | | 96 | 712 | - | - | 253 | 1,061 |
| **Balance at 3 January 2019** | | 7,099 | 39,066 | 11,152 | - | (2,880) | 54,437 |
| **Balance at 4 January 2019** | | 7,099 | 39,066 | 11,152 | - | (2,880) | 54,437 |
| Profit for the year | | - | - | - | - | 1,770 | 1,770 |
| Retranslation of foreign currency denominated subsidiaries | | - | - | - | 1 | - | 1 |
| Total comprehensive income | | - | - | - | 1 | 1,770 | 1,771 |
| Shares issued in the period | 30 | 253 | 2,854 | - | - | - | 3,107 |
| Acquisition without change in control | 30 | - | - | - | - | (1,510) | (1,510) |
| IFRS16 accumulated restatement | 25 | - | - | - | - | (3,129) | (3,129) |
| Deferred tax on IFRS16 accumulated restatement | 29 | - | - | - | - | 535 | 535 |
| Share-based payments | 31 | - | - | - | - | 688 | 688 |
| Tax on share-based payments | 23,29 | - | - | - | - | (346) | (346) |
| Total transactions with owners of the parent | | 253 | 2,854 | - | - | (3,762) | (655) |
| **Balance at 2 January 2020** | | **7,352** | **41,920** | **11,152** | **1** | **(4,872)** | **55,553** |

The notes on pages 27 to 53 form an integral part of these consolidated financial statements

## Consolidated cash flow statement for the year ended 2 January 2020

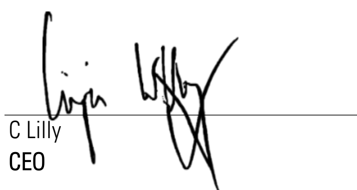
| | Note | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 1,770 | 2,037 |
| Adjustments for: | | | |
| Financial income | 11 | (1) | - |
| Financial expenses | 12 | 2,510 | 160 |
| Income tax expense | 13 | 526 | 679 |
| Operating profit | | 4,805 | 2,876 |
| | | | |
| **Changes in working capital** | | | |
| Depreciation and amortisation | 15,17 | 8,764 | 4,563 |
| Loss on disposal of property, plant and equipment | 15 | 52 | 17 |
| Transfer of property, plant and equipment to profit and loss | 15 | 5 | 41 |
| Capitalised financial expenses | | 68 | 25 |
| Loan arrangement fees | | (58) | - |
| Bad debts | | (79) | 141 |
| Acquisition and incorporation expenses | | 25 | 4 |
| Lease incentives amortised | | - | 214 |
| Market rent provisions | 28 | - | (88) |
| Equity-settled share-based payments | 31 | 688 | 500 |
| | | 14,270 | 8,293 |
| | | | |
| Increase in inventories | | (101) | (98) |
| Increase in trade and other receivables | | (1,333) | (2,887) |
| Increase in trade and other payables | | 3,089 | 2,332 |
| Net cash generated from operating activities | | 15,924 | 7,640 |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition and incorporation expenses | 34 | (25) | (4) |
| Acquisition of property, plant and equipment | 15 | (23,154) | (22,235) |
| Proceeds from sale of property, plant and equipment | | - | 9 |
| Acquisition of intangible assets | 17 | (953) | (895) |
| Interest received | 11 | 1 | - |
| Net cash used in investing activities | | (24,131) | (23,125) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from the issuance of Ordinary shares | | 1,450 | 808 |
| Proceeds from bank borrowings | 24 | 13,000 | 9,000 |
| Repayment of bank borrowings | 26 | (6,000) | (9,000) |
| Lease incentives net of reductions in lease liabilities | | 850 | - |
| Interest paid | | (339) | (172) |
| Net cash generated from financing activities | | 8,961 | 636 |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 754 | (14,849) |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 3,517 | 18,366 |
| | | | |
| Cash and cash equivalents at the end of the year | | 4,271 | 3,517 |

The Group had £16m of undrawn funds available (2018: £13m) of the loan facility at the year end.

## Company balance sheet as at 2 January 2020

| | Note | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|---|
| | | Registered in England & Wales 08684079 | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Trade and other receivables | 21 | 55,278 | 44,536 |
| Property, plant and equipment | 15 | 219 | 348 |
| Right-of-use assets | 16 | 8,756 | - |
| Investments | 18 | 31,994 | 30,337 |
| Deferred tax assets | 29 | 48 | - |
| Intangible assets | 17 | - | 547 |
| **Total assets** | | 96,295 | 75,768 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Lease liabilities | 25 | 467 | - |
| Loans and borrowings | 24 | 122 | 56 |
| Corporation tax liabilities | 23 | 60 | - |
| | | 649 | 56 |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 24 | 14,000 | 7,000 |
| Lease liabilities | 25 | 9,453 | - |
| Provisions for other liabilities | 28 | - | 1,289 |
| Deferred tax liabilities | 29 | - | 41 |
| | | 23,453 | 8,330 |
| **Total liabilities** | | 24,102 | 8,386 |
| **Net assets** | | 72,193 | 67,382 |
| **Equity attributable to owners of the Company** | | | |
| Ordinary shares | 30 | 7,352 | 7,099 |
| Share premium | 30 | 41,920 | 39,066 |
| Merger reserve | 30 | 20,336 | 20,336 |
| Retained earnings | | 2,585 | 881 |
| **Total equity** | | 72,193 | 67,382 |

These financial statements were approved by the Board of Directors on 18 March 2020 and signed on its behalf by:



C Lilly
CEO

## Company statement of changes in equity for the year ended 2 January 2020

| | Note | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| **Balance at 29 December 2017** | | 7,003 | 38,354 | 20,336 | 490 | 66,183 |
| Loss for the year | | - | - | - | (109) | (109) |
| Shares issued in the period | 30 | 96 | 712 | - | - | 808 |
| Share-based payments | 31 | - | - | - | 500 | 500 |
| **Balance at 3 January 2019** | | 7,099 | 39,066 | 20,336 | 881 | 67,382 |
| **Balance at 4 January 2019** | | 7,099 | 39,066 | 20,336 | 881 | 67,382 |
| Profit for the year | | - | - | - | 1,470 | 1,470 |
| Shares issued in the period | 30 | 253 | 2,854 | - | - | 3,107 |
| Share-based payments | 31 | - | - | - | 688 | 688 |
| IFRS16 accumulated restatement | 25 | - | - | - | (548) | (548) |
| Deferred tax on IFRS16 accumulated restatement | 29 | - | - | - | 94 | 94 |
| **Balance at 2 January 2020** | | **7,352** | **41,920** | **20,336** | **2,585** | **72,193** |

## Notes to the financial statements

### 1 General information

Everyman Media Group PLC and its subsidiaries (together, the Group) are engaged in the ownership and management of cinemas in the United Kingdom. Everyman Media Group PLC (the Company) is a public company limited by shares registered, domiciled and incorporated in England and Wales, in the United Kingdom (registered number 08684079). The address of its registered office is Studio 4, 2 Downshire Hill, London NW3 1NR. All trade takes place in the United Kingdom.

### 2 Basis of preparation and accounting policies

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU. The Company has elected to prepare its parent Company financial statements in accordance with FRS101.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial liabilities (including derivatives) measured at fair value, and liabilities for cash-settled share-based payments. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements. The Group prepares its financial statements on a 52/53 week basis. The year end date is determined by the 52nd Thursday in the year. A 53rd week is reported where the year end date is no longer aligned with 7 days either side of 31st December. The year ended 2 January 2020 is a 52 week period in comparison to the previous 53 week period ended 3 January 2019.

#### Company basis of preparation

The Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The amendments to FRS101 (2014/15 cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:
- A cash flow statement and related notes.
- Disclosures in respect of transactions with wholly-owned subsidiaries.
- Disclosures in respect of capital management.
- Disclosures in respect of the compensation of key management personnel.
- New but not yet effective IFRS.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:
- IFRS2 Share Based Payments in respect of Group-settled share based payments.
- Certain disclosures required by IAS36 Impairment Of Assets in respect of the impairment of goodwill and indefinite-life intangible assets.
- Certain disclosures required by IFRS3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill.
- Certain disclosures required by IFRS13 Fair Value Measurement.
- Certain disclosures required by IFRS7 Financial Instruments.

#### Going concern

Uncertainty due to the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. Trading over recent days has been impacted by COVID-19 and the delay of major movie releases. Following guidance provided by the UK government yesterday, the Board of Everyman has taken the decision to close its venues to guests until further notice. The health of our staff and our customers is the Board's highest priority.

All appropriate measures have been put in place to reduce the impact on the Group, including cost reduction and the postponement of new sites, refurbishments and other capital expenditure projects. Whilst the Group has significant headroom in its loan facility there is a risk of breaching the Group's financial covenants. The Board is in discussions with its lenders and is in the process of re-negotiating its loan covenants to maintain liquidity through this period of uncertainty. The Board is hopeful of lenders continued support in this period of uncertainty which is underpinned by the Government announcement to provide guaranteed loans to business.

The Board's latest forecasts are based on a scenario where the business is closed for a period of three months with reduced admissions for the following two months at 50% and 65% of normal trade respectively. The Board has factored in a delay in all non-committed capital expenditure, reduction in variable costs including staffing and moving to monthly rent payments. In addition the Government has recently announced a twelve month business rates holiday for the hospitality sector. Under this scenario there is a risk of breaching the Group's financial covenants as stated above.

The Board has also considered the severe but plausible downside scenario of complete closure and delayed re-opening. This continues to be under review given current market conditions associated with COVID-19. The business, subject to the renegotiation of its loan covenants, has the ability to remain trading for a period of at least 12 months from the date of signing of these financial statements.

Notes to the financial statements *(continued)*

## 2 Basis of preparation and accounting policies *(continued)*

### Going concern *(continued)*

The Group also has a very supportive shareholder base who are committed to the long term success of the Group, and currently there is £14m headroom in the loan facility at the date of these financial statements. Subject to the waiver or agreement of new loan covenants which match the expected trading position of the business, the Group is able to operate within the level of its current facility for at least 12 months from the approval date of the financial statements.

The events of arising as a result of the COVID-19 outbreak has meant that there is a material uncertainty. Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### Use of non-GAAP profit and loss measures

The Group believes that along with operating profit, the 'adjusted profit from operations' provides additional guidance to the statutory measures of the performance of the business during the financial year.

Adjusted profit from operations is calculated by adding back depreciation, amortisation, pre-opening expenses and certain non-recurring or non-cash items. Adjusted profit is an internal measure used by management as they believe it better reflects the underlying performance of the Group beyond generally accepted accounting principles. A pre-IFRS16 adjusted profit from operations is also reported to show EBITDA as would have been reported if operating leases were reported on a straight line basis as rent.

### Basis of consolidation

Where the Group has power, either directly or indirectly so as to have the ability to affect the amount of the investor returns and has exposure or rights to variable returns from its involvement with the investee, it is classified as a subsidiary. The balance sheet at 2 January 2020 incorporates the results of all subsidiaries of the Group for all years and periods, as set out in the basis of preparation.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date.

### Merger reserve

On 29 October 2013 the Company became the new holding company for the Group. This was put into effect through a share-for-share exchange of 1 Ordinary share of 10 pence in Everyman Media Group PLC for 1 Ordinary share of 10 pence in Everyman Media Holdings Limited (previously, Everyman Media Group Limited), the previous holding company for the Group. The value of 1 share in the Company was equivalent to the value of 1 share in Everyman Media Holdings Limited.

The accounting treatment for group reorganisations is presented under the scope of IFRS3. The introduction of the new holding company was accounted for as a capital reorganisation using the principles of reverse acquisition accounting under IFRS3. Therefore, the consolidated financial statements are presented as if Everyman Media Group PLC has always been the holding company for the Group. The Company was incorporated on 10 September 2013.

The use of merger accounting principles has resulted in a balance in Group capital and reserves which has been classified as a merger reserve and included in the Group's shareholders' funds.

The Company recognised the value of its investment in Everyman Media Holdings Limited at fair value based on the initial share placing price on admission to AIM. As permitted by s612 of the Companies Act 2006, the amount attributable to share premium was transferred to the merger reserve. The investment in the Company is recorded at fair value.

### Revenue recognition

Revenue for the Group is measured at the fair value of the consideration received or receivable. The Group recognises revenue for services provided when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

The Group's revenues from film and entertainment activities are recognised on completion of the showing of the relevant film. The Group's revenues for food and beverages are recognised at the point of sale as this is the time the performance obligations have been met. The Group's other revenues, which include commissions, sponsorships and advertising revenues, are recognised when all performance obligations have been satisfied.

All advanced booking fees, gift cards and similar income which are received in advance of the related performance are classified as deferred revenue and shown as a liability until completion of the performance.

All contractual-based revenue from memberships is initially classified as deferred revenue. Revenue from memberships that provide a certain number of tickets per year is recognised over the year as utilised. Revenue from memberships that provide unlimited access is recognised equally over the year.

## 2 Basis of preparation and accounting policies *(continued)*

### Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Goodwill represents the excess of the costs of a business combination over the total acquisition date fair values of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is capitalised as an intangible asset. Costs incurred in a business combination are expensed as incurred with the exception that for business combinations completed prior to 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit/group of units on a pro-rata basis.

### Business combinations

Acquisitions that are deemed to be the transfer of a 'business' per IFRS3 requirements, are valued at fair value through the use of an external valuation specialist. As such, any identifiable tangible and intangible assets and liabilities are valued prior to acquisition and any excess consideration is treated as goodwill and reviewed for impairment annually.

### Intangible assets

Interests in property-based leases acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is calculated on a straight-line basis to allocate the cost of property-based leases across the term of the relevant leasehold interest.

Amortisation on software in development does not commence until it is complete and available for use.

Software assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on all software assets so as to write off their carrying value over the expected useful economic lives. The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold interest | - straight line on cost over the remaining life of the lease |
| Software assets | - 3 to 5 years |

### Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. As well as the purchase price, cost includes directly attributable costs.

Depreciation on assets under construction does not commence until they are complete and available for use. These assets represent fit-outs. Depreciation is provided on all other leasehold improvements and all other items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. The estimated useful lives are as follows:

| | |
|---|---|
| Freehold properties | - 50 years |
| Leasehold improvements | - straight line on cost over the remaining life of the lease |
| Plant and machinery | - 5 years |
| Fixtures and fittings | - 8 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Land is not depreciated.

### Impairment (excluding inventories)

A financial asset not carried at fair value through the profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss.

2 Basis of preparation and accounting policies *(continued)*

Financial instruments *(continued)*

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost incurred in bringing each product to its present location and condition is accounted for as follows:

| | |
|---|---|
| Food and beverages | - purchase cost on a first-in, first-out basis |
| Projection stock | - purchase cost on a first-in, first-out basis |

Net realisable value is the estimated selling price in the ordinary course of business.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Market rent provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Financial instruments

*Recognition and initial measurement*

Trade receivables are initially recognised when originated. All other financial assets and liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets (unless a trade receivable without a significant financing component) or financial liabilities are initially measured at fair value plus, for items not at fair value through the profit and loss, transaction costs that are directly attributable to their acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price.

*Classification and subsequent measurement*

*Financial assets classification*

On initial recognition, financial assets are classified as measured at either amortised cost, fair value through other comprehensive income for debt investments or equity investments, or fair value through profit and loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are measured at amortised cost if they meet both of the following conditions:
- They are held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments are measured at fair value through other comprehensive income if they meet both of the following conditions:
- They are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in subsidiaries are carried at cost less impairment.

*Cash and cash equivalents classification*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

*Financial assets subsequent measurement, gains and losses*

Financial assets classified at fair value through profit and loss, other than derivatives designated as hedging instruments, are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit and loss.

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit and loss. Any gain or loss on derecognition is recognised in the profit and loss.

Debt investments classified at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit and loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to the profit and loss.

Equity investments classified at fair value through other comprehensive income are subsequently measured at fair value. Dividends are recognised as income in the profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the profit and loss.

2 Basis of preparation and accounting policies *(continued)*

Financial instruments *(continued)*

*Financial liabilities and equity*

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following conditions:

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

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss. Financial liabilities are classified as fair value through profit and loss if they are classified as held for trading, they are a derivative or they are designated as such on initial recognition. Financial liabilities classified at fair value through profit and loss are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit and loss. Any gain or loss on derecognition is also recognised in the profit and loss.

*Impairment*

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets (as defined in IFRS15).

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12 month expected credit losses.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The Group considers a financial asset to be in default when the financial asset is more than 120 days past due.

Lifetime expected credit losses are those that result from all possible default events over the expected life of a financial instrument.

12 month expected credit losses are the portion that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

*Measurement of expected credit losses*

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities classified at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*Written-off financial assets*

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated balance sheet differs from its tax base, except for differences arising on:

- The initial recognition of goodwill.
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

2 Basis of preparation and accounting policies *(continued)*

Taxation *(continued)*

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:
- The same taxable group company; or
- Different company entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Operating segments

The Board, the chief operating decision maker, considers that the Group's primary activity constitutes one reporting segment, as defined under IFRS8.

The total profit measures are operating profit and profit for the year, both disclosed on the face of the consolidated profit and loss. No differences exist between the basis of preparation of the performance measures used by management and the figures used in the Group financial information.

All of the revenues generated relate to cinema tickets, sale of food and beverages and ancillary income, an analysis of which appears in the notes below. All revenues are wholly generated within the UK whilst the Group's Irish venue is not yet trading and accordingly, there are no additional disclosures provided to the financial information.

Pre-opening expenses

Property rentals and other related overhead expenses incurred prior to a new site opening are expensed to the profit and loss in the year that they are incurred. Similarly, the costs of training new staff during the pre-opening phase are expensed as incurred. These expenses are included within administrative expenses, right-of-use depreciation and financing expenses.

Employee benefits

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss in the periods during which services are rendered by employees.

*Share-based payments*

Certain employees (including Directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of share-based payments is recharged by the Company to subsidiary undertakings in proportion to the services recognised.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Research and development

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

## 3 Changes in significant accounting policies

*IFRS16: Leases (effective January 2019)*

The Group has applied IFRS16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17 and IFRIC4.

At inception of a contract, the Group assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset (this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset). If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Previously, the Group recognised operating leases on a straight-line basis over the term of the lease and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

*Leases in which the Group is a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property, in property, plant and equipment. Lease liabilities are presented in loans and borrowings in the balance sheet.

In the comparative period under IAS17, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Assets held under other leases were classified as operating leases and were not recognised in the Group's balance sheet. Payments made under operating leases were recognised in the profit and loss on a straight-line basis over the term of the lease.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises these lease payments as an expense on a straight-line basis over the lease term.

## 4 Critical accounting estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions 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 facts that are considered to be relevant. Actual results may differ from these estimates.

These 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. In the current year, there are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

### Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimate of the fair value of the cash-generating units less costs to sell. The determination of a fair value and of suitable selling costs require a level of estimation. In situations where this is lower than the book value of the net assets of the cash generating unit, a value-in-use calculation will need to be performed. The value-in-use calculation requires the entity 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. Details of the impairment accounting policies are set out in the above notes.

### Impairment of tangible assets

Determining whether tangible assets are impaired requires an assessment at each reporting date to determine whether there is objective evidence that it is impaired. A tangible asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset which has a negative impact on the estimated future cash flows of that asset. In situations where there are impairment indicators, an impairment loss will be recognised as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The value-in-use calculation requires the entity 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.

## 5 Revenue

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Film and entertainment | 37,195 | 31,465 |
| Food and beverages | 23,310 | 17,622 |
| Other income | 4,450 | 2,793 |
| | 64,955 | 51,880 |

Other income includes items such as advertising and sponsorship. All trade takes place in the United Kingdom.

The following provides information about opening and closing receivables, contract assets and liabilities from contracts with customers. There was no impact on the opening balance sheet when the Company first applied IFRS15 on 29 December 2017.

| Contract balances | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Trade and other receivables | 1,428 | 963 |
| Deferred income | 3,813 | 2,935 |

Deferred income relates to advanced consideration received from customers in respect of memberships, gift cards and advanced screenings. All deferred balances at the beginning of the year (£2.9m) were recognised in the profit and loss during the year. All deferred income at the end of the year (£3.8m) is due to be recognised within 12 months.

## 6 Profit before taxation

Profit before taxation is stated after charging:

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Depreciation of tangible assets | 5,748 | 4,236 |
| Depreciation of right-of-use assets | 2,650 | - |
| Amortisation of intangible assets | 366 | 328 |
| Loss on disposal of property, plant and equipment | 52 | 17 |
| Operating lease expense/(income) | (98) | 3,301 |
| Share-based payments | 688 | 500 |
| Acquisition and incorporation expenses | 25 | 9 |

## 7 Staff numbers

The average number of employees (including Directors) during the year, analysed by category, was as follows:

| | 2 January 2020 Number | 3 January 2019 Number |
|---|---|---|
| Management | 178 | 136 |
| Operations | 787 | 641 |
| | 965 | 777 |

Management staff represent all full-time employees in the Group.

## 8 Employee costs including Directors

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Wages and salaries | 14,126 | 11,414 |
| Social security costs | 1,071 | 870 |
| Pension costs | 207 | 126 |
| Share-based payments | 688 | 500 |
| Other staff benefits | 9 | 6 |
| | 16,101 | 12,916 |

There were pension liabilities as at 2 January 2020 of £49,000 (3 January 2019: £30,000).

## 9 Directors' remuneration

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures:

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Salaries/fees | 548 | 480 |
| Bonuses | 90 | 70 |
| Other benefits | 9 | 6 |
| Pension contributions | 18 | 29 |
| | 665 | 585 |
| Share-based payments | 223 | 193 |
| | 888 | 778 |

Share-based payment credits in relation to option lapses for Directors during the year were £35,000 (2018: £nil).

| Information regarding the highest paid Director is as follows: | | |
|---|---|---|
| Salaries | 194 | 172 |
| Bonuses | 40 | 55 |
| Other benefits | 4 | 2 |
| Pension contributions | 11 | 17 |
| | 249 | 246 |
| Share-based payments | 237 | 97 |
| | 486 | 343 |

Directors remuneration for each Director is disclosed in the Directors' report. The costs relating to the Directors remuneration are wholly incurred by Everyman Media Limited for the wider Group. The amount attributable to services provided to the Company was £178,000 (2018: £186,000). 3 Directors exercised options over shares in the Company during the year (2018: 2)

## 10 Auditor's remuneration

| Fees payable to the Company's auditor for: | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Audit of the Company's financial statements | 12 | 12 |
| Audit of the subsidiary undertakings of the Company | 77 | 73 |
| Taxation and compliance services to the Group | 57 | 58 |
| | 146 | 143 |

The Group's policy on the use of the external auditor for non-audit services is to ensure that any work undertaken does not impair the auditor's independence. We have considered the auditor's independence and we continue to believe that KPMG LLP is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff are not impaired.

## 11 Financial income

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Interest receivable | 1 | - |

## 12 Financial expenses

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Interest on bank loans and overdrafts | 405 | 185 |
| Less: Interest capitalised within assets under construction | (68) | (25) |
| Bank loan arrangement fees | 58 | - |
| Interest on lease liabilities | 2,115 | - |
| Interest expense recognised in the profit and loss | 2,510 | 160 |

## 13 Taxation

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| *Tax expense* | | |
| Current tax | 428 | - |
| | | |
| *Deferred tax expense* | | |
| Origination and reversal of temporary differences | (19) | 277 |
| Deferred tax not previously recognised | 111 | 402 |
| Total tax charge | 526 | 679 |

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to the profit for the year are as follows:

| Reconciliation of effective tax rate | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Profit before tax | 2,296 | 2,716 |
| | | |
| Tax at the UK corporation tax rate of 19.00% | 436 | 516 |
| | | |
| Permanent differences (expenses not deductible for tax purposes) | 49 | 18 |
| Previously unrecognised corporation tax | 6 | - |
| Deferred tax (not) previously recognised | 111 | 384 |
| Other short term timing differences (potentially exercisable share options) | 32 | (239) |
| Effect of change in expected future statutory rates on deferred tax | (108) | - |
| Total tax expense | 526 | 679 |

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax at 2 January 2020 has been calculated based on these rates.

## 14 Earnings per share

| | Year ended 2 January 2020 £000 | Year ended 3 January 2019 £000 |
|---|---|---|
| Profit used in calculating basic and diluted earnings per share | 1,770 | 2,037 |
| Number of shares (000's) | | |
| Weighted average number of shares for the purpose of basic earnings per share | 72,245 | 70,391 |
| Number of shares (000's) | | |
| Weighted average number of shares for the purpose of diluted earnings per share | 73,179 | 73,366 |
| Basic earnings per share (pence) | 2.45 | 2.89 |
| Diluted earnings per share (pence) | 2.42 | 2.78 |

| Weighted average number of shares for the purpose of basic earnings per share | 2 January 2020 Weighted average no. 000's | 3 January 2019 Weighted average no. 000's |
|---|---|---|
| Issued at beginning of the year | 70,989 | 70,027 |
| Share options exercised | 623 | 364 |
| Shares issued as consideration for acquisition with no change in control | 633 | - |
| Weighted average number of shares at end of the year | 72,245 | 70,391 |
| **Weighted average number of shares for the purpose of diluted earnings per share** | | |
| Basic weighted average number of shares | 72,245 | 70,391 |
| Effect of share options in issue | 934 | 2,975 |
| Weighted average number of shares at end of the year | 73,179 | 73,366 |

Basic earnings per share values are calculated by dividing net profit/(loss) for the year attributable to Ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year.

The Company has 4.3m potentially issuable Ordinary shares (2018: 6.7m) all of which relate to the potential dilution from share options issued to the Directors and certain employees and contractors, under the Group's incentive arrangements.

The Company made a post-tax profit for the year of £1.5m (2018: £0.1m).

15 Property, plant and equipment

| (Group) | Land & Buildings £000 | Leasehold improvements £000 | Plant & machinery £000 | Fixtures & fittings £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 29 December 2017 | - | 42,962 | 8,183 | 7,451 | 797 | 59,393 |
| Acquired in the year | 6,339 | 9,101 | 2,705 | 1,178 | 2,912 | 22,235 |
| Disposals | - | (120) | (167) | (826) | - | (1,113) |
| Transfer to profit and loss | - | - | - | - | (41) | (41) |
| Transfer to intangibles | - | - | (118) | - | - | (118) |
| Transfer on completion | - | 265 | - | - | (265) | - |
| At 3 January 2019 | 6,339 | 52,208 | 10,603 | 7,803 | 3,403 | 80,356 |
| Acquired in the year | 190 | 15,329 | 4,130 | 1,694 | 1,811 | 23,154 |
| Disposals | - | (150) | (261) | (592) | - | (1,003) |
| Transfer to profit and loss | - | - | - | - | (5) | (5) |
| Transfer on completion | - | 2,138 | 174 | 457 | (2,769) | - |
| At 2 January 2020 | **6,529** | **69,525** | **14,646** | **9,362** | **2,440** | **102,502** |
| **Depreciation** | | | | | | |
| At 29 December 2017 | - | 4,766 | 3,135 | 3,253 | - | 11,154 |
| Charge for the year | - | 2,112 | 1,506 | 618 | - | 4,236 |
| On disposals | - | (118) | (163) | (806) | - | (1,087) |
| At 3 January 2019 | - | 6,760 | 4,383 | 3,063 | - | 14,206 |
| Charge for the year | 109 | 2,615 | 2,197 | 827 | - | 5,748 |
| On disposals | - | (99) | (260) | (592) | - | (951) |
| At 2 January 2020 | **109** | **9,276** | **6,320** | **3,298** | **-** | **19,003** |
| **Net book value** | | | | | | |
| At 2 January 2020 | **6,420** | **60,249** | **8,326** | **6,064** | **2,440** | **83,499** |
| At 3 January 2019 | 6,339 | 45,448 | 6,220 | 4,740 | 3,403 | 66,150 |
| At 28 December 2017 | - | 38,196 | 5,048 | 4,198 | 797 | 48,239 |

The Group held no assets under finance leases as at 2 January 2020 (2018: £nil).

For impairment considerations of tangible fixed assets this was considered using the value in use basis disclosed in note 17.

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

(Company only)

| | Plant & machinery £000 | Fixtures & fittings £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 29 December 2017 | 485 | 255 | 740 |
| Acquired in the year | - | - | - |
| At 3 January 2019 | 485 | 255 | 740 |
| | | | |
| Acquired in the year | - | - | - |
| At 2 January 2020 | 485 | 255 | 740 |
| | | | |
| **Depreciation** | | | |
| At 29 December 2017 | 198 | 65 | 263 |
| Charge for the year | 97 | 32 | 129 |
| At 3 January 2019 | 295 | 97 | 392 |
| | | | |
| Charge for the year | 97 | 32 | 129 |
| At 2 January 2020 | 392 | 129 | 521 |
| | | | |
| **Net book value** | | | |
| At 2 January 2020 | 93 | 126 | 219 |
| | | | |
| At 3 January 2019 | 190 | 158 | 348 |
| | | | |
| At 28 December 2017 | 287 | 190 | 477 |

## 16 Right-of-use assets

(Group)

| | Land & Buildings £000 | Motor Vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Recognition on adoption of IFRS16 | 57,756 | - | 57,756 |
| Transfer of existing lease-related items | (8,621) | - | (8,621) |
| Additions/ reassessments | 11,880 | 50 | 11,930 |
| At 2 January 2020 | 61,015 | 50 | 61,065 |
| | | | |
| **Amortisation and impairment** | | | |
| Charge for the year | 2,639 | 11 | 2,650 |
| At 2 January 2020 | 2,639 | 11 | 2,650 |
| | | | |
| **Net book value** | | | |
| At 2 January 2020 | 58,376 | 39 | 58,415 |

## 16 Right-of-use assets *(continued)*

(Company only)

| | Land & Buildings £000 |
|---|---|
| **Cost** | |
| Recognition on adoption of IFRS16 | 9,711 |
| Transfer of existing lease-related items | (741) |
| Additions/ reassessments | 301 |
| At 2 January 2020 | 9,271 |
| | |
| **Amortisation and impairment** | |
| Charge for the year | 515 |
| At 2 January 2020 | 515 |
| | |
| **Net book value** | |
| At 2 January 2020 | 8,756 |

## 17 Intangible assets

(Group)

| | Goodwill £000 | Leasehold Interests £000 | Software Assets £000 | Software in Development £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 29 December 2017 | 8,951 | 674 | 619 | - | 10,244 |
| Acquired in the year | - | - | 632 | 263 | 895 |
| Transfer from tangibles | - | - | 118 | - | 118 |
| At 3 January 2019 | 8,951 | 674 | 1,369 | 263 | 11,257 |
| Acquired in the year | - | - | 938 | 15 | 953 |
| Disposals | - | (674) | (63) | - | (737) |
| Transfer on completion | - | - | 263 | (263) | - |
| At 2 January 2020 | **8,951** | **-** | **2,507** | **15** | **11,473** |
| **Amortisation and impairment** | | | | | |
| At 29 December 2017 | - | 90 | 88 | - | 178 |
| Transfer from tangibles | - | - | 97 | - | 97 |
| Charge for the year | - | 36 | 291 | - | 327 |
| At 3 January 2019 | - | 126 | 476 | - | 602 |
| Charge for the year | - | - | 366 | - | 366 |
| On disposals | - | (126) | (63) | - | (189) |
| At 2 January 2020 | **-** | **-** | **779** | **-** | **779** |
| **Net book value** | | | | | |
| At 2 January 2020 | **8,951** | **-** | **1,728** | **15** | **10,694** |
| At 3 January 2019 | 8,951 | 548 | 893 | 263 | 10,655 |
| At 28 December 2017 | 8,951 | 584 | 531 | - | 10,066 |

## 17 Intangible assets *(continued)*

(Company only)

| | Leasehold Interests £000 | Total £000 |
|---|---|---|
| **Cost** | | |
| At 29 December 2017 | 674 | 674 |
| Acquired in the year | - | - |
| At 3 January 2019 | 674 | 674 |
| Acquired in the year | - | - |
| Disposals | (674) | (674) |
| At 2 January 2020 | - | - |
| **Amortisation and impairment** | | |
| At 29 December 2017 | 90 | 90 |
| Charge for the year | 36 | 36 |
| At 3 January 2019 | 126 | 126 |
| Charge for the year | - | - |
| On disposals | (126) | (126) |
| At 2 January 2020 | - | - |
| **Net book value** | | |
| At 2 January 2020 | - | - |
| At 3 January 2019 | 547 | 547 |
| At 28 December 2017 | 584 | 584 |

## 17 Intangible assets *(continued)*

Value-in-use calculations are performed annually and at each reporting date for each cash-generating unit (CGU) which represents each site acquired. Value-in-use was calculated as the net present value of the projected risk-adjusted post-tax cash flows plus a terminal value of the CGU. A pre-tax discount rate was applied to calculate the net present value of pre-tax cash flows. The discount rate was calculated using a market participant weighted average cost of capital. A single rate has been used for all sites as management believe the risks to be the same for all sites. Whilst there is some sensitivity to the inputs, the methodology is not significantly impacted by reasonable fluctuations in inputs such as increasing the WACC used to 10%. Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to CGUs or groups of CGUs as follows:

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Baker Street | 103 | 103 |
| Barnet | 1,309 | 1,309 |
| Belsize Park | 67 | 67 |
| Esher | 2,804 | 2,804 |
| Gerrards Cross | 1,309 | 1,309 |
| Islington | 86 | 86 |
| Muswell Hill | 1,215 | 1,215 |
| Oxted | 102 | 102 |
| Reigate | 113 | 113 |
| Walton-On-Thames | 94 | 94 |
| Winchester | 217 | 217 |
| York | 1,532 | 1,532 |
| | 8,951 | 8,951 |

The recoverable amount of each CGU has been calculated with reference to its value-in-use. The key assumptions of this calculation are shown below:

| | 2 January 2020 | 3 January 2019 |
|---|---|---|
| Sales and cost growth (over a 5 year period) | 3% | 0% |
| Discount rate | 8.83% | 9.51% |
| Terminal value | 10 x EBITDA | 8 x EBITDA |
| Number of years projected | 5 years | 5 years |

There have been no impairments indicated in the year to 2 January 2020 (2018: £nil). The projected sales growth was based on the Group's latest forecasts at the time of review and is in line with the average growth rate for the industry within the UK. The key assumptions in the cash flow pertain to revenue growth. Management have determined that growth based on industry average growth rates and actuals achieved historically are the best indication of growth going forward. The Group has adjusted its discount rate to 8.83%. The Directors are confident that the Group is largely immune from the effects of Brexit and the impact on the wider economic environment. Additionally, the Group believes that there has been no significant impact on the structure of the Group that should result in a significant impact on the discount rate. Management has performed sensitivity testing on all inputs to the model and noted no material sensitivities in the model.

## 18 Investments

| (Company only) | Total £000 |
|---|---|
| At 29 December 2017 and 3 January 2019 | 30,337 |
| Acquisition of Group companies | 1,657 |
| At 2 January 2020 | 31,994 |

The subsidiaries of the Company are as follows (all of which are included on consolidation):

| Name | Principal activity | Country of incorporation | Class of share held | Proportion of shares held |
|---|---|---|---|---|
| Everyman Media Holdings Limited | Cinema management and ownership | UK | Ordinary | 100% |
| | | | A Ordinary, Series 1, 2 and 3 | 100% |
| Everyman Media Limited* | Cinema management and ownership | UK | Ordinary | 100% |
| CISAC Limited* | Dormant | UK | Ordinary | 100% |
| Foxdon Limited* | Cinema management and ownership | ROI | Ordinary | 100% |
| ECPee Limited** | Property management | UK | Ordinary | 100% |
| Bloom Martin Limited** | Dormant | UK | Ordinary | 100% |
| Bloom Theatres Limited*** | Dormant | UK | Ordinary | 100% |
| Mainline Pictures Limited*** | Dormant | UK | Ordinary | 100% |

* Shareholding is held by Everyman Media Holdings Ltd
** Shareholding is held by Everyman Media Ltd
*** Shareholding is held by Bloom Martin Ltd

## 18 Investments *(continued)*

The A Ordinary shares have no rights to a dividend. Everyman Media Group PLC directly holds all Ordinary shares (£27,015) and A Ordinary shares (£6,557) of Everyman Media Holdings Limited. During the year the Company acquired the remaining A Ordinary shares in Everyman Media Holdings Limited for £1.7m having previously been held by Adam Kaye and Paul Wise. Consideration was paid in a share-for-share exchange of newly-issued shares in the Company.The change in the interest in Everyman Media Holdings Limited has not resulted in a change of control and has been accounted for as an equity transaction.

Everyman Media Limited has 285,000 Ordinary shares of £1.00 each in issue, all of which are held by Everyman Media Holdings Limited and therefore indirectly held by Everyman Media Group PLC. All other subsidiaries are also indirectly-held investments. Everyman Media Holdings Limited acquired 100 Ordinary shares, being the entire issued share capital, of Foxdon Limited (a limited company established and resident in the Republic of Ireland and dormant at the date of acquisition) for €100 on 24 June 2019. With respect to the class and proportion of shares held in existing subsidiaries, the amounts remain the same for the year ended 2 January 2020 and the year ended 3 January 2019. Bloom Martin Limited, Bloom Theatres Limited and Mainline Pictures Limited are all dormant companies and exempt from the requirement for an audit for the year.

The class and proportion of shares held in all other subsidiaries remain the same for the year ended 2 January 2020 and the year ended 3 January 2019.

The registered office address of all investments other than Foxdon Limited is Studio 4, 2 Downshire Hill, London NW3 1NR. The registered office address of Foxdon Limited is 33 Sir John Rogerson's Quay, Dublin 2 D02 XK09. All companies listed above are included in the consolidated financial statements. All consolidated companies have the same financial year and apply the same accounting policies.

## 19 Inventories

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Food and beverages | 443 | 338 |
| Projection | 64 | 68 |
| | 507 | 406 |

Included within inventories is £nil (2018: £nil) expected to be recovered in more than 12 months. Finished goods recognised as cost of sales in the year amounted to £5.6m (2018: £4.3m). The write-down of inventories to net realisable value amounted to £nil (2018: £nil).

## 20 Cash and cash equivalents

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Per balance sheet | 4,271 | 3,517 |
| Per cash flow statement | 4,271 | 3,517 |

## 21 Trade and other receivables

| (Group) | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Included in current assets | 4,463 | 3,790 |
| Included in non-current assets | 173 | 173 |
| | 4,636 | 3,963 |
| Trade and other receivables | 1,428 | 963 |
| Social security and other taxation | 13 | - |
| Other debtors | 1,527 | 1,363 |
| Prepayments and accrued income | 1,668 | 1,637 |
| | 4,636 | 3,963 |

There were no receivables that were considered to be impaired nor any material expected credit losses other than existing provisions. There is no significant difference between the fair value of the other receivables and the values stated above. Other debtors include deposits paid in respect of a long-term leases and contributions from landlords towards fit-outs.

### Trade and other receivables

| (Company only) | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Included in non-current assets | 55,278 | 44,536 |
| Amounts due from company undertakings | 55,278 | 44,536 |

All amounts other than those from Company undertakings are due for payment within one year. Interest is charged on inter-company loans at the same rate as that charged to the Group by its lenders, currently 3.3%. The loans are repayable on 15 January 2022.

## 22 Trade and other payables

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Included in current liabilities | 14,408 | 12,398 |
| Included in non-current liabilities | - | 7,796 |
| | 14,408 | 20,194 |
| | | |
| Trade creditors | 4,495 | 2,660 |
| Social security and other taxation | 1,464 | 733 |
| Other creditors | 56 | 2 |
| Accrued expenses | 4,580 | 5,739 |
| Lease incentives | - | 8,125 |
| Deferred income | 3,813 | 2,935 |
| | 14,408 | 20,194 |

## 23 Corporation tax liabilities

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Included in current liabilities | 186 | - |
| *Corporation tax gross movements* | | |
| Opening balance | - | - |
| *Recognised in profit and loss* | | |
| Current tax | 428 | - |
| Adjustments in respect of prior years | 6 | - |
| Charge to profit and loss | 434 | - |
| *Recognised in equity* | | |
| Movement on share option intrinsic value | (248) | - |
| Closing balance | 186 | - |

## 24 Other interest-bearing loans and borrowings

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| *Bank borrowings* | | |
| Current | 122 | 56 |
| Non-current | 14,000 | 7,000 |
| | 14,122 | 7,056 |

The Company agreed a £30m loan facility with Barclays Bank PLC and Santander UK PLC on 16 January 2019. Interest is charged at LIBOR on the drawn-down balance on a 365/ACT D-basis (the nominal interest rate ranging between 1.65% and 2.65%). The capital sum is repayable in full on or before 15 January 2024. Commitment fees are charged quarterly on any balances not drawn at 35% of the applicable rate of drawn funds. The face value is deemed to be the carrying value. The Group had a drawn down balance of £14m of the £30m debt facility as at 2 January 2020 (2018: £7m).

## 25 Leases

(Group)

On transition to IFRS16, the Group recognised £57.8m right-of-use assets and £60.9m lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.2%.

| IFRS16 impact on financial statements from change in accounting policy | Land & Buildings £000 | Motor Vehicles £000 | Total £000 |
|---|---|---|---|
| At 4 January 2019 | | | |
| Obligations under operating leases as disclosed in prior year | 71,159 | - | 71,159 |
| *Lease liabilities* | | | |
| Recognition on adoption of IFRS16 discounted using incremental borrowing rate | 60,886 | - | 60,886 |
| Existing lease-related items | 615 | - | 615 |
| Additions/ reassessments | 16,556 | 50 | 16,606 |
| Interest | 2,113 | 1 | 2,114 |
| Lease payments | (3,810) | (20) | (3,830) |
| At 2 January 2020 | **76,360** | **31** | **76,391** |

25 Leases *(continued)*

There were no differences between the operating lease commitments at the date of initial application discounted at the incremental borrowing rate and the lease liability recognised on adoption of IFRS16. The Group used the following practical expedients when applying IFRS16 to leases previously classified as operating leases under IAS17:

- Adjusted the right-of-use assets by the amount of IAS37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

| *As a lessee* | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| *Lease liabilities* | | |
| Current | 2,386 | - |
| Non-current | 74,005 | - |
| | 76,391 | - |

| Maturity analysis of lease payments | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Contractual future cash outflows | | |
| *Land and buildings* | | |
| Less than one year | 4,787 | - |
| Between one and five years | 20,487 | - |
| Over five years | 82,197 | - |
| | 107,471 | - |
| *Motor vehicles* | | |
| Less than one year | 14 | - |
| Between one and five years | 18 | - |
| | 32 | - |

All lease payments for land and buildings are fixed payments (including any scheduled increases). Remaining lease liabilities are reassessed following annual rent reviews based on an external index (such as the RPI). The weighted average lease length of land and buildings is 17 years.

| *Recognised in profit and loss* | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Interest on lease liabilities | 2,114 | - |
| Expenses relating to short-term and low-value leases | 32 | - |
| Lease expenses | 2,146 | - |

*As a lessor*

| Lease income from lease contracts in which the Group acts as a lessor is as below. | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| *Operating leases* | | |
| Lease income net of incentives | 645 | 519 |

The Group leases out some leasehold property as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

| Maturity analysis of lease receipts | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Contractual future cash inflows | | |
| *Land and buildings* | | |
| Less than one year | 100 | 100 |
| Between one and five years | 400 | 400 |
| Over five years | 650 | 750 |
| | 1,050 | 1,150 |

## 25 Leases *(continued)*

(Company only)

On transition to IFRS16, the Company recognised £9.7m right-of-use assets and £9.9m lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.2%.

| IFRS16 impact on financial statements from change in accounting policy | Land & Buildings £000 |
|---|---|
| At 4 January 2019 | |
| Obligations under operating leases as disclosed in prior year | 11,859 |
| | |
| *Lease liabilities* | |
| Recognition on adoption of IFRS16 discounted using incremental borrowing rate | 10,260 |
| Existing lease-related items | (189) |
| Additions/ reassessments | 301 |
| Interest | 318 |
| Lease payments | (770) |
| At 2 January 2020 | 9,920 |

| *As a lessee* | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| *Lease liabilities* | | |
| Current | 467 | - |
| Non-current | 9,453 | - |
| | 9,920 | - |

| Maturity analysis of lease payments | 2 January 2020 | 3 January 2019 |
|---|---|---|
| Contractual future cash outflows | £000 | £000 |
| *Land and buildings* | | |
| Less than one year | 778 | 771 |
| Between one and five years | 3,113 | 3,113 |
| Over five years | 8,959 | 9,738 |
| | 12,850 | 13,621 |

All lease payments for land and buildings are fixed payments (including any scheduled increases). Remaining lease liabilities are reassessed following annual rent reviews based on an external index (such as the RPI). The weighted average lease length of land and buildings is 18 years.

| *Recognised in profit and loss* | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Interest on lease liabilities | 318 | - |

## 26 Financial assets and financial liabilities

| Changes in liabilities from financing activities | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Opening balance | 7,056 | 7,043 |
| | | |
| *Changes from financing cash flows:* | | |
| Proceeds from borrowings | 13,000 | 9,000 |
| Repayment of borrowings | (6,339) | (9,172) |
| Interest on borrowings | 405 | 185 |
| | 14,122 | 7,056 |

## 26 Financial assets and financial liabilities *(continued)*

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following indicates their effective interest rates at the end of the year and the periods in which they mature:

| | Effective interest rate % | Maturing within 1 year £000 | Maturing between 1 to 2 years £000 | Maturing between 2 to 5 years £000 |
|---|---|---|---|---|
| **At 3 January 2019** | | | | |
| Bank borrowings | 3.3% | 56 | - | 7,000 |
| Bank current and deposit balances | 0.01% | 3,517 | - | - |
| **At 2 January 2020** | | | | |
| Bank borrowings | 2.9% | 122 | - | 14,000 |
| Bank current and deposit balances | 0.01% | 4,271 | - | - |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit and loss before tax through the impact on floating rate borrowings and bank deposits and cash flows:

| | Change in rate % | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|---|
| Bank borrowings | | 14,122 | 7,056 |
| | -1.0% | 141 | 71 |
| | -0.5% | 71 | 35 |
| | 0.5% | (71) | (35) |
| | 1.0% | (141) | (71) |
| | 1.5% | (212) | (106) |
| Bank current and deposit balances | | 4,271 | 3,517 |
| | -1.0% | (43) | (35) |
| | -0.5% | (21) | (18) |
| | 0.5% | 21 | 18 |
| | 1.0% | 43 | 35 |
| | 1.5% | 64 | 53 |

## 27 Financial instruments

Investments, financial assets and financial liabilities, cash and cash equivalents and other interest-bearing loans and borrowings are measured at amortised cost and the Directors believe their present value is a reasonable approximation to their fair value.

| Financial liabilities measured at amortised cost | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Bank borrowings | 14,122 | 7,056 |

### Financial instruments not measured at fair value

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

| Non-derivative financial liabilities | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| **Unsecured bank facility** | | |
| Carrying amount | 14,122 | 7,056 |
| Contractual cash flows: | | |
| Less than one year | 535 | 275 |
| Between one and two years | 519 | 284 |
| Between three and five years | 15,038 | 852 |
| Over five years | - | 7,284 |
| | 16,092 | 8,696 |

Charges have been put in place over the net assets of the Group as collateral against the loan balance.

27 Financial instruments *(continued)*

### Risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group has not issued or used any financial instruments of a speculative nature and the Group does not contract derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments.

The Group is exposed to the following financial risks:
- Credit risk
- Liquidity risk
- Interest rate risk

To the extent financial instruments are not carried at fair value in the consolidated Balance Sheet, net book value approximates to fair value at 2 January 2020 and 3 January 2019.

Trade and other receivables are measured at amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the statement of profit and loss and other comprehensive income in the relevant period. Cash and cash equivalents are held in sterling and placed on deposit in UK banks. Trade and other payables are measured at book value and held at amortised cost. There have been no impairment losses recognised on these assets.

### Accounting classification

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| Carrying amount | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| *Financial assets not measured at fair value* | | |
| Trade and other receivables | 4,636 | 3,963 |
| Cash and cash equivalents | 4,271 | 3,517 |
| | 8,907 | 7,480 |
| *Financial liabilities not measured at fair value* | | |
| Unsecured bank loans | 14,122 | 7,056 |
| Trade and other payables | 14,408 | 20,194 |
| | 28,530 | 27,250 |

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Company is exposed to credit risk in respect of its receivables from its subsidiary companies. The recoverability of these balances is dependent upon the performance of these subsidiaries in future periods. The performance of the Company's subsidiaries is closely monitored by the Company's Board of Directors.

At 2 January 2020 the Group had trade receivables of £1.4m (2018: £1.0m). The Group is exposed to credit risk in respect of these balances such that, if one or more of the customers encounters financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering into contracts with customers with agreed credit terms. At 2 January 2020 the Directors have provided for £nil against doubtful debts (2018: £122,230). The maximum exposure to credit risk at the balance sheet date by class of financial instrument was:

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| *Ageing of receivables* | | |
| <30 days | 1,092 | 672 |
| 31-60 days | 276 | 39 |
| 61-120 days | - | 11 |
| >120 days | 12 | 241 |
| | 1,380 | 963 |

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Credit risk is limited due to the customer base being diverse and unrelated. There has not been any impairment other than existing provisions in respect of trade receivables during the year (2018: £nil). There were no material expected credit losses in the year.

27 Financial instruments *(continued)*

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet its expected cash requirements as determined by regular cash flow forecasts prepared by management.

*Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts shown are gross, not discounted and include contractual interest payments and exclude the impact of netting agreements.

| 2 January 2020 | Carrying amount £000 | Contractual cash flows<br>Less than one year £000 | Between one and two years £000 | Between three and five years £000 | Over five years £000 | Total £000 |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Unsecured bank facility | 14,122 | 535 | 519 | 15,038 | - | **16,092** |
| Trade creditors | 4,481 | 4,481 | - | - | - | **4,481** |
| Leases | 76,391 | 4,801 | 5,074 | 15,431 | 82,198 | **107,504** |
| Social security and other taxation | 1,464 | 1,464 | - | - | - | **1,464** |
| Other creditors | 56 | 56 | - | - | - | **56** |
| Accrued expenses | 4,577 | 4,577 | - | - | - | **4,577** |
| | 101,091 | 15,914 | 5,593 | 30,469 | 82,198 | 134,174 |

| 3 January 2019 | Carrying amount £000 | Contractual cash flows<br>Less than one year £000 | Between one and two years £000 | Between three and five years £000 | Over five years £000 | Total £000 |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Unsecured bank facility | 7,056 | 275 | 284 | 852 | 7,284 | **8,696** |
| Trade creditors | 2,660 | 2,660 | - | - | - | **2,660** |
| Social security and other taxation | 733 | 733 | - | - | - | **733** |
| Other creditors | 2 | 2 | - | - | - | **2** |
| Accrued expenses | 5,737 | 5,737 | - | - | - | **5,737** |
| | 16,188 | 9,407 | 284 | 852 | 7,284 | 17,828 |

Interest rate risk

Interest rate risk arose from the Group's holding of interest-bearing loans linked to LIBOR. The Group is also exposed to interest rate risk in respect of its cash balances held pending investment in the growth of the Group's operations. The effect of interest rate changes in the Group's interest-bearing assets and liabilities are set out in note 26.

Capital management

The Group's capital is made up of share capital, share premium, merger reserve and retained earnings totalling £55.6m (2018: £54.4m).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity as set out in the consolidated statement of changes in equity. All funding required to set-up new cinema sites and for working capital purposes are financed from existing cash resources where possible. Management will also consider future fundraising or bank finance where appropriate.

28 Provisions

| (Group) | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| **Market rent provisions** | | |
| Opening balance | **1,794** | 1,883 |
| On derecognition | **(1,794)** | - |
| Utilised against rent during the year | - | (89) |
| Closing balance | - | 1,794 |

28 Provisions *(continued)*

(Company only)

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| **Market rent provisions** | | |
| Opening balance | 1,290 | 1,360 |
| On derecognition | (1,290) | - |
| Utilised against rent during the year | - | (70) |
| Closing balance | - | 1,290 |

Market rent provisions related to the fair value of liabilities on leases acquired in 2015 and 2017. The market rent provisions were being amortised over the term of the individual leases.

29 Deferred tax

(Group)

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Included in non-current liabilities | 1,362 | 1,210 |
| | | |
| Deferred tax gross movements | | |
| Opening balance | 1,210 | 284 |
| | | |
| *Recognised in the profit and loss* | | |
| Arising on loss carried forward | 17 | (438) |
| Other provisions released | (39) | (7) |
| Net book value in excess of tax written down value | (82) | 1,188 |
| Movement on share option intrinsic value | (26) | (64) |
| Amortisation of IFRS16 accumulated restatement | 31 | - |
| Unrealisable balances on loss carried forward | 191 | - |
| Charge to profit and loss | 92 | 679 |
| | | |
| *Recognised in equity* | | |
| Movement on share option intrinsic value | 594 | 247 |
| Recognition of temporary differences on IFRS16 accumulated restatement | (535) | - |
| | 59 | 247 |
| | | |
| Differences in foreign exchange | 1 | - |
| | | |
| Closing balance | 1,362 | 1,210 |
| | | |
| The deferred tax liability comprises: | | |
| Temporary differences on property, plant and equipment | 2,190 | 2,270 |
| Temporary differences on IFRS16 accumulated restatement | (502) | - |
| Temporary differences on leases acquired | 87 | 105 |
| Share-option scheme intrinsic value | (223) | (790) |
| Available losses | (578) | (596) |
| Unrealisable deferred tax assets | 190 | - |
| Other temporary and deductible differences | 198 | 221 |
| | 1,362 | 1,210 |

Deferred tax is calculated in full on temporary differences under the liability method using the tax rates that have been substantively enacted for future periods, being 17%. The deferred tax liability has arisen due to the timing difference on property, plant and equipment, the deferral of capital gains tax arising from the sale of a property and other temporary and deductible differences. The Group has recognised unutilised tax allowances inr relation to losses of £578,000 as well as unutilised tax allowances in relation to the accumulated IFRS16 restatement of £502,000 at expected tax rates in future periods.

In accordance with IAS12 Income taxes, the expense of £594,000 (2018: £247,000) has been recognised outside of profit and loss to the extent that the deferred tax asset has arisen on expected allowable deductions for tax purposes at future tax rates in excess of the fair value of the share option charge that will be recognised in the profit and loss. In this instance, the expected gain on the exercise of share options is anticipated to exceed the full share option charge recognised in the profit and loss at initial fair value. A further £535,000 has been recognised as a credit in equity due to the IFRS16 accumulated restatement expense not being charged to profit and loss.

Notes to the financial statements *(continued)*

## 29 Deferred tax *(continued)*

| (Company only) | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Included in non-current (assets)/liabilities | (48) | 41 |
| | | |
| Deferred tax gross movements | | |
| Opening balance | 41 | 43 |
| | | |
| *Recognised in profit and loss* | | |
| Movement in loss carried forward | 16 | 5 |
| Amortisation of IFRS16 accumulated restatement | 5 | - |
| Amortisation of acquisition-related deferred tax | (16) | (7) |
| (Charge)/credit to profit and loss | 5 | (2) |
| | | |
| *Recognised in equity* | | |
| Recognition of temporary differences on IFRS16 accumulated restatement | (94) | - |
| Closing balance | (48) | 41 |

| | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| The deferred tax (asset)/liability comprises: | | |
| Temporary differences on property, plant and equipment | (46) | (48) |
| Temporary differences on IFRS16 accumulated restatement | (89) | - |
| Temporary differences on leases acquired | 87 | 105 |
| Available losses | - | (16) |
| | (48) | 41 |

The Company has a deferred tax asset due to the timing difference on property, plant and equipment. The Company has recognised unutilised tax allowances of £nil (2018: £16,000) at expected tax rates in future periods.

## 30 Share capital and reserves

| | Nominal value | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|---|
| *Authorised, issued and fully paid Ordinary shares* | £0.10 | | |
| At the start of the year | | 7,099 | 7,003 |
| Issued in the year | | 253 | 96 |
| At the end of the year | | 7,352 | 7,099 |

| Number of shares | Nominal value | 2 January 2020 Number | 3 January 2019 Number |
|---|---|---|---|
| *Authorised, issued and fully paid Ordinary shares* | £0.10 | | |
| At the start of the year | | 70,989,303 | 70,027,103 |
| Issued in the year | | 2,528,666 | 962,200 |
| At the end of the year | | 73,517,969 | 70,989,303 |

The holders of Ordinary shares are entitled to one vote per share. During the year the Company issued 2,528,666 Ordinary shares at prices ranging from 83p to 85p from the exercise of share options including 820,548 as consideration for the acquisition of A shares in Everyman Media Holdings Limited. During the year, the Group acquired the remaining A Ordinary shares in Everyman Media Holdings Limited for £1.7m. Consideration was paid in a share-for-share exchange of newly-issued shares in Everyman Media Group PLC. The change in the interest in Everyman Media Holdings Limited has not resulted in a change of control and has been accounted for as an equity transaction.

### Merger reserve

In accordance with s612 of the Companies Act, the premium on Ordinary shares issued in relation to acquisitions is recorded as a merger reserve.

### Share premium

Share premium is stated net of share issue costs.

### Dividends

No dividends were declared or paid during the period (2018: £nil).

## 31 Share-based payment arrangements

The Group operates three equity-settled share based remuneration schemes for employees. The schemes combine a long term incentive scheme, an EMI scheme and an unapproved scheme for certain senior management, executive Directors and certain contractors.

The terms and conditions of the grants are as follows:

| Persons entitled | Grant date | Method of settlement | Instruments outstanding 000's | Vesting conditions* | Contractual life of options |
|---|---|---|---|---|---|
| Management employees, Directors and contractors | 29.10.2013 | Equity-settled | 118 | 1 | 10 years |
| Management employees, Directors and contractors | 29.10.2013 | Equity-settled | 170 | 2 | 10 years |
| Management employees, Directors and contractors | 29.10.2013 | Equity-settled | - | 4 | 10 years |
| Management employees, Directors and contractors | 29.10.2013 | Equity-settled | - | 3 | 10 years |
| Directors | 04.11.2013 | Equity-settled | 50 | 2 | 10 years |
| Directors | 20.04.2015 | Equity-settled | - | 7 | 10 years |
| Directors | 20.04.2015 | Equity-settled | - | 8 | 10 years |
| Management employees, Directors and contractors | 29.10.2015 | Equity-settled | 218 | 9 | 10 years |
| Management employees | 15.12.2016 | Equity-settled | 220 | 10 | 10 years |
| Management employees | 10.01.2017 | Equity-settled | 75 | 10 | 10 years |
| Directors | 13.03.2017 | Equity-settled | 250 | 10 | 10 years |
| Management employees and contractors | 11.10.2017 | Equity-settled | 445 | 10 | 10 years |
| Management employees | 09.11.2017 | Equity-settled | 10 | 10 | 10 years |
| Management employees and Directors | 23.11.2017 | Equity-settled | 107 | 11 | 10 years |
| Management employees and Directors | 23.04.2018 | Equity-settled | 38 | 12 | 10 years |
| Management employees and contractors | 02.10.2018 | Equity-settled | 413 | 10 | 10 years |
| Management employees | 03.10.2018 | Equity-settled | 18 | 13 | 10 years |
| Management employees | 05.11.2018 | Equity-settled | 1 | 13 | 10 years |
| Directors | 13.03.2019 | Equity-settled | 500 | 10 | 10 years |
| Management employees and Directors | 28.05.2019 | Equity-settled | 269 | 14 | 10 years |
| Management employees and Directors | 24.09.2019 | Equity-settled | 1,378 | 10 | 10 years |

*1 EMI options. These vest in equal tranches on the first, second and third anniversaries of the date of grant.

*2 Unapproved options. These vest in equal tranches on the first, second and third anniversaries of the date of grant.

*3 EMI options. These vest in equal tranches on the first, second and third anniversaries of the date of grant. Each tranche is exercisable if the Company's share price exceeds £1.20, £1.40 and £1.70 respectively for 15 consecutive trading days.

*4 Series 1, 2 and 3 A Ordinary shares in Everyman Media Holdings Ltd. Holders of these shares have a right to require Everyman Media Group PLC to purchase the shares at a price essentially equivalent to the market value of an Everyman Media Group PLC Ordinary share less 83p provided that the share price has been, for 15 consecutive trading days after 8 May 2014, £1.20 or more for Series 1 shares, £1.40 or more for Series 2 shares and £1.70 or more for Series 3 shares. The A Ordinary shares will convert into essentially worthless deferred shares to the extent that these targets are not met by 7 November 2023. As such, the Directors consider these shares to be largely equivalent to an EMI option. The rights described above were accounted for as share-based payments.

*5 EMI options. These vest in two tranches: 181,455 on the first anniversary of the date of grant and 105,901 on the second anniversary of the date of grant. The tranches may be exercised if the Company share price is above £1.20 and £1.40 respectively for 15 consecutive trading days.

*6 Unapproved options. These vest in two tranches: 75,554 on the second anniversary of the date of grant and 181,455 on the third anniversary of the date of grant. The tranches may be exercised if the Company share price is above £1.40 and £1.70 respectively for 15 consecutive trading days.

*7 EMI options. These vest in two tranches: 169,358 on the first anniversary of the date of grant and 105,367 on the second anniversary of the date of grant. The tranches may be exercised if the Company share price is above £1.20 and £1.40 respectively for 15 consecutive trading days.

*8 Unapproved options. These vest in two tranches: 63,991 on the second anniversary of the date of grant and 169,358 on the third anniversary of the date of grant. The tranches may be exercised if the Company share price is above £1.40 and £1.70 respectively for 15 consecutive trading days.

*9 Unapproved options. These vest in equal tranches on the first, second and third anniversaries of the date of grant. Each tranche is exercisable if the Company share price exceeds £1.30, £1.50 and £1.80 respectively for 15 consecutive trading days.

*10 Unapproved options. These vest on the third anniversary of the date of grant.

*11 Unapproved options as part of the long-term incentive plan. These vest on the fifth anniversary of the date of grant. Half of the options are exercisable if the share price exceeds £2.10 for 2 consecutive trading days within 60 days following the announcement of the preliminary results for 2017. The other half of the options are exercisable if the Adjusted Profit measure for 2017 exceeds £6.4m, £6.5m and £6.6m respectively.

*12 Unapproved options as part of the long-term incentive plan. These vest 4 years and 7 months from the date of grant. 45% of the options are exercisable if the share price exceeds £2.95 for 2 consecutive trading days within 60 days following the announcement of the preliminary results for 2018. The other 55% of the options are exercisable if the Adjusted Profit measure for 2018 exceeds £8.8m and incrementally to £9.5m.

*13 Unapproved options as part of the long-term incentive plan. These vest 4 years and 2 months from the date of grant. 45% of the options are exercisable if the share price exceeds £2.95 for 2 consecutive trading days within 60 days following the announcement of the preliminary results for 2018. The other 55% of the options are exercisable if the Adjusted Profit measure for 2018 exceeds £8.8m and incrementally to £9.5m.

*14 Unapproved options as part of the long-term incentive plan. These vest 3 years and 6 months from the date of grant. 45% of the options are exercisable if the share price exceeds £2.25 for 2 consecutive trading days within 60 days following the announcement of the preliminary results for 2019. The other 55% of the options are exercisable if the Adjusted Profit measure for 2019 exceeds £12.1m and incrementally to £12.5m.

## 31 Share-based payment arrangements *(continued)*

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) as determined through use of the Black-Scholes technique, at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group and Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The inputs into the Black-Scholes model for the share option plans for the share options issued in the year are as follows:

| Option scheme conditions for options issued in the year: | 2 January 2020 Performance criteria | 2 January 2020 No performance criteria | 3 January 2019 Performance criteria | 3 January 2019 No performance criteria |
|---|---|---|---|---|
| Weighted average share price at grant date (pence) | **190.00** | **183.21** | 233.96 | 235.00 |
| Weighted average option exercise prices (pence) | **10.00** | **183.21** | 10.00 | 235.00 |
| Expected volatility | **60.82%** | **65.89%** | 56.49% | 58.72% |
| Expected option life | **5 years** | **4 years** | 4 years | 5 years |
| Weighted average contractual life of outstanding share options | **10 years** | **10 years** | 10 years | 10 years |
| Risk-free interest rate | **0.81%** | **0.64%** | 1.5% | 1.54% |
| Expected dividend yield | **0.0%** | **0.0%** | 0.0% | 0.0% |
| Fair value of options granted in the year (pence) | **2.78** | **0.94** | 281.98 | 1.01 |

| | Weighted average exercise price per share in the year ended | | | |
|---|---|---|---|---|
| | 2 January 2020 Pence | 3 January 2019 Pence | 2 January 2020 Number | 3 January 2019 Number |
| Options at the beginning of the year | **102.2** | 91.3 | **5,575,344** | 5,861,152 |
| Options issued in the year | **159.9** | 164.6 | **2,186,820** | 731,392 |
| Options exercised in the year | **84.0** | 83.9 | **(3,100,982)** | (962,200) |
| Option forfeited in the year | **79.7** | 95.5 | **(383,322)** | (55,000) |
| Options at the end of the year | **146.9** | 102.2 | **4,277,861** | 5,575,344 |

No options lapsed beyond their contractual life in the year (2018: nil).

| Share-based payments charged to the profit and loss | 2 January 2020 £000 | 3 January 2019 £000 |
|---|---|---|
| Administrative costs | **688** | 500 |

The charge for the Company was £nil (2018: £nil) after recharging subsidiary undertakings with a charge of £688,000 (2018: £500,000). The relevant charge is included within administrative costs.

There are 775,147 options exercisable at 2 January 2020 in respect of the current arrangements (2018: 3,656,129). 3,100,982 options were exercised in the year (2018: 962,200).

Volatility for options issued was determined by reference to movements in the share price over 5 years prior to the grant date. The market value conditions, where applicable, are reflected in the forfeited options following 60 days of the announcement of the annual results since the performance conditions are met/not met prior to the vesting period and as such no estimate of potential achievement of market values is required.

## 32 Commitments

There were capital commitments for tangible assets at 2 January 2020 of £3.0m (2018: £6.0m).

## 33 Events after the balance sheet date

There has been a significant event after the balance sheet date associated with the COVID19 outbreak. See Chairman's report and basis of preparation note 2.

## 34 Acquisitions

*Acquisitions in the period*

The Group acquired 100 Ordinary shares, being the entire issued share capital, of Foxdon Limited (a limited company established and resident in the Republic of Ireland) for €100 on 24 June 2019.

## 35 Related party transactions

In the year to 2 January 2020 the Group engaged services from entities related to the Directors and key management personnel of £680,000 (2018: £603,000) comprising consultancy services of £85,000 (2018: £50,000), office rental of £97,000 (2018: £56,000) and venue rental for Bristol, Harrogate and Stratford-Upon-Avon of £497,000 (2018: £497,000). There were no other related party transactions. There are no key management personnel other than the Directors.

The Company charged an amount of £688,000 (2018: £500,000) to Everyman Media Limited in respect of share-based payments, £917,000 (2018: £823,000) in respect of the rental of four cinema sites acquired in 2016 and £2.1m (2018: £185,000) in respect of interest on bank loan funds provided to the Company.

Everyman Media Holdings Limited, charged an amount of £547,000 (2018: £419,000) to Everyman Media Limited in respect of the rental of two cinema sites.

ECPee Limited charged an amount of £160,000 (2018: £103,000) to Everyman Media Limited in respect of the rental of its cinema site during the year.

The Group's commitment to new leases is set out in the above notes. Within the total of £107.5m is an amount of £850,000 relating to office rental, £5.1m relating to Stratford-Upon-Avon, £2.4m relating to Bristol and £5.4m relating to Harrogate. The landlords of the sites are entities related to the Directors of the

## 36 Ultimate controlling party

The Company has a diverse shareholding and is not under the control of any one person or entity.

## Explanatory notes to the notice of annual general meeting

**THE BOARD STRONGLY ENCOURAGES ALL SHAREHOLDERS TO VOTE ON THE RESOLUTIONS BY PROXY BEFORE THE DEADLINE OF 10.00 A.M. ON 1 JUNE 2020. THE MOST RECENT "STAY AT HOME" MEASURES ADOPTED BY THE GOVERNMENT PROHIBIT, UNLESS ESSENTIAL FOR WORK PURPOSES, PUBLIC GATHERINGS OF MORE THAN TWO PEOPLE. THE COMPANY'S VIEW, WHICH IS SUPPORTED BY THE CHARTERED GOVERNANCE INSTITUTE (ICSA) IS THAT ATTENDANCE AT A GENERAL MEETING BY A SHAREHOLDER, OTHER THAN ONE SPECIFICALLY REQUIRED TO FORM THE QUORUM FOR THAT MEETING, IS NOT ESSENTIAL FOR WORK PURPOSES. THE COMPANY HAS ARRANGED FOR A QUORUM TO BE PRESENT IN PERSON AT THE MEETING. ACCORDINGLY, WE HEREBY NOTIFY SHAREHOLDERS THAT ANYONE SEEKING TO ATTEND THE MEETING IN PERSON WILL BE REFUSED ENTRY. SHAREHOLDERS ARE ASKED INSTEAD TO SUBMIT THEIR PROXY VOTE ONLINE OR BY COMPLETING THEIR FORM OF PROXY IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT BELOW.**

This year, 12 resolutions are to be proposed at the annual general meeting and the purpose of each of the resolutions is as follows:

**Ordinary business**

*Resolution 1: the accounts and reports*

The Directors will present their report and the audited financial statements for the 52 weeks ended 2 January 2020, together with the auditors' report thereon.

*Resolutions 2-8: re-election of retiring Directors*

The Articles of Association of the Company stipulate that any Director shall only hold office until the conclusion of the next annual general meeting following the date of their appointment. The Articles of Association of the Company also require that one third of the Directors retire at the annual general meeting. However, corporate governance best practice, as adopted by the Company, requires each of the Directors to retire and offer themselves for re-appointment. Accordingly, each of the Directors will be retiring and offering themselves for re-appointment at the annual general meeting. Biographical details relating to each of the Directors can be found on the Group's website: investors.everymancinema.com.

*Resolution 9: appointment of auditors*

The Company is required to appoint auditors at each annual general meeting at which accounts are laid before shareholders, to hold office until the next such meeting. This resolution proposes KPMG be re-appointed as auditors for the current year.

*Resolution 10: auditors' remuneration*

This resolution authorises the Directors to fix the auditors' remuneration.

**Special business**

*Resolution 11: Directors' power to allot securities*

S549 of the Companies Act 2006 stipulates that Directors cannot allot shares or rights to subscribe for shares in the Company (other than shares allotted in accordance with an employee share scheme) unless they are authorised to do so by the shareholders in a general meeting. The Directors' general authority to allot shares was granted on 29 April 2020. Resolution 11 seeks a new general authority from shareholders (to the exclusion of the previous general authority granted) for the Directors to allot Ordinary Shares up to an aggregate nominal value of £3,036,515.63, representing one third of the nominal value of the issued share capital of the Company as at the date of this notice. The Directors consider it desirable that the specified amount of Ordinary Shares be available for issue so that they can more readily take advantage of possible opportunities. Unless renewed, revoked, varied or extended, this authority will expire at the conclusion of the annual general meeting of the Company to be held in 2021 or, if earlier, the date which is fifteen months after the passing of the resolution.

*Resolution 12: disapplication of pre-emption rights*

If the Directors wish to allot any shares for cash, the Companies Act 2006 requires that such shares must be offered first to shareholders in proportion to their existing holdings. These are the statutory pre-emption rights of shareholders. In certain circumstances, it may be in the interests of the Company for the Directors to be able to allot shares for cash without having to offer them first to existing shareholders. Resolution 12 therefore seeks approval to empower the Directors to allot shares for cash other than in accordance with the statutory pre-emption rights, in connection with a rights issue and other pre-emptive offers up to the level of authority granted pursuant to Resolution 11, and otherwise up to a maximum nominal amount of £910,954.69, representing approximately 10 per cent of the nominal value of the issued share capital of the Company. Unless renewed, revoked, varied or extended, this authority will expire at the conclusion of the annual general meeting of the Company to be held in 2021 or, if earlier, the date which is fifteen months after the passing of the resolution.

**Recommendation**

The Directors believe that the proposals in resolutions 1 to 12 are in the best interests of the Group and its shareholders as a whole. Accordingly, the Directors recommend that shareholders vote in favour of each resolution as they intend to do in respect of their own beneficial shareholdings. Appointing a proxy will enable your vote to be counted at the Annual General Meeting in the event of your absence. Shareholders are urged not to attend the Annual General Meeting, and anyone who seeks to attend will be refused entrance.

## Notice of annual general meeting

Notice is hereby given that the annual general meeting of Everyman Media Group PLC will be held at 10:00 a.m. on Wednesday 3rd June 2020 at Everyman Cinema, 5 Holly Bush Vale, Hampstead London NW3 6TX for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolution 12 will be proposed as a special resolution.

**Ordinary business**

*Ordinary resolutions*

1 To receive the accounts and the reports of the Directors and the auditors thereon for the 52 weeks ended 2 January 2020.
2 To re-elect Mr Paul Wise as a Director.
3 To re-elect Mr Crispin Lilly as a Director.
4 To re-elect Mr Adam Kaye as a Director.
5 To re-elect Ms Elizabeth Lake as a Director.
6 To re-elect Mr Charles Dorfman as a Director.
7 To re-elect Mr Philip Jacobson as a Director.
8 To re-elect Mr Michael Rosehill as a Director.
9 To re-appoint KPMG as auditors of the Company to hold office until the conclusion of the next annual general meeting.
10 To authorise the Directors to determine the auditors' remuneration.

**Special business**

To consider, and if thought fit, pass resolution 11 as an ordinary resolution and resolution 12 as a special resolution.

*As an ordinary resolution*

11 That the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with s551 of the Companies Act 2006, to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company (relevant securities of the Company as defined in s551 of the Companies Act 2006) up to an aggregate nominal amount of £3,036,515.63 (being a sum equal to one third of the issued share capital at the date of the notice of meeting) provided that the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, at 5.00pm (London time) on the date which is fifteen months after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

*As a special resolution*

12 That, subject to the passing of resolution 11, the Directors be authorised to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority conferred by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:

a) the allotment of equity securities in connection with an offer of equity securities:
   i. to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
   ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

b) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to clause (a) of this resolution) to any person up to an aggregate nominal amount of £910,954.69.

The authority granted by this resolution will expire at the conclusion of the Company's next annual general meeting after the passing of this resolution or, if earlier, at 5.00pm (London time) on the date which is fifteen months after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting), save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

On behalf of the Board
**Paul Wise, Chairman**
**1 May 2020**

*Everyman Media Group PLC*
Studio 4, 2 Downshire Hill
London
NW3 1NR

**Notes**

1. You can lodge your vote electronically, by logging onto the Computershare website at www.investorcentre.co.uk/eproxy. An identifying Control Number, together with your unique Shareholder Reference Number (SRN) and PIN (all of which are printed on form of proxy) will be required. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Computershare not later than 10.00 a.m. on 1 June 2020.
2. A member entitled to attend, speak and vote may appoint a proxy or proxies to attend, speak and vote at the annual general meeting instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed which, if used, must be lodged at the Company's registrars, Computershare Investor Service PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than forty-eight hours before the meeting. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy you may photocopy the proxy form. You may appoint a person other than the Chairman as your proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. However, shareholders are urged to appoint the Chairman of the Meeting as their proxy, as entry will be refused to anyone apart from one other Director to ensure the General Meeting is quorate.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 6:00pm on the day occurring two working days before the date of the meeting. If the Meeting is adjourned then, to be so entitled, members must be entered on the Company's register of members at 6:00pm on the day occurring two working days before the date of the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice. Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members later than 6:00pm on the day occurring two working days before the date of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
4. Forms of proxy and the power of attorney or other authority, if any, under which they are signed or a notarised certified copy of that power of attorney or authority, should be sent to the address noted on the form of proxy so as to arrive not less than 48 hours before the time fixed for the meeting. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary Share of which they are a holder. As a member, you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
5. As at 1 May 2020, which is the latest practicable date before publication of this notice, the Company's issued share capital was 91,095,469 Ordinary Shares of 10 pence. There were no shares held in treasury and therefore the total voting rights were 91,095,469.
6. The vote 'withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'withheld' vote is not a vote in law and will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Computershare Investor Services PLC (whose CREST ID is 3RA50) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(A) of the Uncertificated Securities Regulations 2001.
8. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the register of members in respect of the relevant joint holding.
9. Shareholders are advised that, unless otherwise stated, any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
10. Except as provided above, members who have general queries about the meeting should contact the Company's registrars Computershare by using the following means of communication: Tel: 0370 707 1577 (lines are open from 8:30 am to 5:30 pm Monday to Friday). Calls cost 10 pence per minute plus network charges or visit their online Investor Centre at investorcentre.co.uk. For overseas shareholders please call: +44 (0)370 707 1577.
11. If you have disposed of your holding in the Company this document should be passed on to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.
12. A copy of the notice of meeting can also be found at: investors.everymancinema.com.