Everyman Media Group PLC - EMAN Final Results
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Everyman Media Group PLC

("Everyman", "Company" or the "Group")

Audited results for the 52 weeks ended 2 January 2020

Everyman Media Group PLC (AIM: EMAN) announces its audited final results for the year ended 2 January 2020.

Financial Highlights

- Revenue for the year up 25.1% to £65.0 million (2018: £51.9 million);
- Admissions up 17% on previous financial period to 3.3 million (2018: 2.8 million);
- Average ticket price increased to £11.37 (2018: £11.26) and Spend Per Head increased 13% to £7.13 (2018: £6.30) driven by menu development and operational improvements;
- Pre IFRS 16 EBITDA* grew 31.3% to £12.0 million (2018: £9.2 million), exceeding revenue growth as the Group continues to benefit from its growing estate. This equates to a post-IFRS 16 EBITDA of £15.6 million;
- Operating profit increased 67.1% to £4.8 million (2018: £2.9 million);
- A further seven new Everyman venues opened in the last 12 months, growing the estate to 33 sites and 110 screens as at 18 March 2020;
- Box office market share rose to 3.1% (2018: 2.5%) and Everyman remains the fifth largest cinema business in the UK by gross box office revenue.

Outlook

Since our financial year end the outlook for the UK and Global economy has become increasingly uncertain due to the spread of the COVID-19 virus. Following guidance provided by the UK government on 16 March 2020, the Board of Everyman took the decision to close its venues to guests from 17 March 2020 until further notice. The health of our staff and our customers is the Board's highest priority.

We therefore expect to see a significant pause in business and are taking all appropriate measures to reduce the financial impact of this on the Group. Whilst the exact longer term impact of the situation is difficult to predict the Board believes that shareholders should take comfort from the following:

- The Group has in excess of £14m headroom in its loan facility currently
- Action has been taken to postpone all non-committed capital expenditure, which will affect our planned rollout but maintains the strong financial position of the group
- Actions to reduce operating expenses have been taken and further actions are in place to reduce expenses to a minimum during this period of closure

We will see a significant interruption in business and new openings, but will remain well placed to deliver again in 2021. Cinema has been a part of the social experience for over 80 years and we are confident we will be well placed to deliver again for our customers, continuing to provide them with a great night out, once we have overcome the Coronavirus crisis.

*Adjusted for pre-opening costs, acquisition expenses, depreciation, amortisation and share based payments. IFRS 16 has been applied. Pre IFRS 16 EBITDA would have been £12.0m, an increase of 30.4%.

Crispin Lilly, Chief Executive Officer of Everyman Media Group PLC said:

"We are facing an unprecedented global situation, and are now concentrating all our resources on tackling the challenge at hand. We will be focussed on preparing the business to be in the best possible position in the future. Everyman has proven itself to be a strong business with good growth fundamentals, which the Board is confident will stand the Company in a good position once the current market challenges have been overcome.''

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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Chairman's statement

Facing the challenges ahead

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

In line with the latest Government advice, and with the health of our customers in mind, we made the decision earlier this week to close our cinemas for a period of time. This is one of the various scenarios we have been planning for, with all its implications. 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.

Outlined below is a review of activity in 2019.

Overview

Reflecting on 2019, the Everyman experience continued 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 continued to deliver in the period. 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 now operate 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 can have on high streets and communities, breathing new life into public spaces either through regeneration, or new developments.

Our financial performance was again strong, in line with expectations, delivering revenue for the period up 25%, and pre-IFRS 16 EBITDA up 31.3% 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% up from 2.6%. We remained 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 177.0 million, with 176.1 million admissions in 2019 (source: UK Cinema Association). This continues to demonstrate the power of cinema, with people's appetite for entertainment continuing to be an important trend.

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 £1.0 million into building a new third screen at Gerrards Cross along with an expanded bar and new kitchen now capable of serving our full Spielburger menu.

Staff

In the period, Elizabeth Lake joined us as Chief Financial Officer on 16 September 2019.

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.

Future of the Group

As outlined above, we face significant challenges in the short to medium term, as a result of dealing with the COVID-19 pandemic. We believe in, and are confident about, the fundamentals of our business and are working hard to ensure the business is positioned to continue to deliver once we emerge from this crisis.

Paul Wise

Executive Chairman

18 March 2020

Chief Executive's Statement

We find ourselves in an unparalleled environment, where what was business as usual last month, is now a distant past. We are focused on tackling the challenge at hand and ensuring the business is in the best possible position for the future.

Development of the Group's business in 2019

2019 was a strong year for the Group, as we delivered in line with our proven growth plan, and the 25% 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.

Progress against strategy

KPIs

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

The 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 continued to realise annual increases in ticket prices in line with inflation.

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

Enhancing the Everyman Experience

Over the period we saw an increased focus on digital engagement, membership and advanced our understanding of our existing customers, which helped to increase frequency whilst the ongoing development of our food and beverage offering increased 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 the 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 in the period, 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.

In addition, a full refurbishment of our Walton and Gerrards Cross venues took place during the year, including the addition of a third screen at the latter.

These investments were financed from current resources including the new extended bank facility and retained earnings.

Expansion of our geographic footprint

In the period, we continued to focus both on the growth of our footprint, adding seven new Everyman venues across 2019, as well as increasing our customer base, frequency and ancillary spends from our existing venues.

The Group currently has venues in the following locations:

	Number of Screens	Number of Seats
Location		
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 2019, ** extended by one screen in 2019.

Building the Everyman brand

In the period, we continued 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, which is above market performance. 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, and the 5th annual Everyman Music & Film Festival and an outdoor cinema season at The Grove Hotel,
Hertfordshire.

UK cinema market performance in 2019

The UK cinema industry delivered close to the modern-day record last year of 177.0 million, with 176.1 million admissions 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).

Outlook

Currently the Group's focus is on addressing the short to medium term challenges we face associated with the global COVID-19 pandemic. This does not change the Board's confidence in Everyman and its proposition over the long term.

Crispin Lilly

CEO

18 March 2020

Chief Financial Officer's Statement

Results

Revenue for the year was up 25.2% on last year to £64,955,000 (2018: £51,880,000).

The Group's adjusted operating profit (before depreciation, amortisation, pre-opening expenses, acquisition costs and share-based payments) was up 70.4% to £15,590,000 (2018: £9,150,000). On a like for like accounting basis pre-IFRS 16 growth was 31.2% at £12,010,000. 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 £4,807,000 (pre-IFRS 16 equivalent £3,868,000, 2018: £2,876,000) and generated a profit after tax for the year of £1,800,000 (pre-IFRS 16 equivalent £3,191,000, 2018: £2,037,000).

The increase in net liabilities is due to the Group's adoption of IFRS 16. 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 £15,924,000 (2018: £7,640,000). Net cash outflows for the year, before financing, were £8,207,000 (2018: £15,485,000 million). 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 £4,271,000 (2018: £3,517,000).

On 16 January 2019 the Group agreed a new 5 year loan facility of £30.0 million with Barclays Bank PLC and Santander UK PLC. This replaced the £20.0 million loan facility signed in March 2017 with Barclays Bank PLC. At the year end the Group had drawn down £14.0 million (2018: £7.0 million) 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 £1,044,000 (2018: £1,099,000). Included within depreciation and financial expense is £0.3m also relating to 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.

Elizabeth Lake

CFO

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 3 January 2019). Comprising the Chief Executive's statement and the Chief Financial Officer's statement.

Principal activity

The Group is a leading independent cinema group in the UK. The principal activity of the Company is that of a holding company.

Review of the business

The Group made a profit after tax of £1,771,000 (2018: £2,037,000). The profit in 2019 is after charging £2,115,000 interest on lease liabilities and depreciation of right of use assets in excess of operating lease equivalents under IFRS 16 (2018: £nil).

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

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.

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 a 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.

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 on pages 8 to 11 we describe how the Board operates and the culture of the business including 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, and we engage in constant dialogue with our workforce and our suppliers.

Directors' report

The Directors present their annual report and the audited financial statements for the Group for the 52 weeks 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 £1,770,000 (pre-IFRS 16 equivalent £3,191,000, 2018: £2,037,000). 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

2,528,666 new shares were issued in 2019. The number of Ordinary shares in issue at 2 January 2020 was 73,517,969 (2018: 70,989,303). The Group has also issued options over the share capital of the Company to members of the Board and to certain employees which amounted to 4,277,864 Ordinary shares (2018: 5,575,344 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: 1,392,864) 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, 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 boards 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 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 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.

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.

Independent auditor's report to the members of Everyman Media Group PLC

1 Our opinion is unmodified

We have audited the financial statements of Everyman Media Group PLC ("the Company") for the 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 International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *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) ("ISAs (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 £1.7 million (2018: £2.0 million) and net current liabilities of £7.9 million (2018: £4.7 million). 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. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follow (unchanged from 2018):

Recoverability of property, plant and equipment, Right-of-use assets and goodwill (Risk vs 2018 ◄►)

Group: goodwill - £9.0 million (2018: £9.0 million), plant, property and equipment - £83.5 million (2018: £66.2 million), Right- of- use assets - £58.4 million (2018: £nil).

Refer to page 8 and 9 the in Audit Committee Report, page 28 in accounting policy Note 2, and page 38 and 39 of financial disclosures.

The risk

Forecast-based valuation

Plant, property and equipment, Right-of-use assets and the carrying value of goodwill in the Group, 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, right-of-use assets and the recoverable amount of goodwill 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.
  - *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 forecasts used in the Group's 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 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 *IFRS 16: 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: £32.0 million (2018: £30.3 million)

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 12, 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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR
19 March 2020

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

	Year ended	Year ended

	Note	2 January 2020 £000	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 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 pre IFRS 16		**(3,580)**	
Adjusted profit from operations comparable with prior year		**12,008**	9,150

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

Crispin 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
Deferred tax on share-based payments	**29**	-	-	-	-	(247)	(247)
Total transactions with owners of 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)
IFRS 16 accumulated restatement	**25**	-	-	-	-	(3,129)	(3,129)
Deferred tax on IFRS 16 accumulated restatement	**29**	-	-	-	-	535	535
Share-based payments	**31**	-	-	-	-	688	688
Deferred 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**

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 finance 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
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 £16,000,000 of undrawn funds available (2018: £13,000,000) of the loan facility at the year end.

Company balance sheet as at 2 January 2020

		Registered in England & Wales 08684079
	2 January 2020	**3 January 2019**

	Note	£000	£000
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		**48**	-
Intangible assets	**17**	**-**	547
Total assets		**96,295**	75,768
Liabilities			
Current liabilities			
Lease liabilities	**25/26**	**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	**25/26**	**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			
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:

Crispin 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 28 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 payment expense	**31**	-	-	-	688	688
IFRS 16 accumulated restatement	**25/26**	-	-	-	(548)	(548)
Deferred tax on IFRS 16 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, 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 boards 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 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, 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, sponsorships and advertising revenues that provide unlimited access is recognised equally over the year.

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.

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.

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.

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. 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

IFRS 16: Leases (effective 1 January 2019)

The Group has applied IFRS 16 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 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

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

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 (£2,935,000) were recognised in the profit and loss during the year. All deferred income at the end of the year (£3,788,000) 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 (income)/expense	**(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/fees	**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	**Year ended**

	2 January 2020 £000	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 December 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 of 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 4,278,000 potentially issuable Ordinary shares (2018: 6,744,000) 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 loss for the year of £1,470,000 (2018: £109,000).

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 at the balance sheet date (2018: £nil).

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

Property, plant and equipment
(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 29 December 2017	287	190	477

16 Right-of-use assets
(Group)

	Land & Buildings £'000	Motor Vehicles £'000	Total £'000
Cost			
Recognition on adoption of IFRS 16	57,756	-	57,756
Transfer of existing lease-related assets	(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
(Company only)

	Land & Buildings £'000
Cost	
Recognition on adoption of IFRS 16	9,711
Transfer of existing lease-related assets	(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 29 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

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%
			Series 1, 2 and 3	100%
Everyman Media Limited*	Cinema management and ownership	UK	Ordinary	100%
CISAC Limted*	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

The A Ordinary shares have no rights to a dividend. Everyman Media Group PLC directly holds all the 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 £1.7 million 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 incorporated in the UK is Studio 4, 2 Downshire Hill, London NW3 1NR. Foxdon Limited's registered office 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 £5,607,000 (2018: £4,297,000). 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
	4,626	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 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 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 periods	**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 £30 million 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 drawn down £14 million of the £30 million debt facility as at 2 January 2020 (2018: £7 million).

25 Leases

(Group)

On transition to IFRS16, the Group recognised £57.8 million right-of-use assets and £60.9 million 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%.

IFRS 16 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 IFRS 16 discounted using incremental borrowing rate	60,886	-	60,886
Existing lease-related provisions	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**

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 expenses	**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

Leases
(Company only)

On transition to IFRS16, the Company recognised £9.7 million right-of-use assets and £9.9 million 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%.

IFRS 16 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 IFRS 16 discounted using incremental borrowing rate	10,260
Existing lease related (assets)/provisions	(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**
Contractual future cash inflows		
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

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.

	2 January 2020 £000	**3 January 2019 £000**
Financial liabilities measured at amortised cost		

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.

Risk management

(Group)

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 consolidated 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 has trade receivables of £1,380,000 (2019: £963,000). 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.

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.

		Contractual cash flows				
2 January 2020	**Carrying amount £000**	**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	7,284	**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 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 £55,552,000 (2018: £54,437,000).

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
Additional provisions arising on acquisition	**(1,794)**	-
Utilised against rent during the period	**-**	(89)
Closing balance	**-**	1,794

Provisions	**2 January**	**3 January**

(Company only)	2020 £000	2019 £000
Market rent provisions		
Opening balance	**1,290**	1,360
On derecognition	**(1,290)**	-
Utilised against rent during the period	**-**	(70)
Closing balance	**-**	1,290

Market rent provisions relate to the fair value of liabilities on leases acquired in 2015 and 2017. The market rent provisions are 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 IFRS accumulated restatement	**31**	-
Movement on share option intrinsic value	**191**	-
Charge to profit and loss	**92**	679
Recognised in equity		
Movement on share option intrinsic value	**594**	247
Recognition of temporary differences on IFRS 16 accumulated restatement	**(535)**	-
Amortisation of IFRS 16 accumulated restatement	**59**	-
	92	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 IFRS 16 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 in 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.

Deferred tax
(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 the profit and loss		
Movement in loss carried forward	**16**	5
Amortisation of IFRS 16 accumulated restatement	**5**	-
Amortisation of acquisition-related deferred tax	**(16)**	(7)
Credit to profit and loss	**5**	(2)
Recognised in equity		
Recognition of temporary differences on IFRS 16 accumulated restatement	**(94)**	-
Closing balance	**(48)**	41

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

The Company has a deferred tax liability 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 £1.7 million. 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.

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 £2,951,000 (2018: £5,899,000).

33 Events after the balance sheet date

There has been a significant event after the balance sheet date associated with the COVID-19 outbreak. See Chairman's report and Basis of Preparation of accounts note.

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 £2,071,000 (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 Company.

36 Ultimate controlling party

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

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