

Cinema Provision Preston City Centre

Report compiled for



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*John Sullivan, Head of Consulting
Mike Thomson, Head of Commercial
Keith Pullinger, General Manager & Director
Damian Drabble, Head of Operations
Judith Querfurth, Project Leader*



22 Golden Square, London W1F 9JW (United Kingdom)
Contact: John Sullivan Tel: (+44) 7768 013 702
Email: John.Sullivan@dcinex.com
www.dcinex.com

Warranty

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Warranty

This report is prepared on the instructions of the party to whom or which it is addressed and is thus not suitable for use other than for that party. As the report involves future forecasts, it can be affected by a number of unforeseen variables. Information within this report should not be relied upon by parties outside of the party to whom or which it is addressed. The report contains views and assumptions by dcinex Consulting (UK) Ltd based upon their existing knowledge of the market. Dcinex Consulting (UK) Ltd has used its best general knowledge to assemble data and templates to assist the client in assessing various options. These numbers are indicative only and are to be used as guides only. The purpose of this report is to open debate and investigate various options that could be considered as part of a wider leisure initiative. Note: we have used our data base and best estimates on current admission numbers and we are open to correction from significant multiplex operators if these estimates are widely incorrect. Our database has been built from various sources and relates back to over twenty years the partners of dcinex have been in the UK cinema business. Our report is based on the best expertise of the partners who have been instrumental in numerous cinema developments throughout the UK and internationally.

1. Introduction

1.1. Preston

'Proud' Preston was first mentioned in the Domesday Book as 'Prestune', apparently from old English meaning Priest Settlement. Preston was awarded the right to be known as a 'Guild Merchant' in the 12th century and today is unique in that it is the only Guild still celebrated in the UK. Since that time it has grown to become the administrative centre of Lancashire and was importantly accorded City status in 2002, ahead of 26 other contenders. The winning bid was attributed to Preston's history, location, university and its administrative responsibilities.

The overall population has seen a reasonable rate of growth since 2001. The latest figure for 2012 gives a population total for the authority of approx. 140,500 although its wider built-up area contains more than 313,000 people.

The city has entertained various development proposals the most notable of which was a £700m city centre regeneration initiative known as the "Preston Tithebarn", a joint venture between Grosvenor and Lend Lease Corporation in partnership with Preston City Council.

The Preston Tithebarn project was to cover an area of approximately 32 acres (13 ha) in Preston city centre and include a John Lewis department store, a new Marks and Spencer department store, revitalised markets, restaurants, cafes, new multiplex cinemas, around 100 new shops, offices, homes, refurbished Guild Hall, a new bus station and extensive new public spaces and pedestrianised streets. In November 2011 the Tithebarn scheme was abandoned when John Lewis withdrew support.

Preston's university the University of Central Lancashire (UCLAN) is a world renowned educational establishment with a number of world leading and internationally recognised research departments. The university has a student enrollment of over 32,000 making it one of the largest university campuses in the United Kingdom. Preston College is said to be one of the largest colleges in England and has two campuses in the city. Cardinal Newman is a Catholic sixth form college situated on a campus just a few minutes walking from Preston city centre.

The city centre is strong and vibrant during the day with ranging estimates of circa 60,000 to 90,000 visitors per day (mainly retail, employment, education and service visits). Even the lower of this footfall figure gives a significant 9am to 5pm population, making it one of the strongest centres in the North-West Region.

Indeed any centre in the UK that demonstrates daytime activity of 15 million plus is generally regarded as 'ripe' for considered 'evening orientated' leisure development, usually anchored by cinemas (this includes shopping centres and town/city centres). Currently between 6pm and 9pm Preston rapidly empties of most pedestrian presence and little commercial activity takes place. However, after 9pm the clubs and pubs become very active with mainly male younger patrons.

This has become a feature of the Preston night time economy and is seen as a deterrent to other demographic groups regularly using the city centre in the evening (particularly family groups, mature adults and adolescents). There are many who correlate the exit of cinemas in the late 1980's to out of town locations as being a factor in this 'new reality'.

The Guild Hall is frequently used and largely populated by older audiences but it is apparent with these patrons that on the conclusion of most evening shows they quickly exit the centre of the city.

Overall, like many other UK (and indeed international) town/city centres, Preston has suffered a significant decline in both retail activity and a vibrant universally accessible and agreeable evening leisure economy. Traditional high streets have been under attack from a variety of sources over the last two to three decades including:

- The growth of out of town retail, coupled with 24 hour online trading
- The loss of town centre cinemas to 'out of town' retail and leisure parks
- The growth in internet trade
- Weak consumer demand – the combined effects of the credit crunch from 2007 leading to a prolonged period of recession
- High occupancy costs
- Car parking issues
- Change in demographics and disposable income per age group
- A largely 'alcohol fuelled/ binge drinking' evening economy which deters the use of town/city centres for other evening users.

This has resulted in a general decline in the traditional high street, which despite high profile campaigns to redesign itself e.g. Mary Portas campaigns, has struggled to recover. According to the 'Retail Futures 2018' report created by the Centre for Retail Research the footfall on high streets in the UK has gone down 14% from 2007 to 2010.

The UK leads the way by having the highest percentage of online retail sales. This is forecast to continue with the online retail sales predicted to raise from 12.7% (2012) to 21.5% by 2018.

The opportunity therefore is to reinvigorate a town/city by introducing a more leisure and entertainment led experience, which will in turn attract associated commerce such as restaurants and cafes. This will, as in many other centres, create a more social atmosphere attractive to all, especially families and mature adults.

This study has been commissioned by Preston City Council (PCC) to investigate the opportunity for a cinema anchored leisure led development that could in part or largely reinvigorate Preston city centre and restore its position as the social hub of the city.

1.2. Objectives

PCC is exploring options to regenerate the city centre of Preston with a particular focus on a cinema led development. Along with major shopping centre groups and town / city centres throughout the UK a leisure development and active engagement with the evening economy is now regarded as a fundamental building block, indeed foundation, to a strategy that embraces an 18 hour economy.

Dcinex Consulting have been engaged to undertake the following investigations providing PCC with background information and cinema industry data to assist with its deliberations and arrive at a strategy to create a significant leisure destination in the city centre.

The primary objectives of this study are:

- Ascertain market potential for a cinema in the commercial heart of Preston
- Using cinema market knowledge and similar case studies to identify possible admission potential for cinemas in Preston city centre
- Establish which location in the city centre offers the potential for the location of a cinema and associated leisure facilities in line with possible admission potential
- Investigate existing buildings and land particularly within the council estate for use as cinema
- Suggest the most effective solutions for developing a modern multiplex facility on or within the preferred location
- Provide technical input into the design requirements of introducing a cinema at the preferred location if required by a developer or PCC within the course of this study period to 30th of September 2014
- Prepare notional financial appraisals on various scenarios to give an understanding of commercial considerations and to advise the Council on the most effective and efficient use of Council resources (including land and financial contribution) in order to secure delivery of a town centre cinema and associated leisure facilities
- Explore the potential for any additional economic, cultural, social or environmental benefits that new digital technology in cinemas can offer

In order to achieve this, dcinex have undertaken the following enquiries and analyses:

- 1) Market study of the overall cinema market and SWOT analyses of the existing supply
- 2) Using a variety of methodologies commonly used by various cinema operators to arrive at possible forecasts for admissions potential. Relate those possible admissions forecasts to various cinema sizes and models
- 3) Give “notional” financial appraisals on a range of models with a particular emphasis on underlying profitability and thus ability to sustain rental and other property costs

- 4) Review likely “on-going” benefits of cinema to a city centre location
 - a. Commercial (restaurants, retail, leisure)
 - b. Social (conferencing, education, community etc.)
- 5) Together with PCC’s planning and development teams identify possible opportunities in Preston
- 6) Discussions with land owners/ or potential developers
- 7) Industry Comments – provide a report of the UK cinema industry commenting on
 - a. New Cinema Models
 - b. Film Supply
 - c. Relevant Studies
 - d. Demographic shifts in audience profile
- 8) Undertake street surveys and where appropriate comment back to each relevant section, appraisal or methodology applied.

1.3. Executive Summary

Dcinex Consulting have variously explored aspects of both the existing cinema provision servicing Preston and potential for development of cinemas in the city centre itself.

In relation to existing cinema provision we have found:

- Preston was an early adopter of new 20th Century multiplexes and rapidly gained the presence of two being UCI (now Odeon) and Warner Village (now Vue) whereas most other catchments of similar size only gained one.
- These cinemas were initially successful and indeed in 1996 it is estimated that combined admissions were in the vicinity of 1.3 million.
- However, the fall in admissions for both of these cinemas over the subsequent years has been dramatic. Caused, in our opinion, by two factors:
 - i. The Cinemas are eclipsed by 21st Century cinema standards (see sections 2.1.4. and 2.1.5.)
 - ii. The evolution of home entertainment, better flat screen technology and readily available product provides for many a superior and more comfortable audio visual experience than these early multiplexes.

The fall in admissions over both cinemas is estimated to be over 50% and down to approximately 600,000 admissions per annum.

- The evidence clearly indicates that these cinemas are simply both too old and too remote from other retail and leisure activity.

In relation to the potential viability of a new multiplex cinema in Preston city centre the report concludes that;

- There is an unequivocal case for the financial viability for a new, state of the art, cinema to be built in Preston city centre. Both quantitative (population studies and existing provision) and qualitative data (street interviews) all lead to such a conclusion. As do comparative studies in a number of other major cities.
- Such a cinema might be expected to generate an additional 450,000 annual admissions in the city. The reality is likely to be more, though for the purposes of prudent planning, this figure is referenced.
- Existing admissions to the two 'out of town' multiplexes would also shift.
- The cinema would ideally house between 10-12 screens / 1,500-2,500 seats, subject to available space and be of the most up to date in design, technical facilities and consumer experience. In order to maximise its impact both in the city centre and indeed the surrounding towns, it would be very valuable for the cinema to house an IMAX screen. At present, the closest one is in Manchester.
- It is considered that the availability of such a site could be attractive to a number of the larger operators in the UK if the Local Authority were to sponsor the project with a creative incentive scheme to allow some consideration and thus comfort on downside risks.
- Whereas this report is agnostic on the final choice of site, in looking at the pros and cons of all suggested locations it suggests that either the Market Hall Site or Fishergate Shopping Centre offer the most potential in regenerating evening and weekend activities in the city centre. Either site would be eminently suitable for the purpose under discussion albeit the existing Fishergate would, in our opinion, not be able to accommodate a 10-12 screen / 1,500-2,500 seats cinema but more likely a 7-10 screen / 1,000-1,500 seat cinema.
- From a cinema operator's perspective the Fishergate Centre is well located in relation to the adjoining railway station and supported by existing car parking. However, various parties have expressed concern with traffic movement and that the site is remote from the core city centre which PCC is most keen to see regenerate.
- Timing, although 2014 is shaping up to be a dismal year for UK cinema admissions, 2015/2016 are reliably tipped to be sensational box office years – we highly recommend that PCC devises a strategy and preferred locations ready to approach operators in that period.
- It is also proposed that a successful conclusion to the overall project would be very much dependent on the objectives of the Local Authority and its strong intent to fully engage with all relevant stakeholders, e.g. developer, cinema operator, restaurant owners and the various consultants involved with the project.
- We also believe that a smaller than recommended cinema will be developed if the LA is not pro-active.

- In conclusion, this is one of the most interesting projects currently under discussion in the UK and with careful thought, planning and negotiation, will assist in making Preston city centre a major hub for locals and visitors alike. In fact, there is the distinct opportunity of creating a visionary and iconic project that will stand the test of time.

John Sullivan

Dcinex Consulting

2. History of Cinema

2.1. The Evolution of Cinema in the UK

Cinemas have been part of local entertainment in most towns, cities and indeed villages throughout the United Kingdom from the very early twentieth century. History has shown that cinemas are very resilient to market economic conditions and the continued development of the home movie consumption market. People, particularly in the UK, view cinema as affordable out of the home entertainment and an indulgence.

2.1.1. First Cinemas (Early 20th Century)

The first cinemas were initially modest affairs but evolved to pre war picture palaces of 1,200 to 2,000 seats and became a central ingredient to any community in which they were located.

2.1.2. Post War Cinemas – Television (Mid 20th Century)

Through WWII and up to the years of the introduction of television cinemas continued to be popular venues although very little significant development was undertaken. Significantly Preston did see the development of a new cinema, a rare example of a community taking on television. See the following link www.britishpathe.com/video/candid-camera-visits-abc-preston for an interesting glimpse of the post war era cinema scene and especially relevance to Preston.

However, on the whole cinema in the country tended to gradually deteriorate as television largely captured the attention of families and audience levels dropped from a high of 27 admissions per head of population down to below 1 admission per head of population. This was one of the most severe erosions of cinema audiences on the globe and the outcome of two large conglomerates MGM and RANK effectively controlling all aspects of film distribution along with the principal television stations.

There was a natural (and indeed logical) preference by the holders of the film supply to prioritize television over cinema. In other countries this was regarded as anti competitive and in the USA in particular “anti-trust” legislation was enacted to prevent this occurring. Therefore, although in the USA, Australia, France, South Africa for example cinema admissions dropped, the cinemas themselves were held by small (often family) groups that fought hard for their survival and continued to provide an ‘event’ experience.

2.1.3. Multiplexing (Conversions) 1960 – 1980

The explosion in interest in cinema through the 1960’s and 1970’s led to a demand for new cinema venues. Through the 1960’s up to the mid 1980’s (and sometimes beyond) this process accelerated whereby the remaining cinemas (many had closed) were twinned, trebled or more to offer audiences wider range of films and time choice.

2.1.4. Early Multiplex (1985 – 1995)

A multiplex cinema is defined by the industry as a purpose built cinema, usually 6 or more screens and generally, though not exclusively, located outside town and city centres in new private and public developments. These cinemas were generally cheaply and quickly built and are usually characterised by significant parking facilities and built in conjunction with other big box retail, catering and leisure establishments.

The first Multiplex in the UK was the 10 screen AMC now Odeon in Milton Keynes. In its first year of operation it generated in excess of 1 million admissions and led the way for a virtual invasion of multiplex development, which has lasted right up to the present day. Notwithstanding their size, facilities and location, early multiplexes were fairly utilitarian in design, with relatively small individual screen capacities; seats were adequate, though not luxurious and floors were raked in the traditional manner, meaning that customer comfort and viewing experiences were not always the best (though again much improved on previous experiences).

Over time, the fabric of the cinema had become generally worn and tired and they became what might be regarded as quite undifferentiated establishments. During the latter period of the 1990's, operators appeared to focus more on finding new sites, with bigger and better builds and screen numbers up to 20 (the Megaplex). At the same time, investment in the early generation multiplexes began to wane and they degenerated even further.

There have been in some instances of these early multiplex cinemas being reinvented and brought up to modern multiplex standards e.g. Showcases Nottingham & Leeds, Vue Thurrock, Empire High Wycombe. However, on the whole they have waned.

2.1.5. Next Generation Cinemas Mid 1990's – Early 2000 (21st Century Cinema)

Technology and cinema architecture went through a significant evolution from 1985 to 1995 and by the latter part of the late 20th Century a new wave of cinemas appeared.

Characteristics of these cinemas include:

- A full wall screen, often four times ratio of early multiplexes
- Plush stadium style seating rather than raked seating
- More emphasis on comfort, optimum site line design and the overall viewing experience
- Increased seat stepping 1.2 metres from seat back to seat back (allowing ease of access to seats)
- Vastly improved sound
- Incorporation of bars, restaurants and coffee shops
- Development focussed on either significant leisure parks (e.g. Centertainment Sheffield) or in shopping centres (e.g. Westfield London) or town centres (e.g. Cornerhouse Nottingham).

In short, they have become more part of a destination than just a place to see a film. A number of operators have developed the 'Gold Screen' concept, with smaller more intimate in-cinema spaces, more luxurious seats and at-seat waiter service with wine, snacks and other comestibles.

The most recent of these is the Showcase Cine de Lux brand, which combines a multi-screen cinema in new development locations, with bars restaurants, private members dedicated screens and areas. Not only have these proved popular with the client, but premium prices for such facilities have helped to increase profitability.

At the same time, there has been a marked trend to return to town and city centres as local authorities and private developers began significant redevelopment activities in an attempt to revitalise areas that had become very run down and attracted few people for shopping and other leisure activities, especially during the evenings.

2.1.6. New Model Cinemas – Digital Projection

After one hundred years of celluloid the industry has very rapidly switched to the new digital projectors. The catalyst for this was Avatar in December 2009. This was a major film that was best appreciated in 3D digital and at the same time the industry created a financial model that enabled cinemas to convert to digital. The mechanism used is known as Virtual Print Fee (VPF) where studios have paid over time for the refit. This digital revolution has created more flexibility in terms of film programming, easier access to films, flexibility of show times.

Moreover, the advent of digital projection technology has allowed the exhibition of new forms of non-traditional screen entertainment. A new business has emerged, variously described as 'Alternative Content' or 'Event Cinema' in which live feeds from major opera houses and theatres are made available to the cinema-goer via satellite, again attracting significant premium prices. This is an aspect of cinema that is poised to grow over the next few years. Although not yet fully developed, such entertainment opportunities will include major sporting events (e.g. Wimbledon in 3D), music concerts and other forms of cultural events that have yet to be fully realised.

In addition, the digital revolution has enabled the emergence of new types of cinemas. This is partly driven by technology but it is also driven by the changing customer preference. As home entertainment improves, customers are looking for a better cinema experience and value for money (lounge style cinemas, Gold Class). Examples of these new types of cinemas that are emerging in London are The Electric in Notting Hill Gate London, the Cornerhouse in Manchester, The Aubin in Shoreditch, the Olympic Studios in Barnes and the Everyman in Leeds etc.

All UK cinemas now have new digital projectors capable of showing films in ultra-high definition, in digital 3D and, most recently, with immersive or 3D sound. A number of the newer, larger cinemas have also incorporated an IMAX screen, capable of showing the latest films in a very high impact screen format, in both 2D and 3D. Again, such experiences attract premium prices and assist in maintaining both high standards and acceptable capital returns.

It is clear that modern cinemas have put a clear demarcation line between their ability to take advantage of the technology and that of those cinemas built pre 1996.

2.1.7. Cinema Audiences

With the maturing of the cinema experience comes the maturing of the audience. The traditional cinema-goer aged 15-25 is gradually falling in terms of population percentage and indeed is finding alternative ways of viewing film. Live streaming via TV, laptops and smaller handheld devices are now seen as competitive elements along with gaming and other activities.

None of which is to say that this audience has left the cinema behind; rather, it has become more selective in what it sees and **where it sees** it on the big screen and devotes more time to alternative entertainment based activities. For some time into the future they will still turn up at cinemas to see the biggest and best films, and continue to make a significant contribution to overall box office receipts.

However, any diminution in cinema going by the 'traditional' audience has been matched by the slightly older person who demands higher quality experiences, catering options and more selective films to watch. The recent success of such films as Philomena, The Grand Budapest Hotel, The Railway Man, and many others demonstrate a propensity for older people to visit the cinema when the 'right' film is showing at a cinema and the cinema is itself an attractive and comfortable destination. In 2012, there were around 19,800 people aged 65 and over in Preston which represented 14.1% of the resident population. By 2021 the population aged over 65 in Preston is projected to increase to 22,300¹.

At the same time, the family audience is growing and cinemas are being more sensitive to this market with family tickets, special screenings and a more favourable family environment.

A modern multi-screen cinema, in the correct location, and with the best of facilities and technology, design and varied programming offering value and entertainment will attract all three main audience segments and will become the destination of choice for many people well into the future.

2.2. The history of Cinema in Preston

Cinema has been part of the local entertainment landscape in Preston from at least 1911. Along with other major towns and cities in the UK, Preston enjoyed a large and varied cinema infrastructure until the decline of cinema-going during the 1960's and 1970's. The redesign and multi-screening of both the ABC Cinema (former Theatre Royal) and the Odeon (former New Victoria – Gaumont) in the 1970's and 1980's did little to stem the drift away from cinema-going in the area and was not until the advent of the multiplex that Preston once again became a dominant cinema-going location.

In addition to more than fifteen suburban cinemas Preston had five cinemas within the town centre over a period of 70 years from 1912 to 1982. Since PCC is investigating the opportunity for a cinema anchored leisure led development in the city centre, the section hereafter focuses on the history of two notable cinemas in Preston's city centre in the last century. A complete overview of all the cinemas in Preston can be found in Appendix 1.

¹ Source: www.lancashire.gov.uk

2.2.1. The Theatre Royal – ABC Cinema, 1802 - 1995

One of the most remarkable theatres and later cinemas was The Theatre Royal located at the junction of Theatre St. and Fishergate which opened originally as a theatre in 1802 to cater for large crowds expected for the Guild of that year. Films were shown at the Theatre Royal as early as 1911. Eventually seating 1,700, it was taken over by Associated British Cinemas in November 1929 and converted into a 1,160 seat cinema.

The Theatre Royal closed on the 3rd of December 1955 and was demolished to build the ultra-modern ABC Cinema.

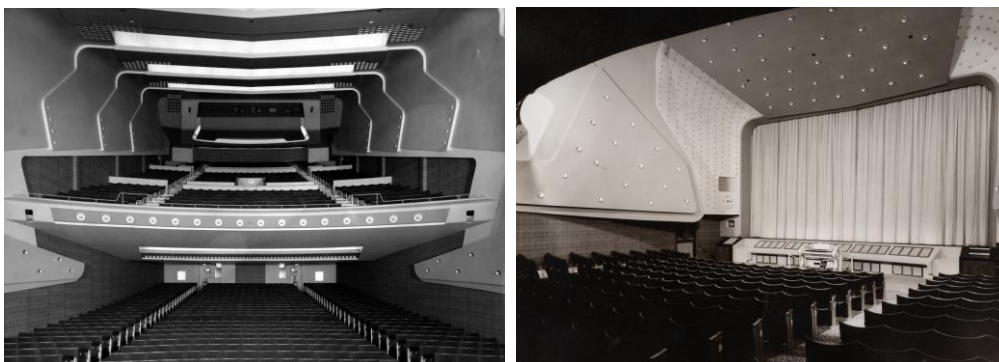


The Theatre Royal operating as ABC Cinema 1802 – 1955

The new ABC Cinema 1959 - 1982

The opening of the new ABC was performed by Richard Todd on 14th of March 1959 and captured by Pathé News who called it the most modern building of its day. The ABC was closed on 7th April 1973 to allow for a Painted Wagon pub to be constructed in the rear stalls area beneath the circle. It re-opened on 6th May 1973 with 637 seats in the circle area only. The cinema was closed on 11th September 1982.

The building was demolished in October / November 1986 and the land became part of the new Fishergate Centre, thus ending a 180 year history of entertaining the people of Preston on this site.



The interior of the ultra-modern ABC Cinema

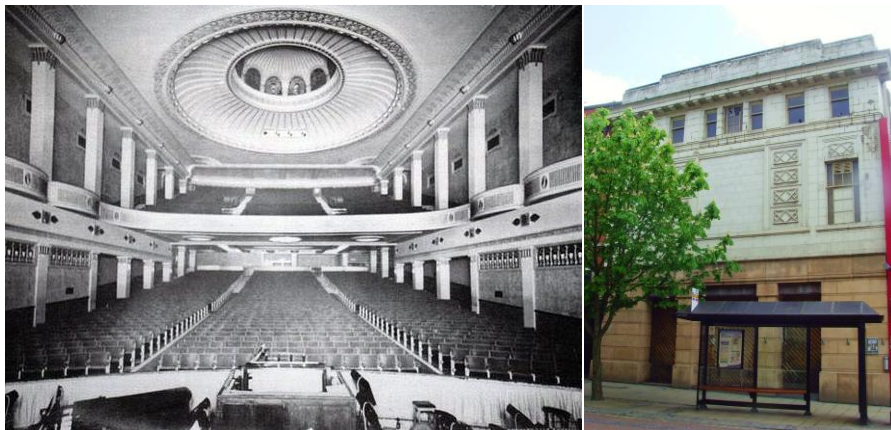
2.2.2. The New Victoria – Gaumont – Odeon, 1928 - 1992

Another noteworthy town centre cinema was The New Victoria on Church Street which opened on the 17th of September 1928. With its seating capacity of 2,100 this cinema was a typical example of the 1920's and 30's super cinema. As with similar cinemas up and down the country the accent was on size and design, uniformed staff and glittering chandeliers. The building also contained a restaurant and a spacious entrance hall with an impressive dome measuring nearly 22ft which was surmounted by a small glass skylight. There was a much larger dome in the auditorium which had a system of sliding shutters that allowed daylight in. The ornate plasterwork in the main auditorium was carried out by the well known Preston firm of John Gibirdi.



The New Victoria 1928 -1954 The Gaumont 1954 – 1962 The Odeon 1962 – 1992

The cinema was also famous for its Wurlitzer Organ and organist Reginald Dixon who later became the celebrated organist at Blackpool Tower Ballroom. In April 1954 Cinemascope was introduced and the film shown was “How to Marry a Millionaire” and the cinema changed its name to the Gaumont. In 1962 Rank became the new owners, remodeled the premises and re-named it the Odeon. In 1970 the old restaurant was converted to a second screen (Odeon 2). Unable or unwilling to compete with the new multiplex theatres springing up, the cinema closed completely on September 12 1992.



The auditorium of The New Victoria in 1928 Former theatre/ cinema at present

3. The UK Cinema Market

3.1. Overview

The UK Cinemas industry includes all operators that show motion pictures in designated film-projection facilities, which are mostly indoors but may include open-air venues. Since the early 1980's and the rise of the multiplex, the UK Cinema Industry has seen a steady period of growth. In 1984, UK admissions hit an all-time low of 54 million, an average of less than one visit per capita per annum. The admissions growth from that year can be directly tracked alongside the growth of new build multiplex cinemas, with particularly high development from 1996 to 2002. Overall multiplex screen numbers in this period grew year on year, though this was offset by a decline in traditional cinemas and screens.

Since 2002, new build has slowed and this is reflected in the tail off in growth with admissions effectively flat over recent years. The major chains continued selectively to add to their UK portfolios, but also shifted focus to Europe to look for further expansion.

In recent years investment in cinemas has been predominantly inward – mainly due to the conversion to digital and the desire to compensate relatively flat admissions with an increased spend per customer as a result of creative and focussed attention on 'event style' concession counters. However, some cinemas have invested wisely in adding screens and the cinema circuits are now all exploring new formats to roll out (smaller, community based cinemas and premium offers being two examples).

The independent cinema scene has continued to play an important role during this period, offering a viable alternative to the multiplex experience in both cities and smaller communities. In some circumstances, independent cinemas have invested wisely in creating a different experience and found success through a local, loyal following.

Fig. 1 Key UK Statistics for Cinema Attendance & Revenues 2007 - 2012

	2007	2008	2009	2010	2011	2012
Screens	3,514	3,610	3,665	3,671	3,767	3,817
Admissions (millions)	162.4	164.2	173.5	169.2	171.6	172.5
Average ticket price (£) incl. VAT	5.05	5.18	5.44	5.84	6.06	6.37
Gross box office (£millions)	820.0	850.2	944.0	988.3	1,039.0	1,099.1
Admissions per screen	46,215	45,485	47,340	46,105	45,543	45,192
Admissions per UK Head	2.66	2.67	2.81	2.72	2.73	2.73
Spend per head (£)	2.12	2.02	1.96	2.10	2.18	2.33

Source: Industry reports to December 2013 and Internal Database

3.1.1. Key UK Statistics

The bulk of industry revenue comes from box office sales (typically 70%), the majority of which is generated by blockbuster films. UK cinemas also generate a small but increasing proportion of revenue from screen advertising (4%) and selling drinks and snacks (c. 23%) and events and conferencing (3%). The industry has grown steadily over the five years through 2013-14, thanks to average ticket prices rising and cinema audiences growing in most years. Over the five-year period, industry revenue is expected to grow at a compound annual rate of 1.5%. In 2013-14, revenue is projected to rise by 1.0% to £1.4 billion, as a packed programme of blockbuster films attracts more viewers.

Each year's film schedule has a significant effect on the success of industry operators. Cinemas have benefited from the surging popularity of 3-D films since 2009. Cinemas that show 3-D films have been able to raise their ticket prices and supplement their income by selling or renting 3-D glasses although recently there has been a slowdown in 3D.

These factors have helped the industry defy the economic slowdown in the past few years. Cinemas offered consumers a relatively inexpensive night out during tough economic conditions. This trend also contributed to higher cinema audience numbers. Major sporting events, competition from alternative media and the weather also affect industry revenue levels.

Industry revenue is forecast to continue increasing slowly in the next five years as attendance levels flatten out and pricing growth slows. This slow growth will happen despite major films and sequels being released, and a greater number of 3-D films. Cinemas are expected to generate a greater proportion of revenue from different sources, such as the inclusion of complementary services in the cinema and the screening of alternative content.

Over the five years through 2018-19, industry revenue is forecast to rise at a compound annual rate of 1.5% to £1.5 billion. Cinema attendance numbers are anticipated to increase at a compound annual rate of just 0.5% over the five-year period.

The UK admissions per head remains at the higher end of most recorded European countries, significantly ahead of Germany and Italy.

UK admissions have remained strong for a number of reasons:

- Robust nature of UK cinema going market
- The increase in certain audience sectors
- Film release patterns and the success of franchise movies
- New revenue streams driven by Digital Cinema

History has shown that cinemas are very resilient to market economic conditions and the continued development of the home movie consumption market. Cinemas have continued to perform well through the TV, video, Blue-ray and DVD booms.

3.1.2. UK Audience Profile

People, particularly in the UK, view cinema as affordable out of the home entertainment and an indulgence.

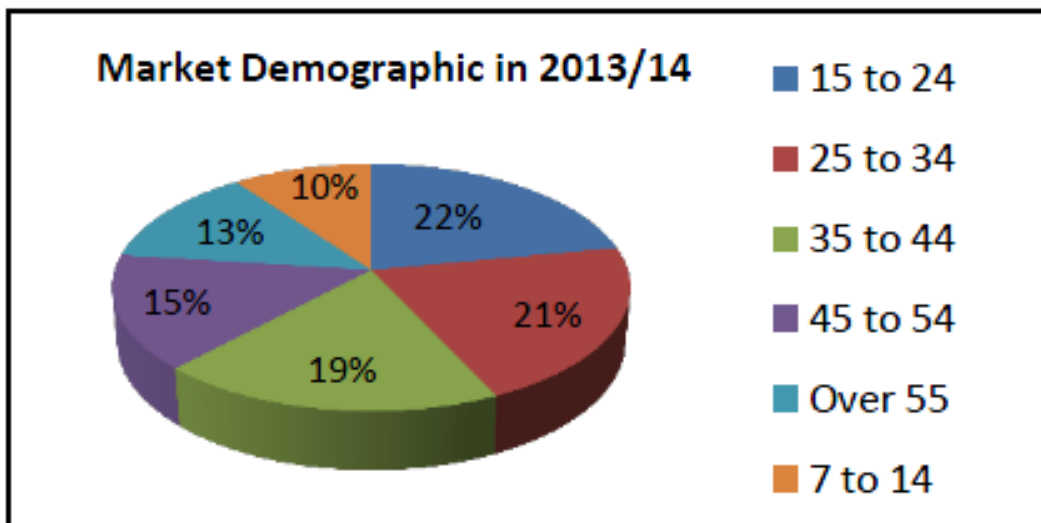
Whilst cinema has an appeal to all age groups from 5 to 95, the characteristics of the cinema audience for mainstream cinema, is younger than that of the general population.

In recent decades, the largest cinema going group has been the 18 – 24 age range; 38% of the audience (UK population = 16%).

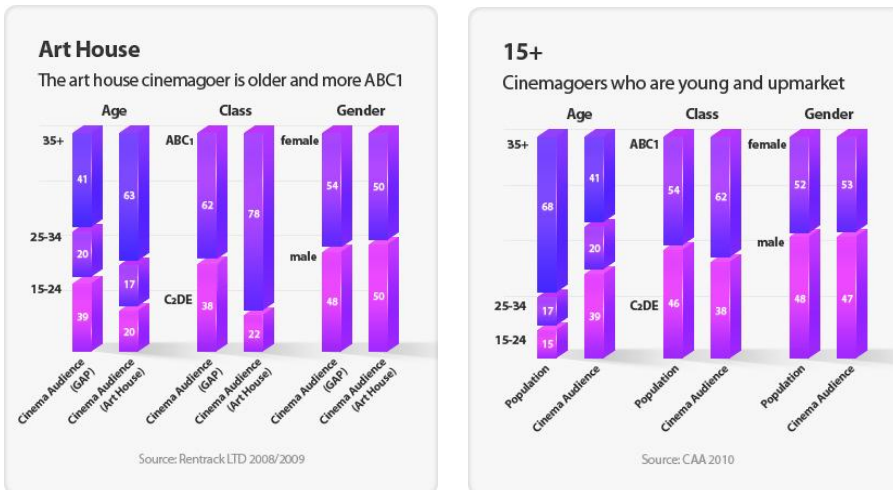
Significantly though, the 35+ age groups are a growth market for cinemas in recent years and, particularly in the UK, family groups generate strong cinema revenues. This could be attributed to three reasons:

- More cinemas showing what were traditionally seen as art-house product.
- Today's 35+ generation is the original multiplex generation, so cinema going is more of a habit than in previous generations.
- People are having children later in life, thus the family audience has an older parental profile.

The majority of cinema customers fall into the ABC1 socio economic groups. 62% of the UK audiences fall into the ABC1 categories compared with a UK population average of 54%).



Source: IBIS World



The art house audience is rather different, with an age profile very close to that of the UK population overall, but even more skewed towards higher socio-economic groups than mainstream cinemagoers as a whole. In summary, whilst cinema goers in the UK still tend towards the younger market, cinema appeals to the young at heart too – the 35+ generation who are affluent, and value their leisure time.

3.2. Digital Cinema and the Changing Cinema Business Model

All commercial cinemas have re-equipped to digital projection technology. Not only does this improve quality with crystal clear, ultra high definition images, but also opens up new potential revenue streams for cinemas. Because programming and screening of films is now more flexible, plus live satellite broadcasting available, cinemas can, to a degree, re-invent themselves as “venues” rather than just a vehicle for showing films.

This in turn means they also work with different areas of the community and offer service previously encumbered by the restrictions of 35mm.

It is also in the cinemas interest to explore these avenues as they suffer from large periods of “down time” – mainly mornings and early afternoon when films are not shown (outside of school holidays)

The digital technology allows many other forms of content to be included in the cinema schedule and generally, more flexibility. So, the extended benefits include:

- Screening of additional on screen content such as live Opera, theatre, sports transmissions
- Educational (‘edutainment’) content aimed at school groups e.g. Cinema Park, Film Club, Film Nation
- Corporate hires with presentations on screen
- Live by satellite Directors’ Q & A’s
- Flexibility of programming of films – greater mix of mainstream and non-mainstream
- Greater flexibility to re-programme during the trading week to meet consumer demand
- Greater options in the use of the cinema for both commercial and community use.
- A more flexible staffing model. A theatre management system replacing the need to have manned projection booths.

Some of these are clearly commercial, but there can also be reciprocal benefits to the wider community and also help develop the cultural aspects of a town.

The new arrival with digital has been 3D movies. Since the highly successful release of Avatar in 2009, it is now generally accepted that, in commercial terms, 3D has passed its peak. However, the industry expects 3D to stay part of the release mix with all the major studios continuing to invest in 3D movies.

The cinema industry is now seeing the emergence of new advances, based on the digital world, such as High Frame Rate movies for sharper picture definition and immersive or object based auditorium sound to fully realise on the potential of the technology a 21st Century cinema design is highly important.

In addition to the changes created by digital, the established spend pattern of UK consumers is changing. Cinemas are seeing a clear reaction against ever increasing prices and portion sizes for cola, popcorn and nachos.

In price sensitive times and with a push for more healthy consumption, cinemas have seen revenues decline from traditional core products and are now moving towards a more varied range of products such as quality coffee and fruit drinks.

Café bar areas are also being introduced to increase dwell time and, with relaxed licensing legislation, encouraging alcoholic drinks to be taken into the screens. Cinemas presenting a cheap or tired fit out charging inflated prices will continue to see admissions decline.

The high impact screen format (Imax or other cloned versions of this brand) is outperforming almost all other screens in the UK. The Imax at London Waterloo is the highest grossing cinema screen in the world.

The experience will be the driving factor.

3.3. The Key UK Cinema Operators

The UK multiplex market is dominated by three main players, who between them hold c. 75% of the market.

Odeon Cinemas

Owned by the Terra Firma Private Equity Co, Odeon (and UCI in Europe) are the largest cinema circuit in Europe. By site numbers, they remain the largest circuit in the UK, but have been recently overtaken by Cineworld as the largest circuit by Box Office Gross.

Their estate now has a high number of ageing properties, many of which appear out-dated and in need of refurbishment. This has led to decreasing admissions at certain sites over the last five years.

As an estate strategy, in 2012, they acquired existing sites from Storm in Ireland and Reel in the UK. Investment has taken place at larger sites to include IMAX screens, Costa Coffee units and Premier seats. They have also launched a trial concept at both Swiss Cottage and Whiteley's Bayswater of a VIP offer, sub branded 'The Lounge'.

Odeon have shown selective interest in signing new sites and particularly look to protect markets where they are historically strong (e.g. Liverpool One and relocating in the Metro Centre, Gateshead).

Cineworld

The only publicly listed UK cinema operator, Cineworld have become the dominant multiplex operator in the UK over the last five years. This was partly achieved by the merger of the former UGC cinemas estate. With a clear strategy and well maintained estate, Cineworld are well placed for further growth. In 2012, Cineworld have added IMAX screens to their estate and are trialling a VIP format as part of their offer in Cheltenham.

Cineworld continue to look for new development opportunities in the UK and have explored potential acquisitions in mainland Europe. In 2013, they acquired City Screen, the predominantly art-house circuit. This acquisition was subject to an Office of Fair Trading challenge and subsequently Cineworld have had to relinquish a small number of sites.

Vue

Formed out of the original Warner Village circuit, Vue have a strong, well maintained estate. Their London offer is particularly strong, especially with recent additions of the two Westfield shopping centre sites. Vue have recently acquired the Apollo circuit which adds 9 sites to their estate. Outside of the Westfield sites, which feature VIP offers, there seems to be a reluctance to vary from the tried and trusted popcorn and cola led multiplex format. In 2012, Vue purchased the German Cinemaxx circuit, followed in 2013 by the acquisition of Multi Kino in Poland. Vue remain selectively active in the UK market, particularly for 7 – 10 screen development opportunities.

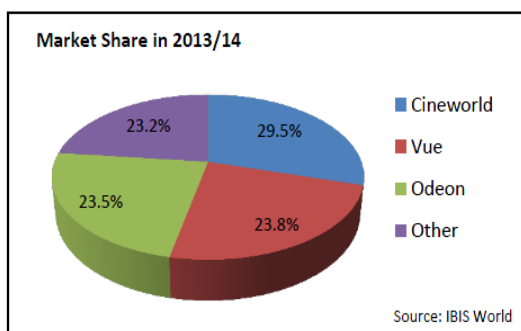
In 2013, Vue's owner, Doughty Hanson, sold their interest to two Canadian Pension fund organisations, Omers and Alberta, for a reported £935 million. Their new owners are seen as investors with substantial available funds and further acquisitions are expected to boost the Vue brand internationally.

National Amusements (Showcase Cinemas)

Owned privately in the US, NA continues to have a strong interest in the UK. Their original estate was developed in the mid 1980's to 1990's, building large out of town freehold sites. After a number of years of inactivity, NA signed to 3 large retail developments and opened their 'Cinema De Lux' concept in 2008. This is an upmarket offer, with a restaurant offer and luxury screens.

NA is currently looking for new sites in the UK for their De Lux brand and have recently committed to Croydon with Hammerson / Westfield and Southampton with Hammerson. This cinema offer is typically a circa 60,000 square feet requirement.

We do not expect Showcase to show interest in acquiring smaller development opportunities in the UK market.



Empire

A smaller chain formed out of forced OFT sale of sites following the merger of Cineworld/UGC and Odeon/UCI. They have shown little development aspiration since that time, although have now commenced on site with a 9 screen cinema (1,200 seats) development in Walthamstow, London.

Outside of the above circuits, there a number of independents and small chains active in the market. These include:

Everyman

From the original site in North London, Everyman has expanded out with 1 & 2 screen cinemas and has recently opened a new 3 screen premium cinema in the Trinity Shopping centre, Leeds.

Reel

Having recently acquired 4 sites from Apollo, Reel now have 16 UK sites with 65 screens. Reel specialise in smaller town locations, typically with 4 – 5 screens per site.

Curzon

Curzon is an independent operator, specialising in smaller art-house and local community cinemas with a strong central London bias.

WTW Cinemas

An independent operator predominantly based in the South of England, specialising in multi-screen cinemas.

Savoy Cinemas

This chain is building a circuit of cinemas whilst focussing on owning the freehold interest and largely in the East of England.

Parkway Cinemas

With a ten screen cinema in Cleethorpes, this operator has announced expansion plans and is currently developing a multiplex cinema in Beverly.

The Light Cinemas

(N.B. The author of this report is part owner of the Light Cinemas). Two 8 screen multiplexes have opened in the UK at New Brighton (Merseyside) and Wisbech (Cambridgeshire) with an ambitious roll out programme of a further six multiplexes by the end of 2016 giving it a total of 70 screens at this stage.

3.4. UK Film Distributors

The UK distribution sector continues to be dominated by the six major US lead companies and one UK independent:

These major U.S. lead companies are:

- Universal
- Paramount (these two were formerly combined as UIP)
- Sony Pictures (formerly Columbia)
- Warner Brothers
- Walt Disney (formerly Buena Vista)
- Twentieth century Fox.

All of the above have UK based offices but are heavily influenced by U.S. policy and tend, on the whole, to focus on blockbuster or mainstream product. Some do have sub brands that distribute independent product, such as Fox Searchlight.

Entertainment, the leading UK Distributor, similarly focuses on mainstream product. However it has recently lost its key supplier, New Line (Lord of the Rings trilogy), to Warner Brothers, and is being caught by EOne Entertainment (Twilight franchise).

As ever, each distributor's line up can change dramatically, year on year, as seen in 2009. Of the minor companies, Pathé, in a move to reduce its overheads, closed its UK offices and now distributes through Warner, and Optimum was bought by Studio Canal (now renamed as such) which has led to a move towards more mainstream films.

3.5. Film Supply

Supply of films has not been an issue in the UK for the main circuits. Only the very small independent cinemas have traditionally had to wait for a print (due to high 35mm print and distribution costs), and only where there is deemed to have already been sufficient provision in an area.

For the main circuits the only restriction on supply had been on smaller Independent films, which traditionally only been released on the "Arthouse" circuit, mainly due to the poor record of prematurely removing these films from screen, by the major exhibitors, to make way for mainstream product.

The arrival of UGC and its broader film strategy changed this and the market still benefits today. The arrival of digitally released films continues to erode any film supply issues, provided the cinemas are digitally capable, indeed many new releases are now not being made available in 35mm.

There is a move to reduce the number of films released theatrically each year. Disney, from example has downsized from 50 + a year to a dozen major releases.

There are a number of important reasons for this:

- Escalating production costs
- A desire for more focussed marketing
- The emergence of Video on Demand (VOD)

The latter is the most significant, in that the Studios models are changing rapidly with the demise of DVD rental and sales. New revenue streams are sought, coupled with consumers desire to access more content on-line, and this has led to the launch of VOD.

This in turn has led to the current disagreement between studios and cinemas, with the proposed reduction in the release times between theatrical and VOD - known as the "window". There is no legal agreement here, more a gentleman's agreement to keep a minimum of 4 months between the two dates (which in itself was reduced for six in the last 5 years).

The reduction of the window is seen as a threat to cinemas, which have been slow to change their own models with the advent of digital. The reality is that fewer films now have long theatrical runs and the majority of revenue is taken in the opening weeks, with 8 weeks usually the maximum for very large films.

Overall our view is that releases will decrease, but given the recent overcrowding, plus the flexibility digital brings to programming, this is not a bad thing as long as quality is maintained or improved by a more focussed approach and alternative 'event oriented' product is explored.

One other factor in supply is the advent of 3D. Whilst initially boosting revenues and, in fact, the driver to digitise circuits (mainly after Avatar), this is now balancing out. Many films are not seen by consumers as enhanced by 3D and they are choosing between the two. The issue now for cinemas is that they have to provide both formats, which again squeezes screen space. Recent results show that 3D is in decline and will be more selectively produced in the future.

3.6. Pricing

Throughout the current economic downturn cinema has been perceived as reasonably good value (and has similarly been seen as resilient in previous downturns).

Average ticket price (ATP) - ATP has risen over recent years from around £5.00 in 2007 to close to £6.50 by 2012 largely due to 3D releases and price increases by the major operators which have pushed up average ticket prices. Pricing is also site and region specific with weaker cinemas using discounting to try and win business.

Revenue spend per head - In multiplexes the average revenue per head ranges between £1.40 - 2.50. Pricing is not generally regional. The nature of retail and concessions is changing, particularly with sensitive family markets. Blockbuster audiences generally buy popcorn & cola. However, the higher end market will look for different products such as coffee and alcoholic beverages.

Additionally there has been a move to create more upmarket offers or niche cinemas with premium, VIP or private screens, some with full restaurant service, all charging higher prices e.g. Odeon Whiteley's (London), Cinema de Luxe, Everyman Trinity Centre (Leeds) to name a few.

Standard cinemas have also been introducing premium seats in the centre or middle rows.

Fig. 2 UK Average Ticket Price (ATP)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average Ticket Price £ (ATP)	4.68	4.87	5.05	5.18	5.44	5.84	6.06	6.37	6.53

Source: Industry reports to December 2013 and Internal Database

3.6.1. Additional Revenues

A significant opportunity for revenues has risen through digital deployment and the ability to show other onscreen content such as opera, sports, theatre etc. Whilst costs for these are higher (typically 50% compared to films average 45%) ticket prices for such events are higher ranging from £15 to £25.

More creative use of programming and the careful introduction of other on screen content presents an opportunity for cinemas to drive new audiences and increase revenues. Additionally the introduction of premium seating areas, VIP or Gold Class screens, and by seeking to drive up refreshment spending, with techniques like combos borrowed from the fast food industry aimed at the ordinary cinema-goer, or by introducing a higher end food and drink offer to VIP or Gold Class customers.

In addition, exhibitors gain further revenue from activities such as: Film time enquiry lines, ticket booking fees, sponsorship (e.g. Vue's Kids AM shows by Lego), conferencing and website advertising. While not huge, these are useful revenues, especially as they come with few associated costs. Vue's ticket booking subsidiary made profits of £880,000 in 2008.

Box office revenues typically accounted for approximately 69 - 72% of total industry revenues between 2000 and 2006, while retail sales and advertising revenue accounted for around 20 - 23% and 7% respectively over the same period. Revenues from screen advertising, however, had been decreasing but bounced back with a 3-4% rise recently.

However, the increase in pricing coupled with the long standing issue over concession pricing is causing concern. This is particularly true for established, and often under invested, cinemas especially those built prior to 1996.

Consumers want value for money and high pricing in poor quality cinemas has resulted in recent campaigns against high pricing. Odeon Lincoln had a recent backlash heavily promoted via social media. Conversely there is a great opportunity for new cinemas, offering good value and high service levels, to compete against established sites.

3.7. Funding for Cinemas

Most art house or independent cinemas obtain external funding. In the UK many received this from the now defunct UK Film Council. This transferred to the BFI when the UKFC folded as part of government cuts. Currently there is no additional funding for cinemas through the BFI (the last £2m Transition Fund for Audience Development closed to applications in June 2010). In Europe there is an umbrella organisation for all independent cinemas to help them secure funding by lobbying governments and other funding vehicles such as lotteries.

The main European branch of this is Europa Cinemas, which was founded in 1992 with funding from the MEDIA programme and from the Centre National de la Cinématographie.

Its objective is to provide operational and financial support to cinemas that commit themselves to screen a significant number of European non-national films, to offer events and initiatives as well as promotional activities targeted at Young Audiences and to screen digital European films.

In its simplest form it rewards cinemas for achieving set percentages of “arthouse” film screenings. On achieving these targets it triggers set levels of payments. Cinemas must apply for these and commit to a minimum level. It is not exclusive to arthouse cinemas – any cinema or circuit can apply and be funded.

Europa Cinemas is present in more than half of all European towns of more than 150,000 inhabitants. Europa Cinemas also supports exhibition and distribution of European films in Asia, Latin America and the southern Mediterranean countries within the scope of MEDIA International and of the support of the European Union towards outside MEDIA countries. The breakdown of its scope is as below:

Fig. 3 Europa Cinemas Presence

	Countries	Cities	Cinemas	Screens
Media	32	504	867	2,112
Eurimages	7	28	40	177
Europa Cinemas International (Third Countries)	25	67	150	602
MAEE	6	6	6	10

Source: Industry reports to December 2013 and Internal Database

4. Preston Cinema Market

4.1. Cinemas in Preston

Preston currently has two cinemas. The Odeon Riversway which opened in 1990 and the Vue at The Capitol Centre which opened its doors in 1991. In line with the cinema developments and trends at the time they were quickly and cheaply built on 'green field' sites on out of town locations. Both cinemas were initially successful (1996 est. combined admissions 1.3 million) but local admissions have seen a steep decline in admissions over the past decade or so (2013 est. combined admissions 600,000) whilst at the same time, overall UK admissions have been on an upward trend. Both the Odeon and the Vue in Preston were built with the limitations typical of an early multiplex cinema such as sloped floors, poor sight lines, small screens and tight seating. The SWOT analysis in fig. 4 lists the various aspects for both cinemas.

4.1.1. Odeon Riversway – 10 screens, 1,891 seats

The Odeon Riversway is geographically closest to Preston city centre and relatively easy to access by car, public transport or foot and has ample free parking. From Fishergate it is a 10 minute drive by car, 25 minutes by foot and approximately 11 minutes by bus. This cinema has an adjoining Chiquito restaurant and a Kentucky Fried Chicken at 5 minutes walking distance. Although this is an ageing cinema building with a declining admissions base the 36% of respondents who participated in the street surveys carried out as part of this study, said they mostly visit this cinema and prefer this cinema over the Vue at The Capitol Centre.

4.1.2. Vue The Capitol Centre – 7 screens, 1,782 seats

To the South of Preston city centre is the Capitol Centre (Capitol Retail Park) at Walton le Dale with a mixture of leisure and retail. Besides a number of shops like Boots, Waitrose, Next and TK Max, the retail park includes a Frankie & Benny's, McDonalds a Virgin Gym and a seven screen Vue cinema. From Fishergate it takes about 10 minutes by car and 24 minutes by bus to get to the retail park. Walking from the centre of the city would take approximately 40 minutes. Free parking is available. Similar to the Odeon, this is an ageing cinema and only 19% of all 314 people interviewed as part of this study said this is the cinema they most frequently go to compared to 36% who claimed the Odeon Riversway to be their preferred cinema venue.

Fig. 4 SWOT Analysis Current Cinema Provision in Preston

Cinema	Strengths	Weaknesses	Opportunities	Threats
VUE The Capitol Centre	<p>Good, free parking</p> <p>Suits family outings</p> <p>Retail adjacency</p>	<p>Remote from city centre</p> <p>Limited full dining options</p> <p>Only 7 screens</p> <p>Sloped floors</p> <p>Poor site lines</p> <p>Uncomfortable seats</p> <p>Too remote to be attractive to large student population</p>	<p>Ability to reinvent to some extent as a 21st Century offer</p> <p>Further full dining could be added</p>	<p>City centre cinema development</p> <p>Further disinterest in sub-standard offer from population erosion</p>
ODEON Riversway	<p>Good, free parking</p> <p>Suits family outings</p> <p>10 Screens giving significant programming diversity over the competing Vue</p>	<p>Although closer to the city centre than Vue, it's is still remote</p> <p>Limited full dining options</p> <p>No retail adjacency</p> <p>Difficult to create 21st Century offer</p> <p>Too remote to be attractive to large student population</p> <p>Sloped floors</p>	<p>Possibility to reinvent as a 21st Century offer</p>	<p>City centre cinema development</p> <p>Further disinterest in sub-standard offer from population as home entertainment continues to grow</p>

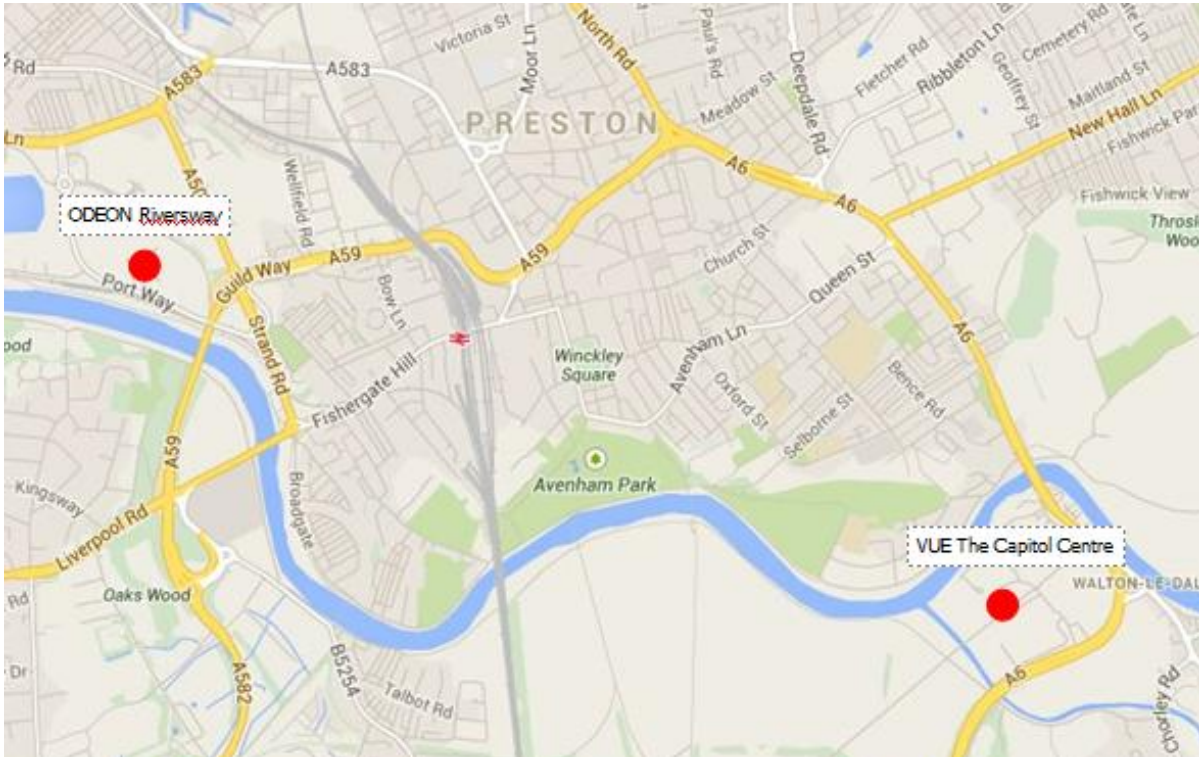


The Odeon Riversway 1990 – present



The Vue cinema at The Capitol Centre 1991 - present

Map 1 Preston Cinemas



The Odeon and Vue Cinema in Preston

4.2. Cinema Offer in the Wider Area

Preston is surrounded by a number of towns including Blackburn to the East, Bolton and Wigan more to the South, Southport and Blackpool to the West and the City of Lancaster to the North. As such there are many existing cinemas nearby serving this area in the North West region.

The majority of the cinemas in the wider area are next generation cinemas and were built in the mid 1990's to mid 2000's and therefore built to 21st Century cinema standard benefitting stadium seating, optimum site lines and multiple screens (10+), improved sound quality and increased seat stepping of between 1 and 2 metres allowing ease of access to seats. The cinemas shown below are all the multi-screen cinemas within the locale of Preston:

- Odeon Blackpool, 17.5 miles west (28 minutes driving time)
- Vue Cleveleys, 19.4 miles north-west (40 minute driving time)
- Vue Bolton, 18.4 miles south-east (25 minute driving time)
- Vue Blackburn, 16.3 miles east (27 minute driving time)
- Cineworld Bolton, 19.7 miles south-east (34 minute driving time)
- Vue Southport, 18.1 miles south-west (33 minute driving time)
- Empire Wigan, 18.1 miles south (32 minute driving time)
- Vue Lancaster, 25.2 miles north (38 minute driving time)

The table below lists the 10 multiscreen cinema venues in the study area showing new release films.

Fig. 5 Multi Screen Cinema Operations in the Preston Area (Year Ending Dec. 2013)

Venue	Location	Screen Count	Seat Count	Year Open	Age	Estimated Admissions 2013	Admissions	
							per Screen	per Seat
Main Market Area								
Odeon #	Riversway, Preston	10	1,891	1990	23	351,549	35,155	186
Vue #	The Capitol Centre, Preston	7	1,782	1991	22	244,126	34,875	137
Other Nearby Cinemas								
Cineworld *	Bolton	15	3,539	1998	15	494,556	32,970	140
Vue *	Bolton	12	2,507	1998	15	549,156	45,763	219
Empire *	Wigan	11	2,527	1996	17	336,556	30,596	133
Vue *	Blackburn	10	1,635	2005	8	348,588	34,859	213
Vue *	Lancaster	6	1,531	2006	7	256,508	42,751	168
Vue *	Cleveleys	8	1,066	2006	7	245,990	30,749	231
Vue *	Southport	7	1,417	2002	11	407,612	58,230	288
Odeon *	Blackpool	10	2,659	1998	15	280,477	28,048	105
Palace ~	Longridge	1	200			20,000	20,000	100
Totals/Averages		97	20,754	1999	14	3,535,118	36,445	170

Source: Industry reports to December 2013 and Internal Database

Regarded as early multiplex model cinemas with sloped floors and compromised audio visual quality.

* Regarded as modern 21st Century cinema models with stadia seating and optimum audio visual quality.

~ The Palace Cinema Longridge, Preston is a 1 screen independent local cinema.

The geographic locations of the cinemas listed in the table above are shown on Map 2 on page 34.

4.3. Lack of State of the Art Cinema Offer in Preston

Going back in history, Preston proved to be at the forefront of any cinema developments. However, Preston missed the introduction of the next generation cinema as described in section 2.1.4. The ageing 20th Century Odeon and Vue in Preston have not been modernized since they were built in the early 1990's and both are examples of cinemas that are able to stay into existence due to the lack of a modern state-of-the-art cinema offer in Preston.

The cinemas within the wider Preston area as listed in table 1 above are at least 17.5 miles away (25 minute drive) and research carried out has shown that only 9% of all respondents visit these cinemas on a regular basis.

Perversely it seems apparent that as admissions erode over the last 15 years, operators have looked with increasingly less favour on Preston for new development. Focus on Tithebarn has also delayed any introduction of a 'cinema anchored' leisure development.

We have not run 20 minute 'default to closest' studies on the surrounding cinemas although it is our view that none of these sites would reflect the population density of a Preston city centre location.

4.3.1. Time Critical

With timely and positive pro-active engagement from the relevant planning and government authorities there is a real probability that a modern cinema will be developed in Preston city centre. However, a 'band aid' solution providing a minimal provision, offering no competition to the surrounding regional multiplexes or indeed the outdated out of town offers currently available, should be avoided.

4.3.2. Current Situation

It is clear that the centre of Preston needs an evening economy. It is also equally evident that the region as a whole lacks an entertainment destination of excellence. The case for supporting a strong leisure led development is compelling. There will no doubt be several developments coming forward over the next six months. These proposals will range from smaller developments offering limited leisure offer through to grander schemes of more regional significance. It is recommended that earnest consideration be given to a more ambitious scheme if it is to radically transform the Preston evening economy.

5. Potential Catchment and Admissions Preston City Centre Cinema

5.1. Methodology 1 – Default to Closest

A critical element of assessing the economic viability for a cinema in the city centre of Preston involves an overview of the wider cinema provision and current cinemas in Preston together with an analysis of the population base. A demographic study of the potential cinema market for Preston has been carried out. Full details of this are included in Appendix 4.

When analysing a significant catchment it is generally accepted that a 20 minute drive time² is adopted as a commercially reasonable travel distance for potential cinema patrons. This definition of the market recognises the governing motivation of preference of closest cinema venue from home (default to closest) to view popular new release films. Beyond the boundary, where alternative cinemas are closer, the market share is lower with the market share reduced by both competition and the disadvantage of greater travel time to travel to Preston city centre.

To arrive at the default to closest, for the cinema catchment analysis for Preston, only the relevant population has been included i.e. that which would find a Preston city centre cinema more reasonably accessible than any of the aforementioned locations.

The 20 minute drive time without consideration for competing cinemas gives a total catchment population of 691,676. By taking into consideration the surrounding competing cinemas (not including the older cinemas Odeon and Vue in Preston) gives an immediate population of 323,068. In most UK urban areas, the 20 minute zone is seen as the core for cinema going (although not an absolute as aforementioned).

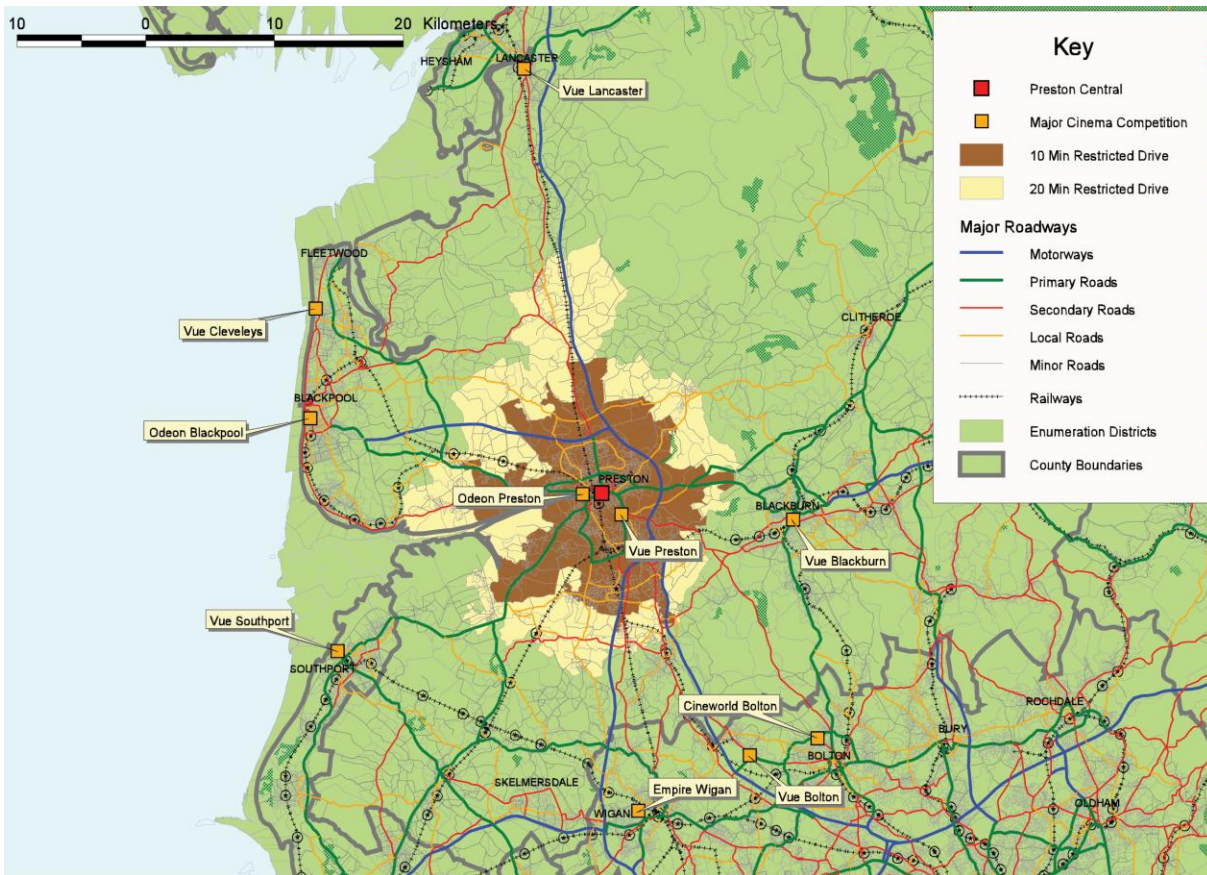
<u>Preston</u> <u>Drivetimes</u>	20 Minutes Unrestricted	20 Minutes Restricted
Total Population	691,676	323,068

However, it is important to note that this is not an absolute and also critically, the scale and 'appeal' of a proposed leisure destination figures in a pull beyond 20 minutes and overrides closer cinemas (e.g. Trafford Centre pulls its leisure market from well beyond 20 minute drive times and audiences will often bypass an existing inferior offer).

The map on the following page identifies the 20 minute drive time catchment that would see Preston as the nearest multiplex location in terms of drive time.

² The actual travel time to the closest cinemas is variable and depends on the access routes, the driving and parking conditions, and for those not using private cars, the public transport services.

Map 2 20 Minute Drive Time Preston and Nearby Modern Cinemas



Pillar Technology

We have not introduced any ‘gravity’ weighting to these numbers – albeit the opportunity for Preston to create a leisure destination of excellence, servicing the whole region, is obvious (i.e. attracting significantly more of the unrestricted 20 minute drive time catchment population over competing offers and indeed beyond the 20 minute drive time with an offer of sufficient scale).

5.1.1. Admissions Potential

Throughout the United Kingdom there is an average admissions level of 2.7 Admissions per Head (APH) of the population. The emphasis here is that this number is an average only. Where there is significant provision of modern cinemas this average is very often exceeded and conversely where there is no cinema provision or inferior cinemas this number is often far less than average.

Examples of locations³ where cinemas built to the modern 21st Century cinema standards are achieving well above 2.7 APH include:

- Yeovil 5.63
- Huntingdon 5.28
- Llandudno 5.62
- Bury St. Edmunds 7.05
- Crawley 5.13
- Ashford 7.6

Looking at per capita admissions, Odeon and Vue combined currently generate approximately 595,675 admissions on a 20 drive time population of 323,068.

This average of around 1.8 is significantly below the UK average of 2.7.

Using the average of 2.7 APH of the population it is expected that the potential cinema admissions of Preston, if there were 21st Century cinema provision, would generate a minimum of 872,284 admissions.

It is realistic to expect that a modern cinema, supported by a range of dining options and other leisure and located in the heart of a city centre as strategically central and dynamic as Preston, will generate an APH of a minimum of 3.0, i.e. $3.0 \times 323,068 = 969,204$ potential admissions. Using this methodology this would be the most likely outcome.

In consideration of other markets where a substantial 21st Century cinema attracts attendance rates of 4, 5 or 6 admissions per annum per person, a factor of 3 is considered to be extremely conservative.

A better case prediction could see the current admissions of 595,675 in Preston almost double to 3.6 admissions per capita, generating 1,163,045 admissions.

³ Numbers provided by Cineworld in Trowbridge Inquiry

5.1.2. Quality of Cinema Provision

A key consideration in the analysis of the immediate catchment is the age and quality of the competition. Not only does it affect the current performance of each cinema but also how a new 21st Century entrant would compete with existing trade and grow the market.

The current level of 1.8 admissions per annum is significantly below the average cinema going propensity and at this level questions need to be raised on:

- Quality of existing cinemas in line with market expectation
- Location of cinemas in relation to principal activity centres
- Quality of location in relation to ancillary activity and leisure (F&B) offers

A broad-based approach to the study of the market demand for new cinemas compares the supply of screens per capita in an area with national and international standards. This simplistic method is satisfactory for introductory assessments and upgraded information can be used to examine the wider range of variables such as demographic characteristics, travel conditions, competing venues etc.

More sophisticated approaches by researchers look at the hierarchy of catchment areas with different attendance rates and market share allocations that are closer to the actual market conditions and greater reliability.

However, any assumed equal performance capability of cinema screens is misleading. The venue location and the quality of experience offered, relative to competitors and operation, distorts screen numbers as a basis for forecasting. New cinemas may be located where the market finds them more convenient and they are able to provide more comfortable viewing and presentation. Many venues that were built more than 15 years ago are vulnerable to new competition that enters the market.

5.1.3. Default to Closest Conclusions

Clearly, any dataset lends itself to multiple interpretations and alternative conclusions. However, it is reasonable to suggest that Preston is currently not performing to its full potential as a cinema city and has a notable number of admissions not being realised.

There is no strong reason to believe that a well sited and appropriately sized and technologically advanced cinema in Preston city centre would not see a significant improvement in the overall cinema economy and renewed activity in the city centre as seen in for example Liverpool and Derby as described in section 5.3.

It is clear that the admissions potential for the Preston catchment is a very minimum of 969,000 admits. However, it would not be surprising to see this total climb to 1.2 million plus admissions if a suitable scintillating leisure offer was introduced.

This will still be the 'total' market assessment and consideration needs to be taken of the likely case that both the Riversway Cinema and The Capitol Centre Cinema will continue to trade although at reduced admission levels, again relative to the size of the city centre leisure development.

5.2. Methodology 2 – Twinned Visits

Densely populated inner city areas within or close to the town or city centre are market opportunities, but in extended urban areas people are attracted to cinemas from a very wide area. A large number visit the centre for a definite purpose such as shopping and major town and city centres also are a work place and there are students, other visitors and local residents. Therefore, cinemas located in the city centre or in a busy shopping centre (e.g. Trafford Centre Manchester, Westfield London) will be within a reasonable walking distance of a large day and evening population, and even a small percentage of this market can represent significant attendance potential.

5.2.1. Admissions Potential Ancillary Visits

Cinema visits worldwide are identified as one activity that is most universally undertaken twinned with another principal activity e.g.:

- Shopping – Meal – Cinema
- Work – Meal – Cinema
- Hairdresser – Shopping – Cinema etc.
- Education (University Campus) - Cinema
- Meeting Friends – Cinema
- Other Entertainment – Cinema

There is strong evidence of the increase in participation and frequency in cinema patronage from case studies in cities where attractive new cinemas open in city and town centre and where overall admissions in the market immediately rise substantially; the Odeon Liverpool One (as described in section 5.3.2.) is an example where the Merseyside had a mature cinema market with the majority of the multiplex cinemas having been built more than 15 years ago. However, the new Odeon Liverpool One venue in the city centre that opened in 2008, has both changed patterns of attendance and increased the overall participation in the market area adding from 500,000 to 600,000 admissions per annum, an increase of 40 - 50% over the 1.2 million to 1.3 million admissions in the same catchment prior to the opening of Liverpool One (see fig. 3).

If there are no cinemas in a town or city centre, as in Preston, there is potential for newly generated attendance due to convenience provided by cinemas within a convenient walk from place of work, shopping areas, university/ college campus and other downtown activity. As a rule of thumb one can estimate the potential cinema admissions will be equivalent to between 3% and 5% of average daytime population.

The average daytime population in Preston city centre is estimated to be between 70,000 and 80,000 people⁴. Using this rule of thumb suggests that the potential cinema admissions in Preston city centre can be estimated to lie anywhere between a low estimate of 766,500 and a high estimate of 1,460,000 annually.

⁴ Source: Preston City Council

5.2.2. Twinned Visits Conclusions

The median of the two estimates of the twinned / ancillary visits methodology is 1.1 million admissions for a cinema in Preston city centre. This would return the annual admissions close to the peak level of the combined total admission figures seen in the mid 1990's at the Odeon and Vue cinemas in Preston (see fig. 7).

5.3. Methodology 3 – Derby and Liverpool Benchmark

In addition to the information obtained from research, benchmark analyses were carried out for Derby and Liverpool with the aim to ascertain/ get a sense of the possible effects of a new cinema in Preston city centre.

5.3.1. Derby

The City of Derby has a venerable cinema history, with films first being shown in The Victoria Electric Theatre in 1910. In the following 65 years some further 18 cinemas, located mainly in the centre, opened and closed. In the 1970s and 1980s it was served by an ageing ABC and Odeon during the period in which UK admissions were declining dramatically.

Lack of investment in cinema infrastructure and facilities is often posited as causes for the decline, a theory confirmed with the advent of the multiplex when UK admissions started an upward trend that has seen them rise from 55m in 1984 to almost 175m today.

Like Preston, Derby was among the first UK towns and cities to see the new cinema concept being built in 1988 with the 10 screen AMC (subsequently UCI and now Odeon) at the out of town Meteor Centre, closely followed by the 11 screen Showcase at Foresters Park in 1988.

These two out of town cinemas dominated the local cinema landscape for almost 20 years with admissions levels peaking towards the mid/late 1990's and then going into a slow decline until the opening of two new 21st Century cinemas. In 2008, The Quad Arts Centre opened in the Cathedral Quarter, catering for a more specialised audience and the Cinema De Lux (also owned by Showcase) opened in the new Westfield Centre in the same year.

Derby now has a vibrant cinema landscape, a variety of cinemas for all tastes and produces average annual per capita admissions that significantly exceed the UK average (4 per annum vs. 2.7 per annum respectively).

A transformation of the central evening economy of both Derby and Liverpool seems to have acted as a catalyst for an increased appetite for residential development. Both centres have experienced increased residential activity since the introduction of two large multiplexes. In our opinion a vibrant and safe evening economy will be a catalyst for:

- increased dwell time for current workers and motivation to remain in the city centre
- added value to shoppers to add cinema visits to their activity
- increase in the attraction of Preston as a student destination
- softening the impact of current 'drink-led' evening activity by introducing a family, friends, couples environment that will also increase overall attraction of living in the city centre.

The table below shows the admission numbers in Derby both before and after the arrival of the new cinemas.

Fig. 6 Derby Admissions from 2000 to 2013

Year	Odeon Meteor 10 screen, 1988 Est. Admissions		Showcase Foresters Park 11 screen, 1988 Est. Admissions		Showcase de Lux Westfield 12 screen, 2008 Est. Admissions		Combined Market Est. Admissions ⁵	
2000	420,588		498,435				919,023	
2001	458,443	9.00%	458,848	-7.94%			917,291	-0.19%
2002	525,297	14.58%	491,797	7.18%			1,017,094	10.88%
2003	441,514	-15.95%	432,944	-11.97%			874,458	-14.02%
2004	470,956	6.67%	413,345	-4.53%			884,301	1.13%
2005	455,872	-3.20%	394,919	-4.46%			850,791	-3.79%
2006	433,889	-4.82%	342,912	-13.17%			776,801	-8.70%
2007	431,629	-0.52%	338,165	-1.38%			769,794	-0.90%
2008	357,132	-17.26%	265,670	-21.44%	327,862		950,664	23.50%
2009	335,527	-6.05%	211,547	-20.37%	515,519	57.24%	1,062,593	11.77%
2010	303,145	-9.65%	180,120	-14.86%	523,229	1.50%	1,006,494	-5.28%
2011	313,440	3.40%	198,327	10.11%	533,117	1.89%	1,044,884	3.81%
2012	300,389	-4.16%	183,525	-7.46%	555,332	4.17%	1,039,246	-0.54%
2013	276,450	-7.97%	176,113	-4.04%	536,811	-3.34%	989,374	-4.80%

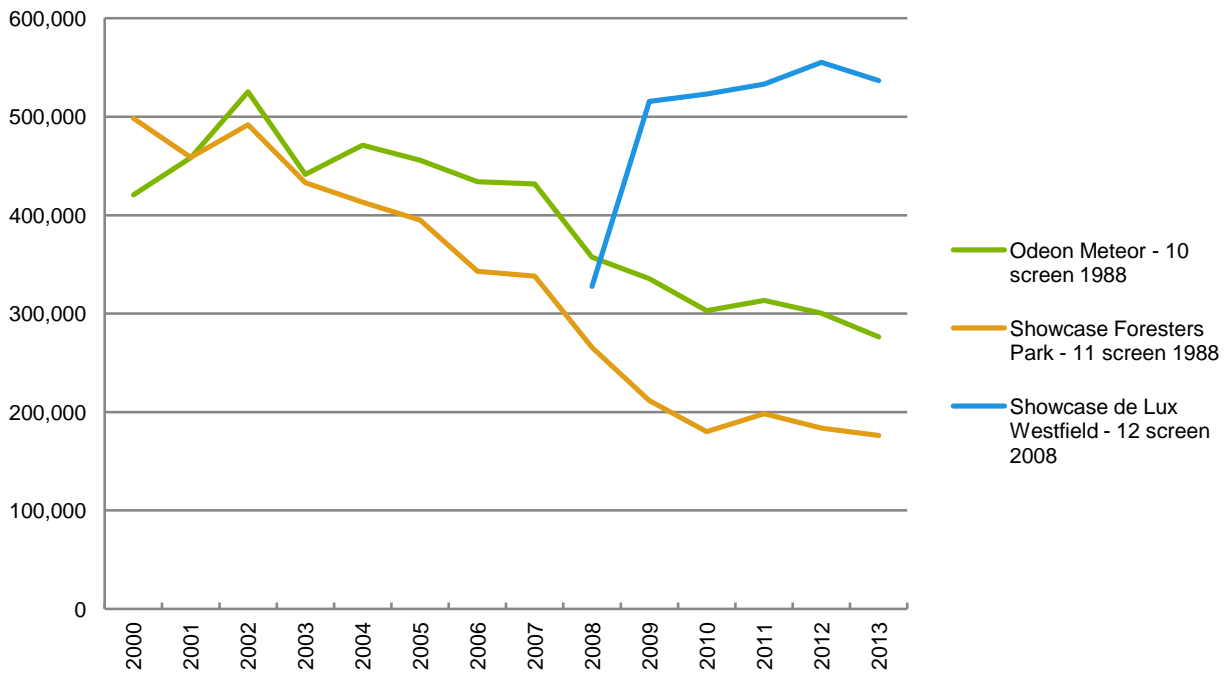
Source: *dcinex Consulting database and Internal Databases*

The average number of admissions from 2009 to 2013 was 1,028,518 compared to 831,229 in the period 2003 to 2007, i.e. an average growth of 23.73%.

⁵ We do not have admissions numbers for the Quad Cinema in Derby but these would be additional to the total admissions for Derby at circa 100,000.

The chart below shows the admission trend in Derby both before and after the arrival of the new cinemas. The correlation between Preston and Derby is obvious although the fall in admissions in Preston has been significantly more dramatic up to 2007.

Fig. 7 Derby Admissions from 2000 to 2013



Source: Industry reports to December 2013 and Internal Database

As can be seen from the data in the table (Fig. 2) and the chart above, admissions were gradually falling for both the existing cinemas, falling approximately 150,000 between the years 2000 and 2007. The advent of the new city centre Showcase Cine de Lux in 2008 sent the overall admissions in an upward trajectory, with all three cinemas combined now exceeding historical levels. Taking into account that ticket prices have been rising at above inflation rate over this period the overall cinema economy has been expanding at a far greater rate, most probably at over 50%.

It could be argued that the actual potential of Preston is greater than Derby in that Preston has a total population of 691,676 people to serve within a 20 minute drive time and no competing centre, whereas Derby is in close proximity to Nottingham which is that region's most significant centre. There's no reason why Preston/ North Lancashire should not have a location that features a destination like that.

5.3.2. Liverpool

Liverpool with a population of approximately 470,000 is a different dynamic to Derby and Preston. However, like Preston, Liverpool is a major centre in a wider region that suffered from a fading retail core until Liverpool One was developed. And similar to Preston there is also a strong university presence within the city.

Whereas Liverpool is not comparable to Preston in terms of population size and other demographic parameters, it has recently gone through a massive period of reconstruction, especially within the city centre. The redevelopment of certain areas have included the development of new cinemas and it has been informative, as with the Derby example, to examine the effect of this on overall cinema-going in the Liverpool city and wider metropolitan areas. It seems apparent that a dynamic leisure led quarter attracting all age and demographic groups would act as a significant catalyst to further regeneration.

As with many/most of the UK's large conurbations, Liverpool city was poorly served with cinemas during the 1970's and 1980's, with just the presence of the converted Odeon and ABC cinemas.

Notwithstanding the redevelopment of the original Odeon in London Road from a large single screen into a number of smaller auditoria, Liverpool never had the capacity or degree of comfort to attract, develop and maintain a steady audience. As with the rest of the UK, its admissions went down year after year.

It was not until the opening of the 12 screen Showcase cinema in Edge Lane in 1989 that Liverpoolian cinema-goers were able to experience the 'new' era of cinema and accordingly admissions began to climb. This new cinema was closely followed in 1991 with the building of a new multiplex, the UGC, now Cineworld, within the same development as Showcase. This had the effect of increasing admissions even further, to the detriment and ultimate decline of the two main central cinemas, leaving the city centre bereft of a modern cinema thus significantly eroding one of the main evening footfall drivers.

Unlike Preston, the ABC/ Odeon maintained a city centre presence right up to the opening of Liverpool One. At the same time, the independently operated cinemas in and around Liverpool maintained a presence, as they do today, with the Picture House in Woolton and the Plaza in Crosby still serving local audiences.

A new leisure development at Switch Island, near Aintree, opened to include a new, state of the art, 12 screen Odeon in 1998. Whereas it had the effect of generating even more admissions for the whole cinema market in Liverpool, it was still some 6 miles from the city centre, thus doing little for its night time and leisure economy.

It was yet a further decade before the city centre cinema scene took off again with the building of the new 14 screen Odeon in the Liverpool One Development. It is with this, that the real story for Preston becomes apparent. In its first full year of operation the new Odeon generated over one million admissions, more than the combined total admissions for the other out of town multiplex cinemas.

A short while later, the FACT cinema and media centre opened in Wood Street with funding from both the Arts Council England and the local authority. Catering for a more diverse and specialised audience, the Liverpool city centre cinema landscape now has something to offer everyone and demonstrates that a large, well equipped, modern and comfortable cinema in the city centre will attract a large audience and help to re-invigorate the footfall and leisure economy.

The table below shows the admissions in Liverpool both before and after the arrival of the new cinemas.

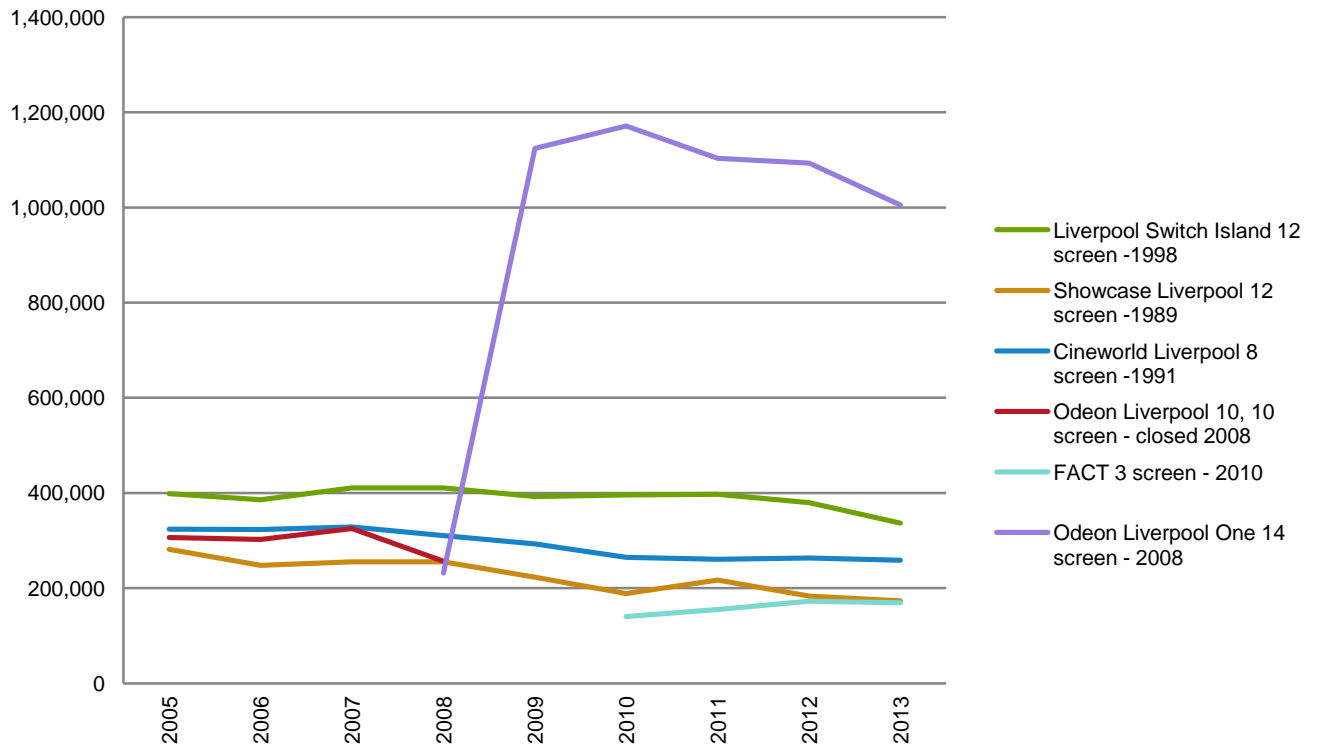
Fig. 8 Liverpool Admission Numbers from 2005 to 2013

Year	Liverpool Switch Island 12 screen 1998		Showcase Liverpool 12 screen 1989		Cineworld Liverpool 8 screen 1991		Odeon Liverpool 10 screen closed 2008		FACT 3 screen 2010		Odeon Liverpool One 14 screen 2008		Combined Market	
	Est. Admissions		Est. Admissions		Est. Admissions		Est. Admissions		Est. Admissions		Est. Admissions		Est. Admissions	
2005	398,509		281,313		323,896		306,406						1,310,124	
2006	385,455	-3.28%	247,749	-11.93%	323,340	-0.17%	302,469	-1.28%					1,259,013	-3.90%
2007	410,833	6.58%	255,299	3.05%	328,542	1.61%	324,965	7.44%					1,319,639	4.82%
2008	410,751	-0.02%	254,979	-0.13%	310,218	-5.58%	256,926	-20.94%			231,544		1,232,873	-6.57%
2009	392,629	-4.41%	223,356	-12.40%	293,186	-5.49%					1,124,339		2,033,510	64.94%
2010	396,061	0.87%	188,697	-15.52%	264,626	-9.74%			140,512		1,171,224	4.17%	2,161,121	6.28%
2011	397,013	0.24%	217,299	15.16%	260,974	-1.38%			154,985	10.30%	1,103,727	-5.76%	2,134,000	-1.25%
2012	379,803	-4.34%	183,218	-15.68%	263,248	0.87%			172,789	11.49%	1,093,401	-0.94%	2,092,459	-1.95%
2013	336,913	-11.29%	173,402	-5.36%	258,942	-1.64%			169,454	-1.93%	1,005,236	-8.06%	1,943,947	-7.10%

Source: Industry reports to December 2013 and Internal Database

The chart below shows the admissions in Liverpool both before and after the arrival of the new cinemas.

Fig. 9 Liverpool Admissions from 2005 to 2013



Source: Industry reports to December 2013 and Internal Database

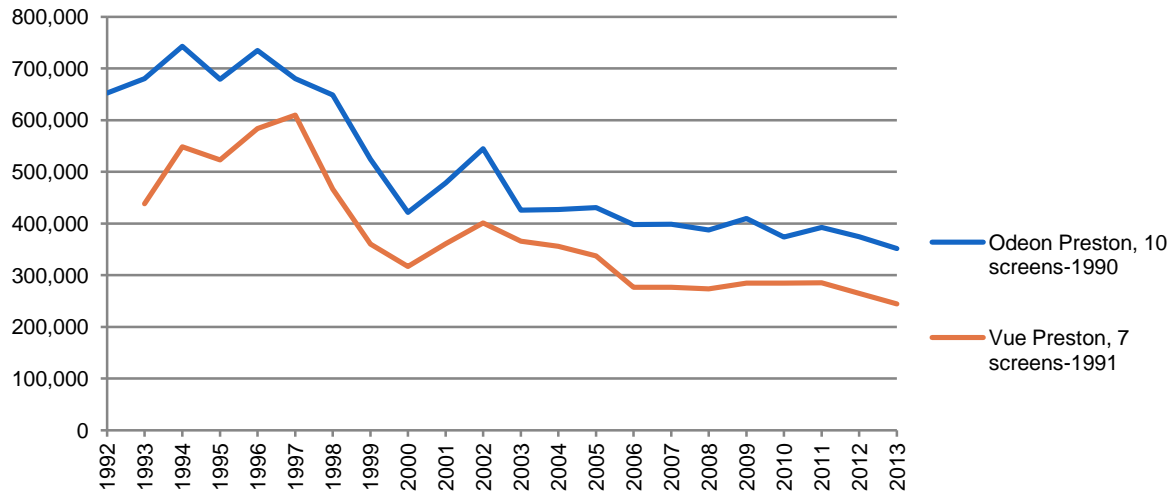
The data presented here demonstrate clearly the result of building a large, modern city centre cinema, within a new development area. Admissions for the wider Liverpool area were stagnant for years until the opening of the Odeon in the Liverpool One development. As may be seen, this one cinema now out grosses all other major cinemas combined. At the same time, it co-exists very harmoniously with FACT, whose cinema admissions have not been at all dented, and continues to serve its own audience segment well.

Equally, although down a little on their heyday, the suburban multiplexes have maintained their level of business over this period suggesting that the new city centre cinema generated many new admissions, rather than just taking them from the competition, thus significantly increasing admissions for the city as a whole. There is no clear reason why the same pattern should not be seen in Preston.

5.3.3. Preston Projection

Using the same process and time frames and applying them to Preston, the following picture emerges.

Fig. 10 Preston Admissions from 1992 to 2013



Source: Industry reports to December 2013 and Internal Database

Combined admissions for the existing Vue and Odeon cinemas in Preston in 2013 were approximately 580,000 down from 738,000 in 2000. It is reasonable to assume that box office receipts would have held steady over this period, in line with rising ticket prices.

As can be seen from the chart below the declining admissions in Preston are not in line with the overall increase of cinema admissions UK wide.

Fig. 11 UK Admissions from 1992 to 2013



Source: Industry reports to December 2013 and Internal Database

Fig. 12 Preston Admissions from 1992 to 2013

Year	Odeon Preston 10 screens-1990 Est. Admissions		Vue Preston 7 screens-1991 Est. Admissions		Odeon + Vue Combined Est. Admissions	
	Est. Admissions	% Change	Est. Admissions	% Change	Est. Admissions	% Change
1992	652,282				652,282	
1993	680,204	4.28%	438,200		1,118,403	71.46%
1994	743,029	9.24%	548,067	25.07%	1,291,097	15.44%
1995	678,957	-8.62%	522,773	-4.62%	1,201,730	-6.92%
1996	734,891	8.24%	583,343	11.59%	1,318,235	9.69%
1997	680,047	-7.46%	609,677	4.51%	1,289,723	-2.16%
1998	648,895	-4.58%	466,391	-23.50%	1,115,285	-13.53%
1999	523,975	-19.25%	360,307	-22.75%	884,282	-20.71%
2000	421,461	-19.56%	316,620	-12.12%	738,081	-16.53%
2001	478,687	13.58%	360,628	13.90%	839,314	13.72%
2002	544,909	13.83%	400,976	11.19%	945,886	12.70%
2003	425,549	-21.90%	365,655	-8.81%	791,204	-16.35%
2004	427,163	0.38%	355,553	-2.76%	782,716	-1.07%
2005	430,804	0.85%	337,164	-5.17%	767,968	-1.88%
2006	398,132	-7.58%	276,393	-18.02%	674,525	-12.17%
2007	398,819	0.17%	276,733	0.12%	675,551	0.15%
2008	387,508	-2.84%	273,426	-1.19%	660,933	-2.16%
2009	409,393	5.65%	284,836	4.17%	694,230	5.04%
2010	373,856	-8.68%	284,454	-0.13%	658,310	-5.17%
2011	392,200	4.91%	284,952	0.18%	677,152	2.86%
2012	374,618	-4.48%	264,905	-7.04%	639,523	-5.56%
2013	351,549	-6.16%	244,126	-7.84%	595,675	-6.86%

Source: Industry reports to December 2013 and Internal Database

Using the Liverpool case study and assuming a 'fit for purpose' state of the art 21st Century offer, supported by other leisure and a wider variety of restaurants (operating in synergy together) in the retail core of Preston then admissions levels of significantly more than 1 million, indeed upwards to 1.5 million, would be a realistic outcome.

5.3.4. Benchmark Conclusions

With the Derby and Liverpool benchmark examples it is of course possible to interpret data in a number of ways and different approaches may allow different conclusions to be drawn. However, the data presented here appear to be clear cut: the city centre is today the most appropriate site for a new, large, state of the art modern cinema. Such a cinema will generate brand new admissions and contribute significantly to the local leisure economy. Such a cinema, though naturally exerting some influence, will draw significant business away from the competition, although not necessarily resulting in closures, but it will also generate brand new business and re-attract those lapsed cinema-goers that may have ceased going many years ago.

A comparable new cinema in Preston city centre will be able to replicate these findings. A similar uplift in business as seen in the Derby situation would suggest that admissions should at least return to 1998 levels i.e. 1.1 million admissions, though probably much higher.

If the uplifts were in the region and proportion of the Liverpool case example, this number would be significantly greater and could reach 1.5 million admissions.

5.4. Street Interviews

In addition to research and the Derby and Liverpool benchmarks, a series of street interviews were undertaken to ascertain the potential and appetite for a cinema in Preston city centre. A survey of 314 people was carried out on Friday May 16 and Saturday May 17 2014 of visitors in the likely sphere of influence of a cinema in Preston city centre. 136 Males and 178 females from different ages⁶ and various ethnic backgrounds were interviewed over the course of two days.

The interviews were carried out in Fishergate Shopping Centre, St. George's Shopping Centre, St. John's Centre and on the street. The objective of the street interviews was to collect information from visitors on:

- Main purpose for visiting Preston
- Current cinema going habits
- Location of current preferred cinema
- Response to a cinema in Preston city centre
- Age

Map 1 below indicates the place of residence by postcodes for those interviewed. Approximately 70% percent of respondents originated from in PR1, PR2 and PR5.

⁶ Under 15 year olds were excluded from the survey.

Map 3 Residences by Postcode of Street Surveys



5.4.1. Street Interview Key Findings

The principal reason respondents visited Preston city centre was for shopping (58%), far more than any other purpose. With regards to cinema going habits 32% of respondents claimed to go at least twelve times a year, 34% claimed to visit between once and eleven times a year and 34% stated that they go less than once a year or never. Reasons given by respondents who did not visit the cinema included that it was too far away, not easily accessible by transport and that the respondents thought they were too old. This suggests that a modern city centre cinema accessible from good public transport links and screening films, other events and performances of interest to a broad range of ages could tap into a large potential audience that is not currently served by or attracted to either of the existing cinemas.

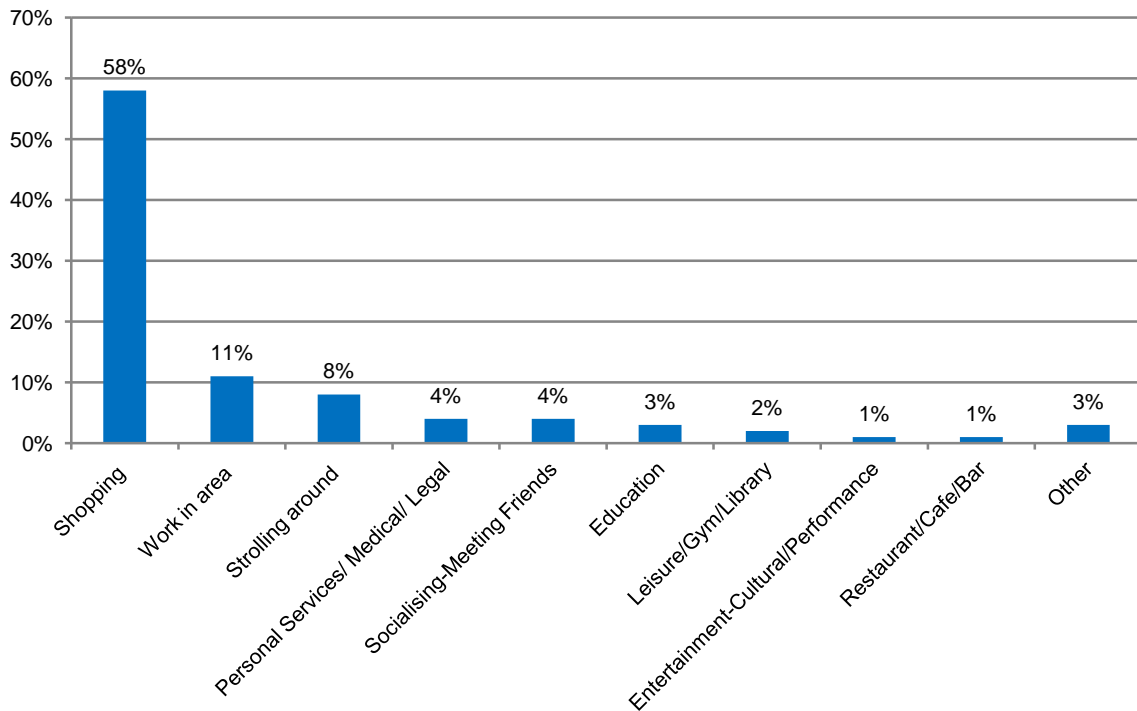
Of all respondents, 55% visit the existing cinemas in Preston, 36% go to the Odeon and 19% to the Vue at The Capitol Centre. 25% stated that they never go to the cinema. It is remarkable to note that very small numbers of respondents interviewed visit cinema in other nearby towns and cities.

A significant majority of respondents (78%) stated they would be likely to visit a city centre cinema developed with associated restaurants. 62% of respondents confirmed that a new cinema developed in the city centre would become their main venue.

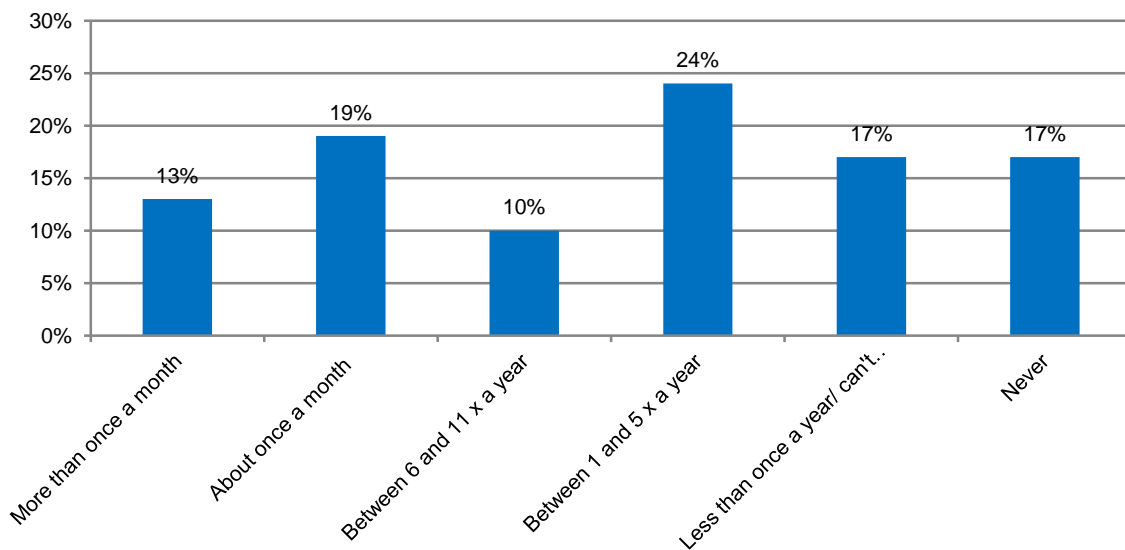
Respondents rated Picture and Sound Quality, Viewing Comfort and Latest Movies and Blockbusters as the three most important aspects of a cinema experience. Interestingly, closeness to restaurants and pubs was rated as least important. The majority of respondents do not (yet) seem to link a cinema visit with a whole evening out including a meal.

The questionnaire used for the street interview and a further breakdown of the age groups, postcodes and interviews per location can be found in Appendices 2 and 3.

1) Main reasons for respondents to visit Preston city centre

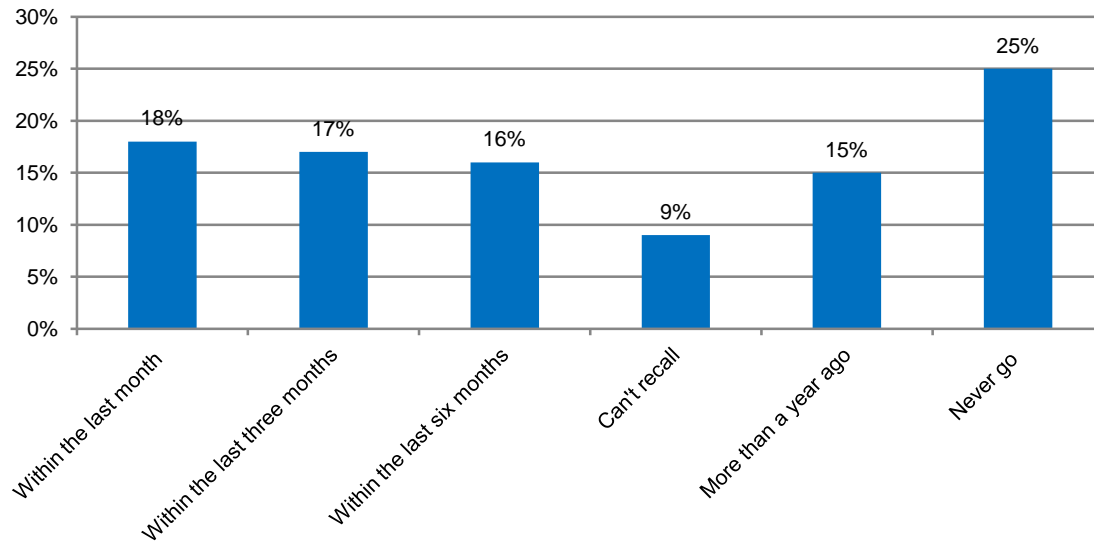


2) Respondents usually go to the cinema

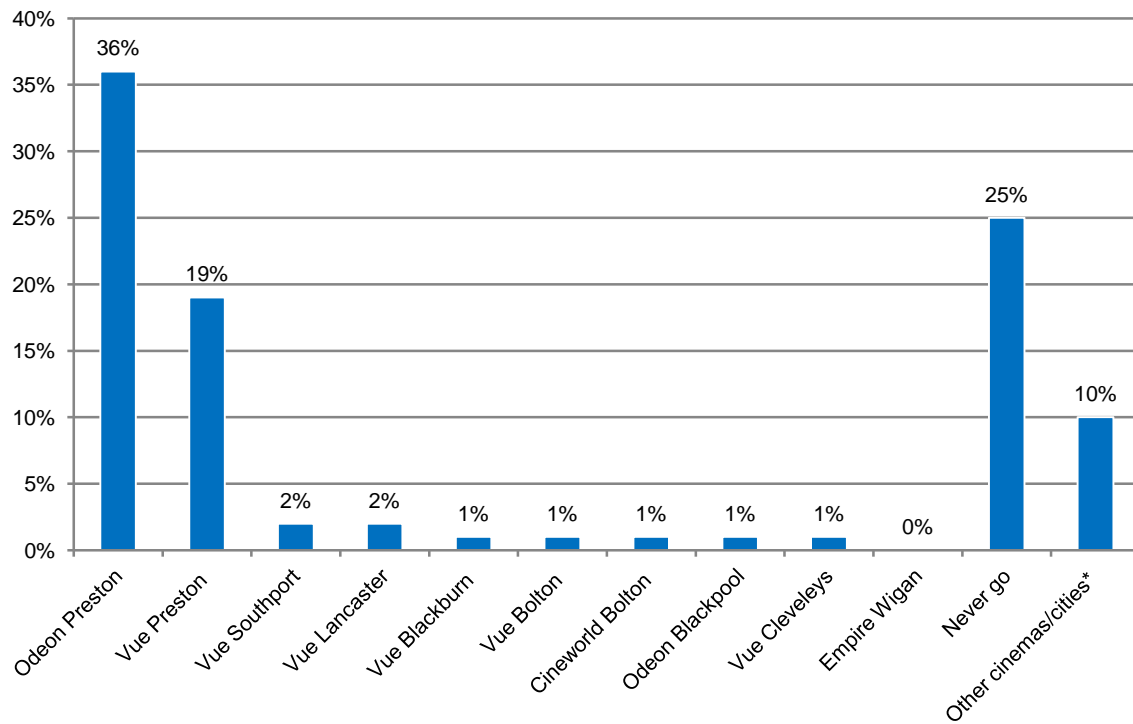


Reasons why not when never: no interest, prefer watching TV, too old, transportation is an issue, too expensive, don't have time, too far away. No particular answer stood out here.

3) Respondents last went to the cinema



4) Current cinemas visited



* Other cinemas/cities answers (10%) in no particular order and without any of them more frequently mentioned included: Reel Cinema Morecambe, Showcase Liverpool, Cineworld St. Helens, The Printworks Manchester, Odeon Trafford Centre Manchester, AMC Manchester, Showcase Manchester, Island Cinemas St Anne's, Vue Ramsgate, Vue Accrington, Reel Cinema Burnley, Vue Cheshire Oaks, Arts Centre London, Newcastle, Horwich, Vue Leeds, St. Anne's Ireland, Scotland, Libya, Poland.

5) Response to a cinema with restaurants in Preston city centre

There was an overall positive response to the proposal for a cinema and associated restaurants, cafes and bars in Preston city centre and the following percentage said they would be likely to visit:

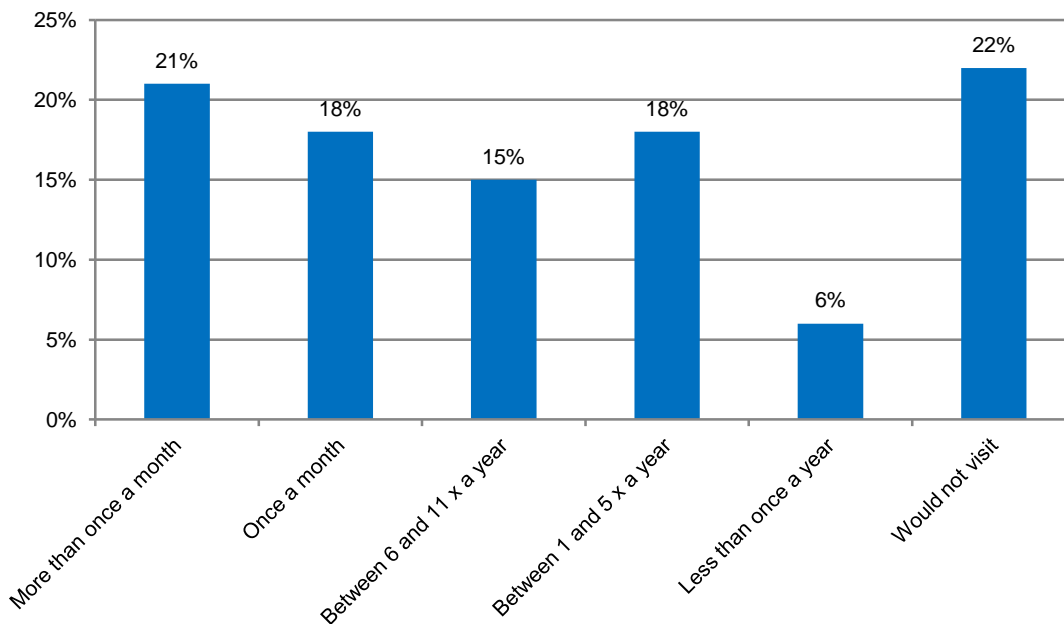
- YES (78%)
- NO (22%)

6) Response to a new city centre cinema becoming their main venue

- YES (62%)
- NO (38%)

7) Frequency of visits to a new cinema in Preston city centre

Respondents said they would visit a cinema in Preston city centre:



8) Aspect of cinema experience ranked in order of importance by respondents:

1. Picture and Sound Quality	7. Ambience
2. Viewing Comfort	8. Food and drinks to take to seat
3. Latest Movies and Blockbusters	9. Latest on screen content
4. Service	10. Foreign and independent movies
5. Convenience from Home	11. Closeness to restaurants and pubs
6. Parking	

5.4.2. Street Survey Conclusions

In November 2012, 300 in-centre surveys were conducted by Deloitte as part of their 'Preston City centre Retail and Leisure Study' which was published in May 2013. These surveys were undertaken on a Thursday, Friday and Saturday (100 surveys each day). The 314 street interviews conducted by dcinex for the cinema study took place on a Friday and Saturday (approx. 150 surveys each day) and focussed largely on purpose of visit and cinema going behaviour and preference.

According to the Deloitte study 40% of respondents were visiting the city centre for shopping. This is largely in line with the outcome of the dcinex surveys in which 58% stated that their main purpose for coming to Preston city centre was to shop.

In the Deloitte study respondents were questioned about their cinema preferences and habits. Over half of respondents (59%) said they never visit the cinema, with others visiting either monthly or fortnightly (both 15%) and very few every week (1%).

The dcinex study found that approximately 25% of respondents never go to the cinema. In addition, 15% to 17% said they went more than a year ago and / or could not remember when they last went to the cinema. One can therefore say that approximately 40% of respondents do not go to the cinema.

According to the Deloitte study the most popular cinemas and most frequently visited cinemas are the Odeon Riversway (38%) and the Vue at The Capitol Centre (34%) in Preston. This is more or less in line with the findings of the dcinex study although the Odeon Riversway (36%) seems to be more popular than the Vue at the Capitol Centre (19%).

From the dcinex street surveys it is clear that there is both potential and appetite for a modern 21st Century cinema in Preston city centre. 78% of people surveyed said they would visit a city centre cinema and 62% of respondents said it would become their preferred main venue.

5.5. Admissions Forecasts for Preston City Centre's Proposed Cinema

The outcome of the research undertaken including default to closest, twinned visits and benchmark methodologies and the street interviews clearly shows that there is both potential and demand for a cinema in Preston city centre. Preston is apparently not performing to its full potential as a cinema city and has a notable number of admissions currently not being realised.

There is no strong reason to believe that a well sited and appropriately sized and technologically advanced cinema in Preston city centre would not see a significant improvement in the overall cinema economy and renewed activity in the city centre as seen in for example Liverpool and Derby.

It is realistic to expect that a modern cinema, supported by a range of dining options and other leisure and located in the heart of a city centre as strategically central and dynamic as Preston, will generate a very minimum 850,000 admits with a likely outcome of 1 million admissions in total. However, it would not be surprising to see this total climb to 1.2 million plus admissions if a suitable scintillating leisure offer was introduced in the city centre. This will be the 'total' market assessment and consideration needs to be taken of the likely case that both the Riversway Cinema and The Capitol Centre Cinema will continue to trade although at reduced admission levels, again relative to the size of the city centre leisure development.

6. Market Share Preston City Centre Cinema

A modern cinema, supported by a range of dining options and other leisure and located in the heart of a city centre of Preston would see the total cinema market in Preston reach between 850,000 and 1.2 million admissions per annum.

To realise on this 'possibility' even at a base level there would ideally need to be a vision shared between Civic, Development and Operational interests and working together in partnership to minimise risks for all partners while also maximising the full potential that such a leisure quarter would bring to Preston city centre.

Taking three possible scenarios, 850,000, 1 million and 1.2 million admissions, the following scenarios illustrate the likely before / after admission scenarios.

6.1. Scenario 1: 850,000 Admissions – 9 screens, 1,500 seats

This scenario with 450,000 admissions for a new city centre cinema would be a 'best case' scenario for the existing cinemas and a 'worst case' scenario for a new cinema entrant.

The size of the new cinema in this scenario would be circa 1,500 seats over 9 screens, giving capacity to increase admissions to 600,000.

However, due to the proximity of the Riversway cinemas to the city centre and reliance on the central population to travel out to those cinemas, the likelihood of these cinemas surviving commercially would be doubtful and the sites could be adapted for some other purpose without any substantial loss to the community. Any further admission loss at Riversway would benefit a city centre cinema almost immediately.

Fig. 13 Scenario 1

	Riversway 10 screens 2,020 seats	Capitol Centre 7 screens 1,848	New Cinema 9 screens 1,500 seats	Total Admissions
Present	350,000	250,000		600,000
Future I	210,000	190,000	450,000	850,000
Future II	Close	200,000	650,000	850,000

6.2. Scenario 2: 1 Million Admissions – 9 screens, 1,500 seats

Under this scenario of 1 million admissions for the Preston locale, 630,000 admissions (230,000 taken from existing cinemas + 400,000 newly generated admissions) are expected for a new city centre cinema. The existing cinemas in Preston could continue to trade but at further reduced admission levels.

Fig. 14 Scenario 2

	Riversway 10 screens 2,020 seats	Capitol Centre 7 screens 1,848	New Cinema 9 screens 1,500 seats	Total Admissions
Present	350,000	250,000		600,000
Future I	200,000	170,000	630,000	1,000,000
Future II	Close	190,000	810,000	1,000,000

6.3. Scenario 3: 1,200,000 Admissions – 12 screens, 2,500 seats

In this scenario cinemas in Preston are generating a total of 1.2 million admissions. However, the total market in this instance would most likely only be shared between 2 cinemas: a new 21st Century city centre cinema and the out of town cinema at The Capitol Centre which would likely be modified and adapted to 21st Century standards although at high cost with little net gain. Due to the closeness, size and appeal of a modern state of the art 21st Century city centre cinema to the Riversway cinema, it is highly likely that this cinema will cease to trade. The Capitol Centre would possibly continue to trade but would also likely come under significant pressure from a far superior central offer which at this scale would be the community hub.

Fig. 15 Scenario 3

	Riversway 10 screens 2,020 seats	Capitol Centre 7 screens 1,848	New Cinema 12 screens 2,500 seats	Total Admissions
Present	350,000	250,000		600,000
Future I	180,000	150,000	870,000	1,200,000
Future II	Close	160,000	1,060,000	1,200,000
Future III	Close	Close	1,200,000	1,200,000

6.4. Scenario 4: 700,000 admissions – 7 screens, 900 seats

Although this scenario is the least ambitious and most conservative, it would be most likely the best possible outcome without a more visionary approach.

Fig. 16 Scenario 4

	Riversway 10 screens 2,020 seats	Capitol Centre 7 screens 1,848	New Cinema 7 screens 900 seats	Total Admissions
Present	350,000	250,000		600,000
Future I	260,000	170,000	270,000	700,000

7. Proposed Sites for Cinema Development in Preston City Centre

Town and city centres throughout the UK recognise that a leisure development is now a fundamental building block - indeed foundation - to a town/ city centre strategy that wishes to create a vibrant 18 hour economy. Dcinex Consulting have been engaged to assist PCC with its deliberations and arrive at a strategy to create a significant leisure destination in the city centre. Part of this study included the assessment of the suitability of various locations identified by PCC.

7.1. Locations

Dcinex Consulting have been asked to consider the following locations:

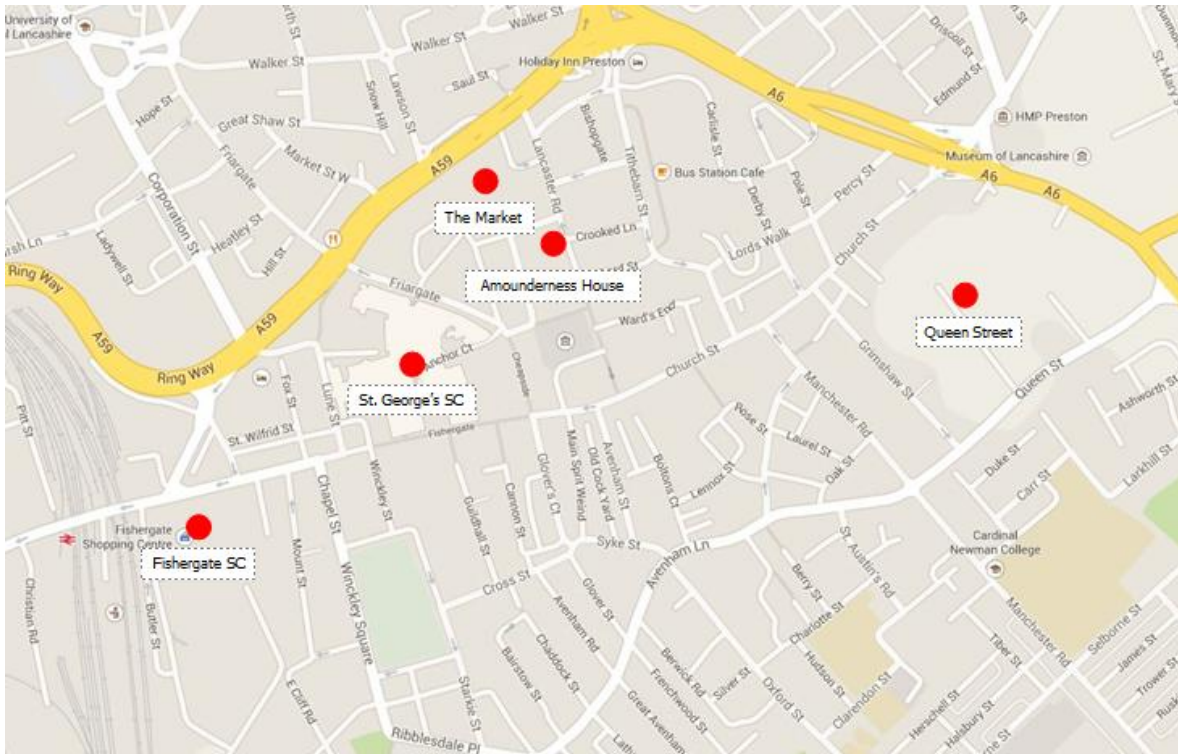
- 1) Fishergate Shopping Centre (owned by Benson Elliot Services Ltd)
- 2) St. George's Shopping Centre (owned by Aviva Investors)
- 3) Queen Street (owned by the Brookhouse Group)
- 4) Bus Station (owned by LCC)
- 5) The Market Hall (owned by PCC)
- 6) The Guild Hall (owned by PCC/LCC)
- 7) Amounderness House (owned by PCC)

Some of the locations listed above form part of the various 'Opportunity Areas' as identified in the 'Preston city centre Plan 2013' which describes the various options to realise the ambitions for Preston to help improve the economy, the character of, and movement around and through the city centre. Further reference to this plan and the various areas will be made in the following sections.

Since dcinex Consulting was instructed to carry out this study, two of the initial seven sites have been omitted from this study in consultation with PCC. The Bus Station has been acquired by the County Council who will retain ownership. The Guild Hall is being sold privately with involvement of the County Council. We understand cinema use is not up for consideration for these locations. This leaves five potential sites that have expressed interest in or have potential for cinema development and were investigated in more depth:

- 1) Fishergate Shopping Centre
- 2) St. George's Shopping Centre
- 3) Queen Street
- 4) The Market
- 5) Amounderness House

Map 4 Five Potential Sites for Cinema Development in Preston



Potential Cinema Sites

7.2. Criteria

When assessing the suitability of the five remaining potential cinema sites, the following criteria were taken into consideration:

- 1) Which location offers the greatest potential for the location of a cinema and associated leisure facilities
- 2) Which existing buildings and what land are suitable for use as cinema
- 3) The dimensions and proportions of each site will affect both the number of screens it can support, as well as the necessary variety in size. The resulting combination of the number of screens and their size will indicate the number of seats that each complex can achieve. Adding the appropriate sized foyers, concession offers, restrooms, staff facilities, projection and services will indicate the size of complex that each site can accommodate.
- 4) Each site option will also create a different impact on Preston city centre. As the cinema will act as a draw to both customers and other leisure uses, this will influence the extent of the expected foot traffic as a result, as well as conventional traffic including cars and buses. Other properties opposite to or adjacent to the foot traffic route will be beneficially affected and this would lead to further improvement either of the existing or new development. Given the purpose of including cinemas into the city centre it is important to assess how well each site can help customer traffic flow around the town, link to other cultural landmarks and enhance existing retail. Dcinex approaches this from its experience in cinema operational models globally and what works for the cinema.

7.3. Fishergate Shopping Centre

The shopping centre opened in the 1980's as part of a development to revive the western end of Preston's main street, Fishergate. Tenants include TK Maxx, Primark, Argos and Debenhams. It is the second largest shopping centre in Preston, the first being St. George's Shopping Centre. Prior to the Fishergate Centre being built on this location in 1986, this site was home to The Theatre Royal and subsequently the ABC Cinema from 1802 to 1982.

Benson Elliot Services Ltd, who bought the Fishergate in 2013, are planning to reconfigure the old TJ Hughes department store which fronts the centre's 750-space car park and are exploring bringing in new restaurants and a cinema.



Fishergate Shopping Centre

7.3.1. Location and Possible Size of Complex

There is scope for a range of cinema sizes within this shopping centre. By reconfiguring existing space and by additional building, a normally configured 6-7 screen cinema could be incorporated. The centre has excellent connectivity to public transport and is easily accessible by car and by foot. With further space engineering a larger cinema of circa 7-10 screens / 1,000-1,500 seats could be reasonably accommodated although this will likely put pressure on the existing car parking.

7.3.2. Impact on Preston

Albeit slightly removed from the core of the city centre, the Fishergate Shopping Centre forms a potentially attractive location for a cinema and associated leisure. It would be desirable that the cinema on this site would have a visual presence – and ideally a main entrance to the cinema - on Fishergate.

However, revitalisation of routes between the station and through Winckley Square would be an attractive consideration and would potentially link into PPC's vision for the Winckley Square area as described in the Preston city centre Plan 2013.

7.3.3. Property Discussions

This centre has significant development opportunity and in several meetings between dcinex and Benson Elliot, strong support for and enthusiasm to deliver a leisure and entertainment precinct anchored by a multiplex cinema have been expressed. Master plans shown to our team indicate possible connection routes both through the shopping centre back onto Fishergate and through Winckley Square (and of course directly to the station).

From a 'cinema operators' point of view this would be a favoured location as it gives access to existing footfall and transport links. From the City of Preston's point of view this is not going to create a central iconic development to stimulate wider regeneration. However, as speed is a factor, this option is highly recommended.

7.4. St. George's Shopping Centre

St. George's Shopping Centre, formerly The Mall Preston and The Mall St George, opened on 22 March 1966 as St George's Shopping Centre. It was originally an open-air centre and was roofed over during refurbishment in 1981. It was further refurbished in 1999.

When The Mall Company took over the centre, they were greeted with an aging shopping centre. The shopping centre was rebranded as The Mall, and a massive development scheme was planned. Small stalls, main shops, cafes, restaurants, toilets and escalators were overhauled. In 2010, the shopping centre was acquired by Aviva Investors and September 2010, The Mall was rebranded under its original name St George's Shopping Centre.



St. George's Shopping Centre, Fishergate entrance

7.4.1. Location and Possible Size of Complex

St. George's is located between the city's two main shopping streets of Fishergate and Friargate and runs its own multi-storey with a capacity for 410 vehicles above the centre. Because of its central location, this shopping centre would be a good location for a cinema and associated leisure. The centre is within half a mile of Preston railway station and Preston bus station.

7.4.2. Impact on Preston

The size of units currently available within the centre that could be converted into a cinema would only allow for a modest multiplex cinema at best. Due to these size restrictions, a cinema built within St. George's Shopping Centre will most likely benefit the centre itself but will not fulfil on the full potential for Preston to become a vibrant leisure destination that attracts visitors from the overall region.

7.4.3. Property Discussions

Dcinex Consulting have met with Aviva Investors on two occasions to discuss their plans to incorporate a cinema within the shopping centre. Although it is clear that Aviva is interested in developing a cinema/ leisure quarter, they have chosen not to disclose any development plans. They have confirmed though that the space they have available within the centre could only contain a modest cinema together with ancillary restaurant offer. From our view of the centre it was difficult to understand the size and scale of a development.

The location is ideal in that it is central to Preston city centre. Perhaps consideration could be given to locating a niche cinema operation of 3-5 screens in the location – similar to the “Quad Arts Centre” in Derby. Alternatively PCC could perhaps work with the centre to encourage them to ‘up their aspirations’. Although this will bring much needed evening activity to Preston City centre, it is unlikely going to be a ‘game changer’. The likely result of this would likely be:

Fig. 17 **Likely Outcome of a 7 Screen Cinema in St. George's Shopping Centre**

	Riversway 10 screens 2,020 seats	Capitol Centre 7 screens 1,848	New Cinema 7 screens 900 seats	Total Admissions
Present	350,000	250,000		600,000
Future I	230,000	200,000	270,000	700,000

This outcome is unlikely to support significant change.

7.5. Queen Street

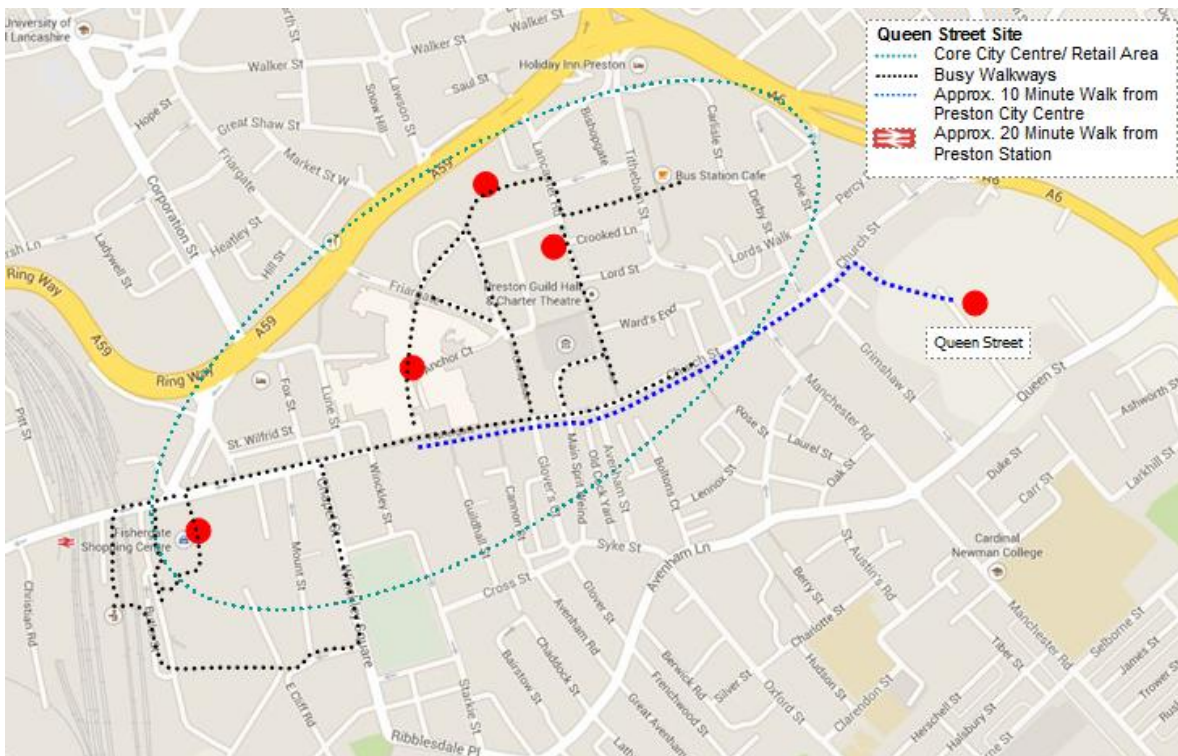
This 'brown field site' site is part of the 'Horrocks Quarter' as identified in the Preston city centre Plan 2013 and is situated on the eastern fringe of the city centre, in an 'edge-of-centre location'. Planning permission has in the past been granted for various forms of development, including a supermarket, housing and supporting development.

7.5.1. Location and Possible Size of Complex

This is an excellent out of town location and could accommodate a significant leisure orientated development similar to for example the Reebok Stadium in Bolton. However, although the site sits within the city centre boundary, pedestrian access to the site is extremely poor and the location is outside the core retail area. In addition, it is not ideally located for people coming to Preston by train as it would take a 15-20 minute get to Queen Street.

The development of this site would involve the creation of a pedestrian link to Church Street which would reduce to the walk time from Fishergate to approximately 5-10 minutes. This walk would still be through the main city centre drinking area which could reduce the attraction for trips during the evening.

Map 5 Queen Street site in relation to city centre



Queen Street site in relation to core city centre / retail area

7.5.2. Impact on Preston

Due to its location outside of the core city centre/ retail area, building a cinema with associated leisure on this location would not create the desired and required vibrant city centre leisure destination and therefore is regarded as unfavourable as potential cinema site.

7.5.3. Property Discussions

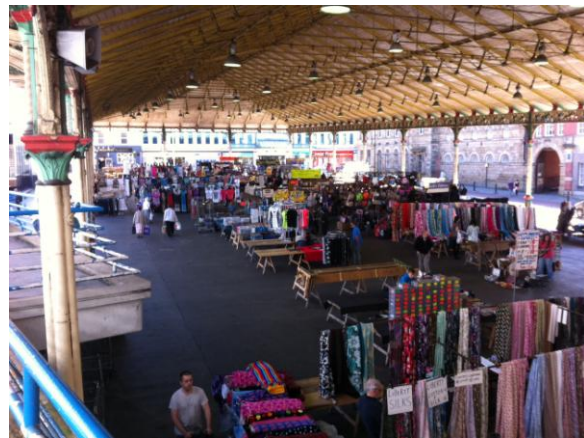
Several conversations have taken place between Brookhouse and Dcinex. It is clear that a development similar to the Reebok Stadium in Bolton or Centertainment in Sheffield would be possible on the Queen Street site. However, due to its location away from the city centre and without the subsequent supporting footfall such an offer would in our opinion not be as successful nor would it provide the synergies desired – it would indeed be a lost opportunity for city centre regeneration.

7.6. The Market Hall

The Market forms part of the 'City Centre North Opportunity Area' as identified within the Preston City Centre Plan 2013. The area was previously referred to as the 'Heart of the Tithebarn Regeneration Area'. Preston market comprises the indoor Market Hall and associated multi-storey car park which has capacity for 508 vehicles and the listed outdoor market Canopies.



Indoor Market Hall



Outdoor Market Hall

7.6.1. Location and Possible Size of Complex

This site is extremely well located and together with the historic market elements there is a clear opportunity to create an iconic city centre leisure development. If height is not an issue then the possibility of double decking the cinema offer is clear and an offer of 1,500 to 2,500 seats with 10-14 screens could be accommodated. F&B offers would be positioned at ground floor level of the development and under the historic market canopies.

7.6.2. Impact on Preston

This could be a 'game changing' exercise for Preston, catapulting it in to being the evening leisure destination of choice for the whole region.

7.6.3. Property Discussions

PCC have been in discussions with various developers. Dcinex have discussed this location with Benoy architects who have created a leisure master plan for Preston City Council. The Market Hall is regarded as the best site for the development if sufficient local authority will was applied. It also needs to be clear how quickly this site could be brought forward and how it would be financed.

7.7. Amounderness House

Amounderness House (former Preston Magistrates' Court & Police Station) is a Grade II listed building and forms part of the 'City Centre North Opportunity Area' as identified within the Preston City Plan 2013. Like The Market Hall, this listed building was part of the area referred to as the 'Heart of the Tithebarn Regeneration Area'. The building is currently not in use and has been assessed as a potential location for a city centre cinema.



Amounderness House as seen from Earl Street

7.7.1. Location and possible size of complex

This site is well located in the city centre and would be an ideal location for an arts orientated cinema similar to the 'Quad Arts Centre' in Derby or FACT in Liverpool.

7.7.2. Property Discussions

To date no discussions have taken place regarding this location. Should Preston rediscover itself as a leisure destination attractive to all age groups and interests then an 'art orientated' cinema similar to FACT and Derby Quad could be developed and thrive. It would certainly contribute to what could be an overall transformation of Preston as a regional leisure destination.

7.8. Overall Conclusions of Site Comparison

In conclusion, any site in particular is not necessarily to be considered in isolation or any to be excluded. A lot depends on the 'will' of the Local Authority to stimulate one part of the city or indeed the appetite for any of the other significant landowners to forge ahead with a leisure scheme.

We do consider that 'admissions potential' should be maximised for the good of Preston city centre and the region as a whole.

8. Local Authority Support

There is currently a surge of cinema development in the UK after a hiatus of a number of years from 2002 to 2010. Most of these developments show a negative profit on the cinema component. The factors that stimulate these developments and effectively create an overall profitable venture are varied. Numerous Local Authorities have worked with development interests and the community to ensure a cinema provision. A rare few have strived to create a presence of significance.

8.1. Restaurant Provisions

From 2007 there has been a rising demand for restaurant outlets including the likes of:

- Frankie & Benny's
- Chimichanga
- Nando's
- Carluccio's
- Prezzo
- La Tasca
- Hungry Horse
- Wetherspoons
- Pizza Express
- Marino Lounge
- and indeed a host of others.

All of these tenants are keen to assemble together alongside a cinema anchor and prepared to lease their demise at £20 - £30 per sq. ft. per annum which has extremely high profit potential for a developer. The more of these restaurants a developer can assemble alongside a cinema, the more potentially profitable an overall development can be.

8.2. A Section 106 Agreement

Many local authorities keen to see cinema development in their town centres, use a developer's appetite for planning for a 'food store' or 'shopping centre' to insist that a cinema be an important part of that development. The developer 'funds the gap' on profits from the overall development.

- New Brighton on the Wirral

8.3. A Cash Incentive From the Local Authority

Although difficult to negotiate under European Regulations there are examples where the Local Authority has enabled a development with a gift of land and a circa £1 million incentive. Two that are reputed to fall in to this category:

- Widnes
- Bishop Stortford

8.4. Local Authority Takes Head Lease and Sublets

A long term lease from a Local Authority clearly commands a superior yield factor to that of even the three main UK operators (circa 3-4%). There have recently been three examples where the local authority has taken a head lease and then sublet to a cinema operator.

Walthamstow

Waltham Forest Council have reputedly taken a head lease on a development and then subsequently let to Empire Cinemas.

Andover

Test Valley Borough Council have reputedly taken a head lease of a cinema and sublet to REEL who have subsequently sublet to Odeon.

Oldham

Oldham Council are in advanced negotiations of the redevelopment of their town hall whereby they take a head lease on the cinema component and then leasing to Odeon.

8.5. Council Owned and Operated

This option is often used on smaller cinemas of 1-4 screens and generally cinemas with an 'arts' bias. Examples are:

- Shrewsbury
- Seven Oaks
- Aberdeen
- Welwyn Garden City
- Derby (Quad)

8.6. Council Owned and Leased Out

The council could develop a standalone cinema and lease to a cinema operator. An example of this is Stockport Council.

8.7. Community Interest Companies (CIC's)

CIC's are a type of limited company designed specifically for those wishing to operate for the benefit of the community rather than for the benefits of the owners of the company.

An organisation needs to pass the 'Community Interest Test' to become a CIC. A Trust/ CIC would be able to access grant funding, as has been the case with restored cinemas like the Tyneside cinema in Newcastle upon Tyne.

The Tyneside had a £7 million refurbishment from 2006-2008. The restoration and renovation project received core funding from 'One North East' and the fund provided a further £6.5 million.

9. Report Summary

The introduction of a new multiplex of any size in the city centre of Preston will impact positively on total admissions. Admissions potential for the Preston catchment is a very minimum of 850,000 admits with a likely outcome of 1 million admissions in total. However, it would not be surprising to see this total climb to 1.2 million plus admissions if a suitable scintillating leisure offer was introduced.

From enquiries we have made with developers it is clear this view is not necessarily shared by some cinema operators who maintain that admission levels at current levels is 'the market' and will not change with the introduction of a new multiplex.

We consider this scenario to be inconceivable and patterns along the lines of Derby and Liverpool (most likely in between) will be the likely outcome.

10. Appendices

10.1. Overview Preston Cinemas 1912- 2014

		Location	Status	Screens	Opened	Closed	Seats
1	Odeon Preston	Riversway	Open	10	1990	open	1,895
2	Vue Preston	The Capitol Centre	Open	7	1991	open	1,725
	Town Centre						
3	The Theatre Royal - ABC Cinema	Fishergate	Closed	1	1912	1982	2,340
4	Palladium Cinema	Church Street	Closed	1	1915	1966	902
5	The New Victoria - Gaumont - Odeon	Church Street	Closed	2	1928	1992	2,120
6	Empire Cinema	Church Street	Closed	1	1930	1964	1,805
7	Ritz Cinema	Church Street	Closed	1	1937	?	1,650
	Suburban						
8	Picturedrome	Brackenbury Street	Closed	1	1909	1958	-
9	Alexander Picture Theatre	Walker Street	Closed	1	1911	1927	-
10	Marathon Cinema	Frank Street	Closed	1	1913	late 1920's	600
11	Cosy Theatre	St. Peter's Street	Closed	1	1914	early 1950's	450
12	The Grand - The Regal - Lido Cinema	Marsh Lane	Closed	1	1921	1959	640
13	Rialto Cinema	?	Closed	1	1921	1959	300
14	Savoy Cinema	Ashton Street	Closed	1	1921	1958	800
15	Star Cinema	Corporation Street, Fylde Rd	Closed	1	1921	1959	1,000
16	Guild Cinema	Geoffrey Street	Closed	1	1922	1959	750
17	Empress Super Cinema	Eldon Street	Closed	1	1929	late 1960's	650
18	Carlton Cinema	Blackpool Road	Closed	1	1932	1961	650
19	Plaza Cinema	New Hall Lane	Closed	1	1932	1964	930
20	Rex Cinema	Cragg's Row	Closed	1	1910	1961	500
21	Continental Cinema	Tunbridge Road	Closed	1	1960's	?	235
22	UCLAN Cinema	UCLAN	Closed	1	2006	2013	110

10.2. Street Interview Questionnaire

Hi, my name is from cinex. We are doing a survey on a possible cinema in Preston City Centre today - could you spare me a few minutes? (Even if they don't currently go to the cinema, ask if they would be willing to answer the questions).

Q1. What is your MAIN purpose for coming to Preston today?	
Work in area	1
Work related business/ meeting	2
Shopping	3
Strolling around	4
Personal Services – Medical/ Legal/ Hairdresser etc.	5
Entertainment – Cultural/ Performance etc.	6
Leisure – Gym/ Library etc.	7
Dining – Restaurant/ Cafe/ Bar	8
Socialising – Meeting Friends	9
Education	10
OTHER – Write Below:	
Q2. How often do you usually go to the cinema?	
More than once a month (12+ times a year)	1
About once a month (approx. 12 times a year)	2
Between 6 and 11 times a year	3
Between 1 and 5 times a year	4
Less than once a year/ Can't remember	5
NEVER – Write Below: (If never, ask politely why not and write down a brief reason, then go to Q5)	6
Q3. Can you tell me when you last went to the cinema?	
Within the last month	1
Within the last three months	2
In the last six months	3
About a year ago	4
More than a year ago	5

Q4. Can you tell me the name and location of the cinema you most frequently go to? (Allow 2 max.)			
Visit most frequently		1 st	2 nd
Odeon <u>Riversway</u>	Preston	1	1
<u>Vue</u> The Capitol Centre	Preston	2	2
<u>Vue</u> Peel Leisure and Retail Park	Blackburn	3	3
<u>Vue</u> Middelbrook	Bolton	4	4
<u>CineWorld</u> Eagle Brook Way	Bolton	5	5
Empire Robin Park	Wigan	6	6
<u>Vue</u> Ocean Plaza	Southport	7	7
Odeon Festival Park	Blackpool	8	8
<u>Vue</u> Jubilee Leisure Park	<u>Cleveleys</u>	9	9
<u>Vue</u>	Lancaster	10	10
No Main – I go to many		11	
OTHER – Write Below:			
Q5. If Preston City Centre had a multi-screen cinema complex with a variety of <u>restaurants</u> , would you visit that cinema?			
YES (Go to Q6)		1	
NO (Go to Q9)		2	
Q6. Would this cinema possibly become your new MAIN venue?			
YES		1	
NO		2	
Q7. How often do you think you might visit that cinema?			
More than once a month (12+ times a year)		1	
About once a month (approx. 12 times a year)		2	
Between 6 and 11 times a year		3	
Between 1 and 5 times a year		4	
Less than once a year		5	

Q8. For this question I have a card that lists different aspects of your cinema experience.			
SHOW CARD			
Can you read them out loud to me and say how important these aspects are to you when choosing a cinema to visit? (Very important – Some Importance – Not Important)			
Importance	Very	Some	Not
Picture & Sound Quality	1	2	3
Viewing Comfort	1	2	3
Convenience from home	1	2	3
Parking	1	2	3
Close to Restaurants/ Pubs etc.	1	2	3
Ambience	1	2	3
Food/drinks to take to seat	1	2	3
Latest Movies and Blockbusters	1	2	3
Independent & Foreign Movies	1	2	3
Service	1	2	3
Having latest on screen content from live performance – (Music / Dance/ Theatre)			
Response for above	1	2	3
Q9. Are you a UK resident – May I ask your postcode?			
Write Name of town if postcode is unknown.			
VISITOR (not a UK resident) : <input type="checkbox"/>			
Q10. Finally, may I ask your age?			
15 – 20 yrs	1	41 – 50 yrs	4
21 – 30 yrs	2	50 + yrs	5
31 - 40 yrs	3	Not Stated	6
THANK YOU FOR YOUR HELP			
Q10. GENDER	Male	1	
	Female	2	
Q11. Interview DATE	F	S	

Interview Location: St George's SC - Fisherata CS - St John's Centre - On the Street
 1 2 3 4

First Name Interviewer:

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10.3. Street Interview Data

PRESTON Research			
<i>Street surveys</i>			
<i>Interviews held on Friday 16 and Saturday 17 May 2014</i>			
<i>Total number of people interviewed</i>			314
Interviews held			
Friday 16 May 2014		165	53%
Saturday 17 May 2014		149	47%
		314	100%
Gender			
Male		138	43%
Female		178	57%
		314	100%
Age Group			
15-20		49	16%
21-30		62	20%
31-40		49	16%
41-50		56	18%
50+		94	29%
Not stated		4	1%
		314	100%
Survey locations			
St. George's SC		39	12%
Fishergate SC		52	17%
St John's Centre		55	18%
On the street		168	53%
		314	100%
Ethnic origin*			
Residence by Postcode of Street Surveys			
Preston			
PR1		119	38%
PR2		72	23%
PR3		10	3%
PR4		15	5%
PR5		25	8%
PR6		7	2%
PR7		4	1%
PR8		0	0%
PR9		1	0%
PR25		7	2%
PR26		4	1%
Blackburn		12	4%
Lancaster		11	4%
Blackpool		10	3%
Liverpool		3	1%
Crewe		3	1%
Wigan		2	1%
Manchester		2	1%
Warrington		2	1%
Bradford		1	0%
Kent		1	0%
Hull		1	0%
Stockport		1	0%
Blank		1	0%
No Response		314	100%

* People from various ethnic origins were interviewed. However, due to the limit on the number of questions the people interviewed were not asked to state their ethnic origin.

10.4. Preston Demographic Profile

Drive Time Zone Key Statistics

Preston, UK	England	Preston	Preston	Preston	Preston
Monday, 31 March 2014	& Wales	10 Min	20 Min	10 Min	20 Min
		Unrest	Unrest	Rest	Rest

Population & Age Profile

Population

Total Population	52,041,563	248,960	691,676	248,527	323,068
Total Households	21,661,224	102,398	282,292	102,212	131,458
Average Household Size	2.4	2.4	2.5	2.4	2.5

Age

0 to 4	5.9%	5.8%	6.1%	5.8%	5.7%
5 to 9	6.4%	6.5%	6.7%	6.5%	6.4%
10 to 14	6.6%	6.9%	7.0%	6.9%	6.9%
15 to 19	6.2%	6.8%	6.4%	6.8%	6.7%
20 to 24	6.0%	6.4%	5.5%	6.4%	6.0%
25 to 29	6.6%	6.7%	6.3%	6.7%	6.4%
30 to 44	22.5%	22.3%	22.2%	22.3%	22.4%
45 to 59	18.9%	18.9%	19.3%	18.9%	19.5%
60 to 74	13.3%	13.0%	13.4%	13.0%	13.2%
75 & over	7.6%	6.8%	7.3%	6.8%	6.9%
Average Age	38.8	38.1	38.5	38.1	38.4

Workforce

Workers per Household	1.1	1.1	1.1	1.1	1.2
Workforce Participation (16 years plus)	62.8%	63.7%	62.9%	63.7%	64.5%
Unemployment	1.5%	1.4%	1.4%	1.4%	1.2%

Occupation

Managers and senior officials	15.1%	13.3%	14.1%	13.3%	13.9%
Professional occupations	11.2%	10.8%	10.6%	10.8%	11.1%
Associate professional and technical occupations	13.8%	12.8%	12.5%	12.8%	12.8%
Administrative and secretarial occupations	13.3%	14.0%	12.9%	14.0%	13.7%
Skilled trades occupations	11.6%	11.7%	12.5%	11.7%	12.2%
Personal service occupations	6.9%	7.1%	7.6%	7.1%	7.1%
Sales and customer service occupations	7.7%	9.1%	7.9%	9.1%	8.4%
Process; plant and machine operatives	8.5%	9.1%	10.0%	9.2%	8.8%
Elementary occupations	11.9%	12.0%	11.9%	12.1%	11.8%

Car Ownership

0 cars	26.8%	24.9%	24.7%	24.9%	22.4%
1 car	43.8%	45.5%	45.1%	45.5%	45.1%
2 cars	23.5%	24.3%	24.6%	24.2%	26.4%
3 cars	4.5%	4.2%	4.4%	4.2%	4.8%
4 cars plus	1.4%	1.1%	1.3%	1.1%	1.3%
Average Cars per Household	1.0	1.0	1.0	1.0	1.0

Housing Tenure

Owns outright	29.5%	31.5%	33.9%	31.5%	32.7%
Owns with a mortgage or loan	38.8%	43.4%	42.4%	43.4%	44.1%
Shared ownership	0.6%	0.9%	0.7%	0.9%	0.9%
Rented from Council (local authority)	13.2%	6.3%	7.3%	6.4%	5.7%
Rented from Housing Association etc	5.9%	9.8%	6.9%	9.8%	8.7%
Rented from Private landlord or letting agency	8.7%	5.6%	6.0%	5.6%	5.4%
Rented from Other	3.2%	2.6%	2.9%	2.6%	2.6%

Dwelling Type

Separate House	22.8%	22.3%	21.9%	22.2%	25.5%
Semi, Row or Terrace	57.6%	65.3%	67.0%	65.4%	63.2%
Flat, Unit or Apartment	19.2%	11.9%	10.3%	12.0%	10.7%
Other Dwellings	0.4%	0.4%	0.7%	0.4%	0.7%

Family Type

Family with Children	20.8%	22.0%	22.6%	22.0%	22.6%
Family without Children / Non-Dependent Children	24.0%	24.4%	24.7%	24.4%	25.5%
One Parent Family	9.5%	9.8%	9.8%	9.8%	9.4%
Lone Person	30.0%	29.2%	28.7%	29.2%	28.1%
Group	3.0%	3.2%	2.9%	3.2%	3.0%
Other Households	3.6%	2.7%	2.4%	2.7%	2.5%

Education

No qualifications	29.1%	29.1%	30.5%	29.1%	28.2%
Highest qualification attained level 1	16.6%	17.1%	17.3%	17.1%	17.1%
Highest qualification attained level 2	19.4%	19.6%	19.7%	19.6%	20.0%
Highest qualification attained level 3	8.3%	8.8%	7.5%	8.8%	8.5%
Highest qualification attained level 4/5	19.8%	18.3%	17.5%	18.2%	18.8%
Other qualifications/level unknown	6.9%	7.2%	7.5%	7.2%	7.4%

Ethnic Origin

White British	87.5%	89.5%	90.0%	89.5%	91.3%
White Irish	1.2%	1.0%	0.8%	1.0%	0.9%
White Other White	2.6%	0.9%	0.9%	0.9%	0.9%
Mixed White and Black Caribbean	0.5%	0.5%	0.3%	0.5%	0.4%
Mixed White and Black African	0.2%	0.1%	0.1%	0.1%	0.1%
Mixed White and Asian	0.4%	0.3%	0.3%	0.3%	0.3%
Mixed Other Mixed	0.3%	0.1%	0.1%	0.1%	0.1%
Asian or Asian British Indian	2.0%	4.8%	4.0%	4.8%	3.8%
Asian or Asian British Pakistani	1.4%	1.2%	2.4%	1.2%	0.9%
Asian or Asian British Bangladeshi	0.5%	0.1%	0.1%	0.1%	0.1%
Asian or Asian British Other Asian	0.5%	0.3%	0.3%	0.3%	0.2%
Black or Black British Black Caribbean	1.1%	0.4%	0.2%	0.4%	0.4%
Black or Black British Black African	0.9%	0.1%	0.1%	0.1%	0.1%
Black or Black British Other Black	0.2%	0.0%	0.0%	0.0%	0.0%
Chinese or other ethnic group Chinese	0.4%	0.4%	0.3%	0.4%	0.3%
Chinese or other ethnic group Other Ethnic Group	0.4%	0.2%	0.1%	0.2%	0.1%

10.5. Preston P&L's

The attached P&L's are indicative only to demonstrate relative feasibility between the three seat/screen scenarios described and varying attendance levels of each.

Preston

7 screens

900 seats

Low

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions Revenue £UK	243,000	256,500	270,000	270,000	270,000
Box Office	1,397,250	1,519,121	1,647,047	1,696,459	1,747,352
Retail	486,000	528,390	572,886	590,073	607,775
Advertising	60,750	64,125	67,500	67,500	67,500
Other	50,000	51,500	53,045	54,836	56,275
Total	1,994,000	2,163,136	2,340,478	2,408,668	2,478,903
Cost of Sales					
Film Hire	656,708	713,987	774,112	797,336	821,256
Retail Purchases	145,800	158,517	171,866	177,022	182,332
Other	13,973	15,191	16,470	16,965	17,474
Total	816,480	887,695	962,448	991,322	1,021,062
Gross Profit	1,177,520	1,275,441	1,378,030	1,417,346	1,457,841
Cinema Costs					
Payroll	375,000	386,250	397,838	409,773	422,066
Marketing	60,000	30,000	30,900	31,827	32,782
Contracts & Main.	90,000	92,700	95,481	98,345	101,296
Utilities & Supplies	70,000	72,100	74,263	76,491	78,786
Insurance	17,000	17,510	18,035	18,576	19,134
Other	25,000	25,750	26,523	27,318	28,138
Total	637,000	624,310	643,039	662,330	682,200
EBITDA before Property	540,520	651,131	734,990	755,015	775,641
Property Costs					
Rent	270,000	270,000	270,000	270,000	270,000
Rates	75,000	77,250	79,568	81,955	84,413
Service Charges	33,750	34,763	35,805	36,880	37,986
Total	378,750	382,013	385,373	388,834	392,399
Cinema EBITDA	161,770	269,119	349,618	366,181	383,242
Cumulative EBITDA	161,770	430,889	780,506	1,146,687	1,529,929

Key Drivers

ATP	5.75	5.92	6.10	6.28	6.47
Retail per person	2.00	2.06	2.12	2.19	2.25
Film Hire %	47%	47%	47%	47%	47%
Gross sales margin %	70%	70%	70%	70%	70%
EBITDA Margin %	8%	12%	15%	15%	15%
Seat Occupancy	270	285	300	300	300
Rent psf (upper floor)	12.00				
Rent psf (Gnd floor)	12.00				
sq ft (upper)	22,500	tbc			
sq ft (Gnd)	0	tbc			
sq ft (total)	22,500	tbc			
Screens	7				
Seats	900				
Contribution from Developer	£1,552,571				
Tenant's Capex	1,529,929				
Gross Fit Out Capex	£3,082,500				

Preston

7 screens

900 seats

Median		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions		270,000	285,000	300,000	300,000	300,000
Revenue £UK						
	Box Office	1,552,500	1,887,913	1,830,053	1,884,954	1,941,503
	Retail	540,000	587,100	638,540	655,636	675,305
	Advertising	67,500	71,250	75,000	75,000	75,000
	Other	50,000	51,500	53,045	54,636	56,275
	Total	2,210,000	2,397,763	2,594,638	2,670,227	2,748,083
Cost of Sales						
	Film Hire	729,675	793,319	880,125	885,928	912,508
	Retail Purchases	162,000	176,130	190,962	196,691	202,592
	Other	15,525	16,879	18,301	18,850	19,415
	Total	907,200	986,328	1,069,387	1,101,469	1,134,513
	Gross Profit	1,302,800	1,411,435	1,525,250	1,568,758	1,613,571
Cinema Costs						
	Payroll	380,000	391,400	403,142	415,236	427,693
	Marketing	60,000	30,000	30,900	31,827	32,782
	Contracts & Main.	95,000	97,850	100,786	103,809	106,923
	Utilities & Supplies	90,000	92,700	95,481	98,345	101,296
	Insurance	17,000	17,510	18,035	18,576	19,134
	Other	25,000	25,750	26,523	27,318	28,138
	Total	667,000	655,210	674,866	695,112	715,966
	EBITDA before Property	635,800	756,225	850,384	873,646	897,605
Property Costs						
	Rent	270,000	270,000	270,000	270,000	270,000
	Rates	75,000	77,250	79,568	81,955	84,413
	Service Charges	33,750	34,763	35,805	36,880	37,986
	Total	378,750	382,013	385,373	388,834	392,399
	Cinema EBITDA	257,050	374,212	465,011	484,811	505,206
	Cumulative EBITDA	257,050	631,262	1,096,273	1,581,085	2,086,290

Key Drivers

ATP		5.75	5.92	6.10	6.28	6.47
Retail per person		2.00	2.06	2.12	2.19	2.25
Film Hire %		47%	47%	47%	47%	47%
Gross sales margin %		70%	70%	70%	70%	70%
EBITDA Margin %		12%	16%	18%	18%	18%
Seat Occupancy		300	317	333	333	333
Rent psf (upper floor)	12.00					
Rent psf (Gnd floor)	12.00					
sq ft (upper)	22,500	tbc				
sq ft (Gnd)	0	tbc				
sq ft (total)	22,500	tbc				
Screens	7					
Seats	900					
Contribution from Developer	£996,210					
Tenant's Capex	2,086,290					
Gross Fit Out Capex	£3,082,500					

Preston

7 screens

900 seats

High

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions Revenue EUK	297,000	313,500	330,000	330,000	330,000
Box Office	1,707,750	1,856,704	2,013,058	2,073,449	2,135,653
Retail	594,000	645,810	700,194	721,200	742,836
Advertising	74,250	78,375	82,500	82,500	82,500
Other	50,000	51,500	53,045	54,636	56,275
Total	2,426,000	2,632,389	2,848,797	2,931,786	3,017,264
Cost of Sales					
Film Hire	802,643	872,651	946,137	974,521	1,003,757
Retail Purchases	178,200	193,743	210,058	216,360	222,851
Other	17,078	18,567	20,131	20,734	21,357
Total	997,920	1,084,961	1,176,326	1,211,616	1,247,964
Gross Profit	1,428,080	1,547,428	1,672,471	1,720,170	1,769,300
Cinema Costs					
Payroll	385,000	396,550	408,447	420,700	433,321
Marketing	60,000	30,000	30,900	31,827	32,782
Contracts & Main.	100,000	103,000	106,090	109,273	112,551
Utilities & Supplies	90,000	92,700	95,481	98,345	101,298
Insurance	17,000	17,510	18,035	18,578	19,134
Other	25,000	25,750	26,523	27,318	28,138
Total	677,000	665,510	685,475	706,040	727,221
EBITDA before Property	751,080	881,918	986,996	1,014,130	1,042,079
Property Costs					
Rent	270,000	270,000	270,000	270,000	270,000
Rates	75,000	77,250	79,568	81,955	84,413
Service Charges	33,750	34,763	35,805	36,880	37,988
Total	378,750	382,013	385,373	388,834	392,399
Cinema EBITDA	372,330	499,905	601,623	625,296	649,680
Cumulative EBITDA	372,330	872,235	1,473,858	2,099,154	2,748,835

Key Drivers

ATP	5.75	5.92	6.10	6.28	6.47
Retail per person	2.00	2.06	2.12	2.19	2.25
Film Hire %	47%	47%	47%	47%	47%
Gross sales margin %	70%	70%	70%	70%	70%
EBITDA Margin %	15%	19%	21%	21%	22%
Seat Occupancy	330	348	367	367	367
Rent psf (upper floor)	12.00				
Rent psf (Gnd floor)	12.00				
sq ft (upper)	22,500	tbc			
sq ft (Gnd)	0	tbc			
sq ft (total)	22,500	tbc			
Screens	7				
Seats	900				
Contribution from Developer	£0				
Tenant's Capex	3,064,500				
Gross Fit Out Capex	£3,082,500				

Preston

9 screens

1,500 seats

Low

		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions Revenue £UK		405,000	427,500	450,000	450,000	450,000
	Box Office	2,328,750	2,531,869	2,745,079	2,827,431	2,912,254
	Retail	810,000	880,650	954,810	983,454	1,012,958
	Advertising	101,250	106,875	112,500	112,500	112,500
	Other	50,000	51,500	53,045	54,836	56,275
	Total	3,290,000	3,570,894	3,865,434	3,978,022	4,093,987
Cost of Sales	Film Hire	1,094,513	1,189,978	1,290,187	1,328,893	1,388,759
	Retail Purchases	243,000	264,195	286,443	295,036	303,887
	Other	23,288	25,319	27,451	28,274	29,123
	Total	1,360,800	1,479,492	1,604,081	1,652,203	1,701,769
	Gross Profit	1,929,200	2,091,402	2,261,353	2,325,819	2,392,218
Cinema Costs	Payroll	400,000	412,000	424,360	437,091	450,204
	Marketing	70,000	35,000	36,050	37,132	38,245
	Contracts & Main.	90,000	92,700	95,481	98,345	101,296
	Utilities & Supplies	90,000	92,700	95,481	98,345	101,296
	Insurance	18,500	19,055	19,627	20,215	20,822
	Other	25,000	25,750	26,523	27,318	28,138
	Total	693,500	677,205	697,521	718,447	740,000
	EBITDA before Property	1,235,700	1,414,197	1,563,832	1,607,372	1,652,218
Property Costs	Rent	562,500	562,500	562,500	562,500	562,500
	Rates	96,000	98,880	101,846	104,902	108,049
	Service Charges	56,250	57,938	59,678	61,466	63,310
	Total	714,750	719,318	724,022	728,868	733,859
	Cinema EBITDA	520,950	694,879	839,810	878,504	918,359
	Cumulative EBITDA	520,950	1,215,829	2,055,639	2,934,143	3,852,502
Key Drivers						
ATP		5.75	5.92	6.10	6.28	6.47
Retail per person		2.00	2.06	2.12	2.19	2.25
Film Hire %		47%	47%	47%	47%	47%
Gross sales margin %		70%	70%	70%	70%	70%
EBITDA Margin %		16%	19%	22%	22%	22%
Seat Occupancy		270	285	300	300	300
Rent psf (upper floor)	15.00					
Rent psf (Gnd floor)	15.00					
sq ft (upper)	37,500	tbc				
sq ft (Gnd)	0	tbc				
sq ft (total)	37,500	tbc				
Screens	9					
Seats	1,500					
Contribution from Developer	£684,998					
Tenant's Capex	3,852,502					
Gross Fit Out Capex	£4,537,500					

Preston

9 screens

1,500 seats

Median

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions Revenue £UK	472,500	498,750	525,000	525,000	525,000
Box Office	2,718,875	2,953,847	3,202,592	3,298,670	3,397,630
Retail	945,000	1,027,425	1,113,945	1,147,363	1,181,784
Advertising	118,125	124,688	131,250	131,250	131,250
Other	50,000	51,500	53,045	54,636	56,275
Total	3,830,000	4,157,459	4,500,832	4,631,919	4,766,939
Cost of Sales					
Film Hire	1,276,931	1,388,308	1,505,218	1,550,375	1,596,886
Retail Purchases	283,500	308,228	334,184	344,209	354,535
Other	27,169	29,538	32,026	32,987	33,976
Total	1,587,600	1,726,074	1,871,428	1,927,570	1,985,398
Gross Profit	2,242,400	2,431,385	2,629,404	2,704,349	2,781,542
Cinema Costs					
Payroll	410,000	422,300	434,969	448,018	461,459
Marketing	70,000	35,000	36,050	37,132	38,245
Contracts & Main.	95,000	97,850	100,788	103,809	106,923
Utilities & Supplies	75,000	77,250	79,568	81,955	84,413
Insurance	18,500	19,055	19,627	20,215	20,822
Other	25,000	25,750	26,523	27,318	28,138
Total	693,500	677,205	697,521	718,447	740,000
EBITDA before Property	1,548,900	1,754,180	1,931,883	1,985,902	2,041,542
Property Costs					
Rent	562,500	562,500	562,500	562,500	562,500
Rates	96,000	98,880	101,846	104,902	108,049
Service Charges	56,250	57,938	59,676	61,466	63,310
Total	714,750	719,318	724,022	728,868	733,859
Cinema EBITDA	834,150	1,034,863	1,207,861	1,257,034	1,307,683
Cumulative EBITDA	834,150	1,869,013	3,076,874	4,333,908	5,641,591
Key Drivers					
ATP	5.75	5.92	6.10	6.28	6.47
Retail per person	2.00	2.06	2.12	2.19	2.25
Film Hire %	47%	47%	47%	47%	47%
Gross sales margin %	70%	70%	70%	70%	70%
EBITDA Margin %	22%	25%	27%	27%	27%
Seat Occupancy	315	333	350	350	350
Rent psf (upper floor)	15.00				
Rent psf (Gnd floor)	15.00				
sq ft (upper)	37,500	tbc			
sq ft (Gnd)		0	tbc		
sq ft (total)	37,500	tbc			
Screens	9				
Seats	1,500				
Contribution from Developer	£0				
Tenant's Capex	4,537,500				
Gross Fit Out Capex	£4,537,500				

Preston

9 screens

1,500 seats

High

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions Revenue £UK	540,000	570,000	600,000	600,000	600,000
Box Office	3,105,000	3,375,825	3,660,105	3,769,908	3,883,005
Retail	1,080,000	1,174,200	1,273,080	1,311,272	1,350,611
Advertising	135,000	142,500	150,000	150,000	150,000
Other	50,000	51,500	53,045	54,836	56,275
Total	4,370,000	4,744,025	5,136,230	5,285,817	5,439,891
Cost of Sales					
Film Hire	1,459,350	1,586,638	1,720,249	1,771,857	1,825,013
Retail Purchases	324,000	352,260	381,924	393,382	405,183
Other	31,050	33,758	36,801	37,699	38,830
Total	1,814,400	1,972,656	2,138,774	2,202,938	2,269,026
Gross Profit	2,555,600	2,771,369	2,997,456	3,082,879	3,170,866
Cinema Costs					
Payroll	420,000	432,600	445,578	458,945	472,714
Marketing	70,000	35,000	36,050	37,132	38,245
Contracts & Main.	100,000	103,000	106,090	109,273	112,551
Utilities & Supplies	80,000	82,400	84,872	87,418	90,041
Insurance	18,500	19,055	19,627	20,215	20,822
Other	28,000	28,840	29,705	30,596	31,514
Total	716,500	700,895	721,922	743,580	765,887
EBITDA before Property	1,839,100	2,070,474	2,275,534	2,339,300	2,404,979
Property Costs					
Rent	562,500	562,500	562,500	562,500	562,500
Rates	96,000	98,880	101,846	104,902	108,049
Service Charges	58,250	57,938	59,676	61,466	63,310
Total	714,750	719,318	724,022	728,868	733,859
Cinema EBITDA	1,124,350	1,351,157	1,551,512	1,610,432	1,671,120
Cumulative EBITDA	1,124,350	2,475,507	4,027,018	5,637,450	7,308,570
Key Drivers					
ATP	5.75	5.92	6.10	6.28	6.47
Retail per person	2.00	2.06	2.12	2.19	2.25
Film Hire %	47%	47%	47%	47%	47%
Gross sales margin %	70%	70%	70%	70%	70%
EBITDA Margin %	26%	28%	30%	30%	31%
Seat Occupancy	380	380	400	400	400
Rent psf (upper floor)	15.00				
Rent psf (Gnd floor)	15.00				
sq ft (upper)	37,500	tbc			
sq ft (Gnd)	0	tbc			
sq ft (total)	37,500	tbc			
Screens	9				
Seats	1,500				
Contribution from Developer	£0				
Tenant's Capex	4,537,500				
Gross Fit Out Capex	4,537,500				

Preston

12 screens

2,500 seats

Low

		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions Revenue £UK		675,000	712,500	750,000	750,000	750,000
	Box Office	3,881,250	4,219,781	4,575,131	4,712,385	4,853,757
	Retail	1,350,000	1,467,750	1,591,350	1,639,091	1,688,283
	Advertising	168,750	178,125	187,500	187,500	187,500
	Other	50,000	51,500	53,045	54,838	56,275
	Total	5,450,000	5,917,156	6,407,026	6,593,612	6,785,795
Cost of Sales	Film Hire	1,746,563	1,898,902	2,058,809	2,120,573	2,184,191
	Retail Purchases	405,000	440,325	477,405	491,727	506,479
	Other	38,813	42,198	45,751	47,124	48,538
	Total	2,190,375	2,381,424	2,581,965	2,659,424	2,739,207
	Gross Profit	3,259,625	3,535,732	3,825,061	3,934,188	4,046,588
Cinema Costs	Payroll	450,000	463,500	477,405	491,727	506,479
	Marketing	80,000	40,000	41,200	42,436	43,709
	Contracts & Main.	120,000	123,600	127,308	131,127	135,061
	Utilities & Supplies	100,000	103,000	106,090	109,273	112,551
	Insurance	22,000	22,660	23,340	24,040	24,761
	Other	30,000	30,900	31,827	32,782	33,765
	Total	802,000	783,660	807,170	831,385	856,326
	EBITDA before Property	2,457,625	2,752,072	3,017,891	3,102,803	3,190,262
Property Costs	Rent	935,000	935,000	935,000	935,000	935,000
	Rates	128,000	131,840	135,795	139,869	144,065
	Service Charges	82,500	84,975	87,524	90,150	92,854
	Total	1,145,500	1,151,815	1,158,319	1,165,019	1,171,920
	Cinema EBITDA	1,312,125	1,600,257	1,859,572	1,937,784	2,018,342
	Cumulative EBITDA	1,312,125	2,912,382	4,771,954	6,709,737	8,728,080
Key Drivers						
ATP		5.75	5.92	6.10	6.28	6.47
Retail per person		2.00	2.06	2.12	2.19	2.25
Film Hire %		45%	45%	45%	45%	45%
Gross sales margin %		70%	70%	70%	70%	70%
EBITDA Margin %		24%	27%	29%	29%	30%
Seat Occupancy		270	285	300	300	300
Rent psf (upper floor)	17.00					
Rent psf (Gnd floor)	17.00					
sq ft (upper)	55,000	tbc				
sq ft (Gnd)	0	tbc				
sq ft (total)	55,000	tbc				
Screens	12					
Seats	2,500					
Contribution from Developer	£0					
Tenant's Capex	6,535,000					
Gross Fit Out Capex	£6,535,000					

Preston

12 screens

2,500 seats

Median

		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions Revenue £UK		787,500	831,250	875,000	875,000	875,000
	Box Office	4,528,125	4,923,078	5,337,653	5,497,783	5,662,716
	Retail	1,575,000	1,712,375	1,858,575	1,912,272	1,969,640
	Advertising	196,875	207,813	218,750	218,750	218,750
	Other	50,000	51,500	53,045	54,836	56,275
	Total	6,350,000	6,894,766	7,466,023	7,683,441	7,907,382
Cost of Sales	Film Hire	2,037,656	2,215,385	2,401,944	2,474,002	2,548,222
	Retail Purchases	472,500	513,713	556,973	573,682	590,892
	Other	45,281	49,231	53,377	54,978	56,627
	Total	2,555,438	2,778,328	3,012,293	3,102,662	3,195,742
	Gross Profit	3,794,563	4,116,437	4,453,730	4,580,780	4,711,640
Cinema Costs	Payroll	495,000	509,850	525,146	540,900	557,127
	Marketing	80,000	40,000	41,200	42,436	43,709
	Contracts & Main.	125,000	128,750	132,613	136,591	140,689
	Utilities & Supplies	120,000	123,800	127,308	131,127	135,061
	Insurance	22,000	22,660	23,340	24,040	24,761
	Other	30,000	30,900	31,827	32,782	33,765
	Total	872,000	855,760	881,433	907,876	935,112
	EBITDA before Property	2,922,563	3,260,677	3,572,297	3,672,904	3,776,528
Property Costs	Rent	935,000	935,000	935,000	935,000	935,000
	Rates	128,000	131,840	135,795	139,869	144,065
	Service Charges	82,500	84,975	87,524	90,150	92,854
	Total	1,145,500	1,151,815	1,158,319	1,165,019	1,171,920
	Cinema EBITDA	1,777,063	2,108,862	2,413,978	2,507,885	2,604,609
	Cumulative EBITDA	1,777,063	3,885,925	6,299,903	8,807,787	11,412,396
Key Drivers						
ATP		5.75	5.92	6.10	6.28	6.47
Retail per person		2.00	2.08	2.12	2.19	2.25
Film Hire %		45%	45%	45%	45%	45%
Gross sales margin %		70%	70%	70%	70%	70%
EBITDA Margin %		28%	31%	32%	33%	33%
Seat Occupancy		315	333	350	350	350
Rent psf (upper floor)	17.00					
Rent psf (Gnd floor)	17.00					
sq ft (upper)	55,000	tbc				
sq ft (Gnd)	0	tbc				
sq ft (total)	55,000	tbc				
Screens	12					
Seats	2,500					
Contribution from Developer	£0					
Tenant's Capex	6,535,000					
Gross Fit Out Capex	£6,535,000					

Preston

12 screens

2,500 seats

High

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Admissions	900,000	950,000	1,000,000	1,000,000	1,000,000
Revenue £UK					
Box Office	5,175,000	5,626,375	6,100,175	6,283,180	6,471,676
Retail	1,800,000	1,957,000	2,121,800	2,185,454	2,251,018
Advertising	225,000	237,500	250,000	250,000	250,000
Other	50,000	51,500	53,045	54,636	56,275
Total	7,250,000	7,872,375	8,525,020	8,773,271	9,028,969
Cost of Sales					
Film Hire	2,328,750	2,531,869	2,745,079	2,827,431	2,912,254
Retail Purchases	540,000	587,100	636,540	655,636	675,305
Other	51,750	56,264	61,002	62,832	64,717
Total	2,920,500	3,175,233	3,442,621	3,545,899	3,652,276
Gross Profit	4,329,500	4,697,143	5,082,400	5,227,371	5,376,693
Cinema Costs					
Payroll	540,000	556,200	572,886	590,073	607,775
Marketing	80,000	40,000	41,200	42,436	43,709
Contracts & Main.	130,000	133,900	137,917	142,055	146,316
Utilities & Supplies	125,000	128,750	132,613	136,591	140,689
Insurance	22,000	22,660	23,340	24,040	24,761
Other	35,000	36,050	37,132	38,245	39,393
Total	932,000	917,560	945,087	973,439	1,002,643
EBITDA before Property	3,397,500	3,779,583	4,137,313	4,253,932	4,374,050
Property Costs					
Rent	935,000	935,000	935,000	935,000	935,000
Rates	128,000	131,840	135,795	139,869	144,065
Service Charges	82,500	84,975	87,524	90,150	92,854
Total	1,145,500	1,151,815	1,158,319	1,165,019	1,171,920
Cinema EBITDA	2,252,000	2,627,768	2,978,993	3,088,913	3,202,130
Cumulative EBITDA	2,252,000	4,879,768	7,858,761	10,947,674	14,149,804

Key Drivers

ATP	5.75	5.92	6.10	6.28	6.47
Retail per person	2.00	2.06	2.12	2.19	2.25
Film Hire %	45%	45%	45%	45%	45%
Gross sales margin %	70%	70%	70%	70%	70%
EBITDA Margin %	31%	33%	35%	35%	35%
Seat Occupancy	360	380	400	400	400
Rent psf (upper floor)	17.00				
Rent psf (Gnd floor)	17.00				
sq ft (upper)	55,000	tbc			
sq ft (Gnd)	0	tbc			
sq ft (total)	55,000	tbc			
Screens	12				
Seats	2,500				
Contribution from Developer	£0				
Tenant's Capex	6,535,000				
Gross Fit Out Capex	£6,535,000				

10.6. Preston Fit Out Costs

Preston Fit Out Costs**7 screens / 900 seats**

<u>Fit Out</u>	psf		per screen
sq ft		75	1,687,500
 <u>FFE</u>			
Seats		180,000	
Projection		525,000	
IT		70,000	
Counters & Conc equip		130,000	
Wall panels		70,000	
Step lighting etc		50,000	
Signage		60,000	
Other		100,000	
			1,185,000
			169,286
 <u>Fees</u>			
			210,000
 Total			
			3,082,500

Landlord Shell Provisions:

Auditoria dividing walls
 Final exit doors
 Stadia steppings
 Stairways
 Lifts and Escalators
 Projection level slabs

Preston Fit Out Costs

9 screens / 1,500 seats

<u>Fit Out</u>	psf		per screen
sq ft		75	2,812,500
 <u>FFE</u>			
Seats		300,000	
Projection		675,000	
IT		75,000	
Counters & Conc equip		130,000	
Wall panels		90,000	
Step lighting etc		65,000	
Signage		65,000	
Other		100,000	1,500,000
			166,667
<u>Fees</u>			225,000
 Total			 4,537,500

Landlord Shell Provisions:

Auditoria dividing walls
 Final exit doors
 Stadia steppings
 Stairways
 Lifts and Escalators
 Projection level slabs

Preston Fit Out Costs

12 screens / 2,500 seats

<u>Fit Out</u>	psf		per screen
sq ft		75	4,125,000
 <u>FFE</u>			
Seats		500,000	
Projection		900,000	
IT		90,000	
Counters & Conc equip		150,000	
Wall panels		220,000	
Step lighting etc		110,000	
Signage		80,000	
Other		110,000	2,160,000 180,000
<u>Fees</u>			250,000
 Total			 6,535,000

Landlord Shell Provisions:

Auditoria dividing walls
 Final exit doors
 Stadia steppings
 Stairways
 Lifts and Escalators
 Projection level slabs