



Cineworld
Group plc

**The UK's favourite
cinema chain**

Annual Report and Accounts 2013

Cineworld is one of the UK's leading cinema groups

Our vision



To be the favourite cinema chain

Strategy



Put our customers at the heart of everything we do

Deliver a great cinema experience

Develop our people, effectiveness and efficiencies

Grow our estate

Read more on pages 8 and 9

Contents

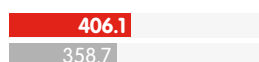
Strategic Reports	
Highlights	1
Chairman's Statement	2
UK and Ireland Market Overview	4
Business Model	6
Strategy	8
Strategic Report	10
Risks and Uncertainties	20
Corporate Responsibility	26
Directors' Reports	
Directors	32
Directors' Report	34
Corporate Governance Statement	40
Directors' Remuneration Report	47
Statement of Directors' Responsibilities	63
Financial Statements	
Independent Auditor's Report	64
Consolidated Statement of Profit or Loss	67
Consolidated Statement of Other Comprehensive Income	68
Consolidated Statement of Financial Position	69
Consolidated Statement of Changes in Equity	70
Consolidated Statement of Cash Flows	71
Notes to the Consolidated Financial Statements	72
Company Balance Sheet	104
Company Reconciliation of Movements in Shareholders' Funds	105
Notes to the Company Financial Statements	106
Shareholder Information	110



Highlights 2013

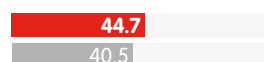
Group revenue (£m) 52 weeks

Group including Picturehouse **+13.2%**



Adjusted pro-forma profit before tax (£m) 52 weeks

Group including Picturehouse **+10.4%**



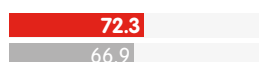
Adjusted pro-forma diluted EPS (p) 52 weeks

Group including Picturehouse **+7.1%**



EBITDA⁽¹⁾ (£m) 52 weeks

Group including Picturehouse **+8.1%**



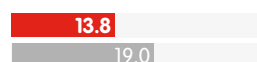
Profit before tax (£m) 52 weeks

Group including Picturehouse **-19.3%**



Diluted EPS (p) 52 weeks

Group including Picturehouse **-27.4%**



A more detailed review is included in the Strategic Report.

Other Key Highlights

- Group box office market share of 27.4% (2012: 26.4%) in UK and Ireland (Rentrak) with Cineworld Cinemas' market share up 0.7 percentage points to 25.4% (2012: 24.7%);
- Group admissions 1.4% higher than 2012 on a pro-forma basis⁽²⁾;
- Average ticket price per admission up 3.2% to £5.43 (2012: £5.26) with higher average retail spend per person at £1.83 (2012: £1.73);
- EBITDA⁽¹⁾ up 8.1% to £72.3m (2012: £66.9m)
- Full year dividend of 10.1p per share (rights issue adjusted) which represents a 6.3% growth in cash dividend for those shareholders who took up their rights as part of the rights issue on 14 February 2014;
- Opening of a nine screen cinema in Wembley, a new ten screen cinema in Gloucester Quay and the reopening of the Glasgow Science Centre IMAX as a Cineworld Cinema;
- Nine new Starbucks outlets opened in year bringing total to 11; and
- On 10 January 2014, Cineworld Group announced the combination with the cinema assets of Cinema City International N.V. ("CCI") which completed on 27 February 2014.

(1) EBITDA comprises earnings before interest, tax, depreciation and amortisation, onerous lease and other non-recurring or non-cash property charges, transaction and re-organisation costs, defined benefit scheme indexation gain and re-financing costs.
 (2) Growth in Group admissions calculated on a pro-forma basis comparing 2013 admissions to 2012 admissions as if Picturehouse had been part of the Group for the full comparative period (by reference to Picturehouse's 2012 management accounts).

Chairman's Statement

The Balance Sheet remains strong,
and will remain so after the transaction with CCI.

I am pleased to report that 2013 was another good year for Cineworld and its shareholders. There were increases in revenue, earnings and total dividend paid, and there has been a reduction in debt.

Our UK and Ireland box office market share increased to 27.4%, and box office revenue, including a full year of Picturehouse, grew by 10.8% to £279.9m. This is a particularly creditable performance given the overall decline in UK and Ireland total box office revenues of 0.3%, and the fact that 2013 was a year characterised by the absence of any blockbuster films, in contrast to the previous year when there were three.

This demonstrates the robustness of the Group's business model and the positive results achieved from the Group's philosophy of putting the customer at the heart of all it does. Cineworld Cinemas' subscription scheme ("Unlimited") and its membership scheme ("MyCineworld") were central to this growth, and the number of members of each again increased beyond our expectations.

During the year we opened two new multiplexes (in Wembley and Gloucester) and completely refurbished and launched the Glasgow Science Centre IMAX as a Cineworld Cinema. We also continued our investment in our retail offerings, with the roll-out of a further nine Starbucks outlets, all of which are trading well.

Shareholders will recall that in December 2012 we announced the acquisition of the "Picturehouse" chain of arthouse cinemas, which cater to a different sector of the market to Cineworld Cinemas. I am pleased to report that the acquisition has met our performance objectives, although we will only now be able to achieve the undoubted synergies which exist now that the Competition Commission has issued its final report. On 31 January 2014, it confirmed its previous ruling that Cineworld would be required to divest cinemas in Aberdeen, Bury St Edmunds, and Cambridge by 31 July 2014.

International expansion has been a strategic objective of the Group for a number of years. The Board set three requirements for any potential acquisition; namely, that the acquisition should be earnings accretive, that the dividend should remain sacrosanct and that the Group's Balance Sheet should not be strained. We identified a transaction which met all those requirements and accordingly on 10 January 2014, after the 2013 year end, the Group announced a combination with the cinema business of Cinema City International N.V. ("CCI"), by means of an acquisition funded by cash and shares. CCI is the leading chain in Central and Eastern Europe and Israel. The resultant combination is an enlarged cinema chain with 1,852 screens in nine different countries which had a combined 89 million admissions during 2013. Central and Eastern Europe is a market which is under-screened and in which significant growth potential is present, and the Group will capitalise on that opportunity with its pipeline of 377 screens in this region, together with a further 169 screens in the UK which will come on stream over the next three years.

This is an exciting development for Cineworld, and one for which I have high future expectations. The details of the transaction are set out on page 17 of the Annual Report.

The year's sound performance has enabled the Board to declare a full year dividend of 10.1p per share which represents a 6.3% growth in cash dividend for shareholders who took up their rights as part of the rights issue on 14 February 2014. Over 95% of shareholders took up their rights.

Despite the dividend increase and adherence to the Group's expansion plans, the Balance Sheet remains strong, and will remain so after the transaction with CCI.

The Board remains committed to maintaining a strong culture of the highest corporate governance standards. We continue to take note of issues concerning the environment, gender and other diversity matters and health and safety concerns, and where appropriate we review and improve our practices.



Anthony Bloom

"International expansion has been
a strategic objective of the Group
for a number of years"

I would like to pay a particular tribute to Steve Wiener, who has stepped down as Chief Executive Officer ("CEO") on the completion of the combination with CCI after having founded Cineworld in 1995 and serving as its CEO for 18 years. Steve has been in the cinema exhibition business for 44 years and the Group owes its pre-eminent position in the UK industry to his vision, his passion and his years of hard work as its leader. It is a remarkable record. On behalf of the Board and everyone in the business, I would like to express our deep appreciation to him for having the foresight to create Cineworld and build it into the UK's most successful cinema chain. We wish him well for the future.

Mooky Greidinger, the former Chief Executive of CCI, was appointed Chief Executive of the enlarged Cineworld Group on 27 February 2014. Mooky is one of the most highly regarded and experienced chief executives in the cinema exhibition business worldwide, and we are extremely fortunate to have him assume this position at Cineworld. He has all the attributes required to take the business forward and deliver the exciting plans we have for its future.

The prospects for 2014 appear good for the enlarged Cineworld Group, but as usual will be dependent in the final analysis on the film slate for that year. Once again, there are no obvious blockbusters but the film slate as a whole is more than reasonable and should deliver another satisfactory year. I look forward to the future with confidence.

On behalf of myself and the Board, I would like to express my appreciation to the Group's management and all its employees for their hard work and achievements during 2013. They are a great team to work with and I look forward to working with them to deliver our plans and continued growth and value for our shareholders.

Anthony Bloom
Chairman
6 March 2014



"On behalf of the Board and everyone in the business, I would like to express our deep appreciation to Steve Wiener for having the foresight to create Cineworld and build it into the UK's most successful cinema chain"

Stephen Wiener

UK and Ireland Market Overview

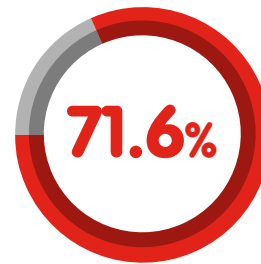
There were a number of films which performed well and as a result box office revenues remained at a broadly consistent level to the prior year.



Structure of the Market and Competitive Landscape

The combined UK and Irish cinema market is dominated by three major UK exhibitors, Cineworld Cinemas, Odeon UCI and Vue. In total, they continue to account for over 70% of the total market box office revenues. The rest of the market is represented by smaller multiplex operators (including Picturehouse) and independents which tend to operate non-multiplex cinemas (less than five screens).

Combined UK and Irish Cinema Market % for 2013



- Three major UK exhibitors: Cineworld Cinemas, Odeon, UCI and Vue
- Smaller multiplex operators, including Picturehouse

There are significant barriers to entry, both through acquisition and organically. Competition law limits the potential for major consolidation in the industry.

Market Performance

Box office revenue in 2013 in the combined UK and Irish market suffered a small decrease of 0.3% to £1.17bn⁽¹⁾, whilst UK admissions declined 4.0% to 165.5m. There were no films during 2013 grossing in excess of £50m (compared to 2012 with three films: Skyfall, The Dark Knight Rises and Marvel Avengers Assemble), however there were a number of films which performed well and as a result box office revenues remained at a broadly consistent level to the prior year. The top five films during the 2013 reporting period were:

Title	Gross Box Office ⁽¹⁾
Despicable Me 2	£47.4m
Les Misérables	£40.7m
Iron Man 3	£37.0m
The Hunger Games: Catching Fire	£30.9m
Monsters University	£30.6m

(1) Source: Rentrak. Box office revenues for the 52 week period to 26 December 2013.

Other Income

Retail and advertising revenues continue to be the significant other sources of income for cinema chains.

Popcorn and soft drinks remain the most popular retail items. There is however a growing demand for a wider range of retail products and the traditional offering is increasingly being supplemented with products such as coffee.

Digital Cinema Media Limited ("DCM") which is a joint venture between Cineworld Group and Odeon UCI, generates approximately 80% of screen advertising revenues in the UK. In addition to Cineworld Group and Odeon UCI, DCM's clients also include Vue and a number of other smaller cinema operators. Its only and smaller competitor is Pearl and Dean, which represents the Empire cinema chain and a collection of other smaller operators.

Property Market and Development

The rate of new cinema openings has been falling in recent years, partly due to the limited number and associated lead time of new retail and leisure developments. There were over 3,900 cinema screens in the UK by the end of 2013 (2012: 3,858) representing growth of over 1.0% compared to a 0.9% growth in 2012 (Source: The Cinema Exhibitors' Association).

Future Trends

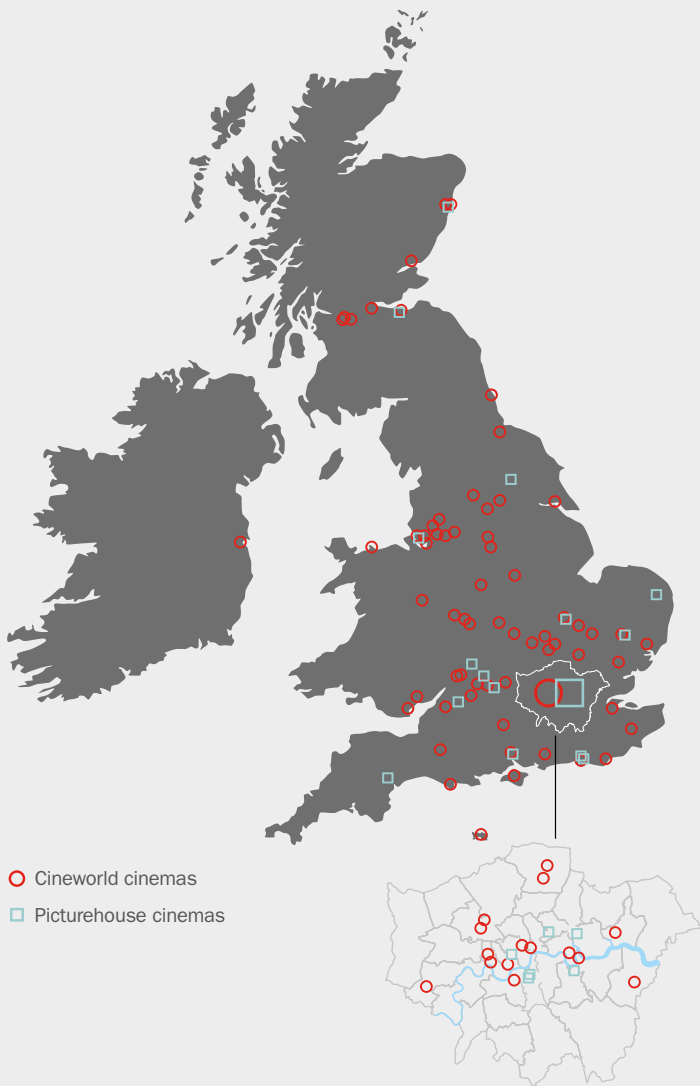
Underpinning the overall success of the cinema industry is the need for a strong film slate. Whilst there are no £50m-plus films slated for 2014, there are a good number of titles from popular franchises which should ensure that national box office revenues are broadly in line with those achieved in 2013.

The major cinema chains in the UK and Ireland are now fully converted to digital projection. Cinema chains will continue to identify ways to maximise return on their investment by taking advantage of the increased flexibility in film scheduling, digital advertising and wider event cinema opportunities offered by digital projection.



Business Model

We aim to offer "A Great Cinema Experience" by ensuring we deliver a broad range of films, a high-quality venue and retail offering to suit our customers' tastes.



○ Cineworld cinemas
 □ Picturehouse cinemas

81

Cineworld cinemas

21

Picturehouse cinemas

Over 30%

of all UK admissions

824

Cineworld screens

61

Picturehouse screens

UK No. 1

By box office⁽¹⁾

(1) Source: Rentrack

High quality film offer

The key driver of our business is customers visiting our cinemas to see feature films.

High quality of venue with excellent operational delivery

We aim to promote customer admissions by offering clean, comfortable, well-run facilities in well-sited locations, which makes cinema-going a pleasurable experience.

Generation of other revenues

Admissions drive two other main income sources for the Group: retail sales and screen advertising.

A great cinema experience drives repeat visits

We aim to offer "A Great Cinema Experience" by ensuring we deliver a broad range of films, a high-quality venue and retail offering to suit our customers' tastes. This, along with membership schemes and initiatives, helps drive repeat visits.



Cineworld Cinemas provide mainstream and popular films which appeal to a wide range of audience including families, young adults and children.

Picturehouse show blockbuster films at its cinemas, however non-mainstream and specialised films are central to its programming. Event Cinema is also part of its core offering.

Cineworld Cinemas is a multiplex cinema chain with the majority of cinemas having five screens or more and follows a consistent approach to design and branding. The cinemas are functionally designed to better serve high customer volumes and are often located in out of town or edge of town leisure and retail developments with parking facilities.

Picturehouse is an arthouse specialist cinema chain with the majority of cinemas having less than five screens. The cinemas tend to be located in urban areas with high student, or affluent and diverse city dwelling adult-orientated, populations.

The cinemas provide more screens to show a wider choice of films to appeal to a variety of customer groups.

The cinemas have their own individual styles tailored to their locality and provide unique ambience in contrast to that of a multiplex cinema.

Retail sales to our customers comprise principally soft drinks and popcorn. Coffee is becoming increasingly popular and Cineworld Cinemas has Starbucks outlets in 11 of its cinemas.

Food and drink is a key differentiator that is specifically tailored to the local market and may include bars and fresh cooked food. Visits to a Picturehouse cinema will tend to be a social occasion or a cultural outing rather than purely to view films.

Revenue from advertisements shown on screen prior to feature presentations is driven by the number of admissions. Nearly all advertising is arranged through the Group's joint venture company, Digital Cinema Media Limited, which sells cinema screen advertising space for the majority of cinema exhibitors in the UK.

Picturehouse also generate revenues from advertisements shown on screen prior to feature presentations. The advertisements may differ to those shown in multiplexes due to the different customer base.

As well as offering a broad range of films and a high-quality venue in which to enjoy them, Cineworld Cinemas has a number of initiatives to encourage repeat visits. Cineworld Cinemas operates a subscription service called "Unlimited", which is a fixed monthly (or annual) subscription which enables customers to watch as many 2D films at Cineworld cinemas as they wish. Cineworld Cinemas is currently the only cinema operator in the UK and Ireland to offer this service.

Picturehouse operate a separate annual membership scheme by which subscribers pay an annual fee in return for three free tickets, discounts across ticket, food and drink purchases at Picturehouse cinemas and discounts at third-party venues.

MyCineworld encourages customers to book online by offering a 10% discount. By capturing Unlimited and MyCineworld members' behaviours, Cineworld Cinemas is able to tailor marketing and advertising campaigns to specific customers.

Strategy

Our Vision

To be the favourite cinema chain

What We're Focused On

- Putting customers at the heart of everything we do in our business.
- To deliver a great cinema experience for all cinema-goers, every time.
- To nurture and develop our teams and create a culture that is passionate about the experience, film and customers.
- To continue to expand our estate and look for profitable opportunities to grow.



What We Achieved

Delivering more admissions and market share than any other exhibitor is testament that our customers love coming to Cineworld Group cinemas.

We work tirelessly to deliver a great experience to our customers, by investing in training and development of our teams and focusing on improving customer satisfaction.

We continue to provide the widest range of films and event cinema of any of the UK's major exhibitors at a great value price and are proud to have maintained our Saturday mornings "Movies for Juniors" programme for only £1 – the same price point since Cineworld started back in 1995.

We continue to grow our subscription and membership programmes across the Cineworld Group, building closer and stronger relationships with our customers:

- Unlimited: the only cinema subscription programme in the UK and Ireland that offers cinema-goers unlimited access to films in our cinemas at one low price.
- MyCineworld: the online membership programme for Cineworld customers, offering no booking fee and 10% off online.
- Picturehouse membership: offering customers free tickets and discounts on concessions.

We continue to improve our online experience, now offering e-ticketing at Cineworld cinemas and improvements in our booking process to make life easier for customers.

We have continued to invest in improving the big screen experience in Cineworld with one further IMAX screen.

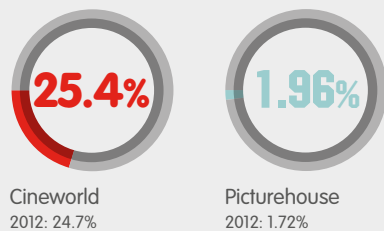
We continue to improve our retail offering across the business, introducing nine more Starbucks outlets across Cineworld.

We continue to invest in the development and skills of our teams, with more people attending our Academy programme of learning and development.

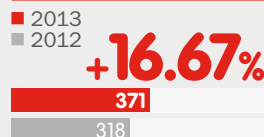
We have opened new sites at Wembley and Gloucester (replacing an existing cinema) and now operate the IMAX screen at the Glasgow Science Centre. We are on track to open 25 new cinemas between 2013 and 2017.

Strategic Performance Indicators

Market share %



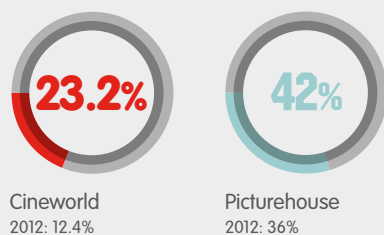
Cineworld Unlimited subscribers ('000)



MyCineworld members (million)



Online booking %

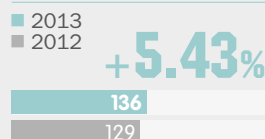


Customer satisfaction

Net promoter scores:



Picturehouse members ('000)



Employee satisfaction



The Future

We will continue to work tirelessly to improve our customers' experience to become the favourite cinema chain and deliver the best film experience to customers.

We will continue to improve the perception of the "value" that we offer to customers across ticket prices, membership programmes and in concessions.

We will always offer a wide range of film and event cinema, offering customers a good choice at every visit.

We will continue to grow our relationships with customers by increasing the number of customers in all of our subscription and membership programmes and by continuing to offer them added-value to increase their retention and engagement.

We will continue to capitalise on the flexibility that digital provides to improve our on-screen advertising offer to advertisers and customers.

We will continue to invest in our teams to ensure they continue to demonstrate their passion for our business and for the content we show on screen.

We will continue to look for opportunities to grow our estate profitably.



Strategic Report

The Group's box office market share in the combined UK and Ireland market was 27.4%, making it the largest cinema operator in the UK and Ireland.



Anthony Bloom
Chairman



Philip Bowcock
Chief Financial Officer

Performance Overview

	52 week period ended 26 December 2013		Total Group Total	52 week period ended 27 December 2012
	Cineworld Cinemas Total	Picturehouse Total		Total Group Total
Admissions	48.4m	3.1m	51.5m	48.0m
	£m	£m	£m	£m
Box office	261.5	18.4	279.9	252.6
Retail	84.6	9.5	94.1	82.8
Other Income	23.4	8.7	32.1	23.3
Total revenue	369.5	36.6	406.1	358.7

Cineworld Group plc results for the 52 week period ended 26 December 2013 reflect the trading and financial position of Cineworld Cinemas and Picturehouse (the "Group"). Picturehouse Cinemas Limited and its subsidiaries ("Picturehouse") became part of the Group on 6 December 2012 and was consolidated for the final 22 days of 2012 only.

Total revenue in the 52 week period ended 26 December 2013 was £406.1m, an increase of 13.2% on the prior year comparative period (2012: £358.7m). Box office increased 10.8% to £279.9m. Average ticket price per admission increased by 3.2% to £5.43 (2012: £5.26) whilst total retail revenues of £94.1m were ahead of the previous year (2012: £82.8m). Other revenues increased by 37.8% to £32.1m (2012: £23.3m).

The Group's box office market share in the combined UK and Irish market was 27.4% (2012: 26.4%) making it the largest cinema operator in the UK and Ireland. Cineworld Cinemas' market share was 25.4% (2012: 24.7%). (All market data supplied from Rentraks.)

Cineworld Cinemas Box Office

The principal income for Cineworld Cinemas is box office revenue. Except for the revenue generated by Cineworld Cinemas' subscription services, box office revenue is a function of the number of admissions and the ticket price per admission, less VAT. An increase in admissions in the period combined with a better average ticket price contributed to a 3.9% increase in box office revenues to £261.5m. This equated to a 2.9% increase on a gross box office basis (inclusive of VAT); while the UK and Ireland cinema industry as a whole was down 0.3% against the comparative period in 2012 (Source: Rentrak).

The average ticket price per admission increased by 2.7% to £5.40 (2012: £5.26). This increase resulted in part from annual price increases, a higher proportion of adults being admitted at full price and an increased level of 3D business. The average net ticket price (excluding VAT) of 3D was £6.70 compared to 2D of £4.78. The proportion of customers attending during the weekend has increased slightly from the comparative prior year period which has also contributed to the increase in average ticket price.

Film performance during the year was underpinned by the success of "Despicable Me 2", "Les Misérables" (both grossing nationally in excess of £40m) and "Iron Man 3" (grossing nationally in excess of £30m). They were supported by a number of other good film performances including "Man of Steel", "Monsters University", "The Croods", "Star Trek into Darkness" and "Fast & Furious 6" all of which grossed nationally over £25m. "The Hobbit: The Desolation of Smaug" and "Hunger Games: Catching Fire" had achieved gross box office of over £20m and £30m respectively by the end of the year and have continued to play strongly in January 2014.

We remained the biggest exhibitor of Bollywood films in the UK with a market share in excess of 50%. Popularity of this genre remains high with films such as "Yeh Jawaani Hai Deewani" and "Race 2" released during the period. In addition, other specialised and the foreign language films were played and we have continued to be the leading exhibitor of Tamil films.

We also continued to make good progress during the year in developing our event cinema offering, which has been made possible by our digital conversion programme. In the field of the performing arts, our core live opera and theatre product came from the New York Metropolitan Opera, The National Theatre and The Royal Opera House, all of which were well attended. Screening of these live events is increasing in popularity amongst our core customers.

The screening of "National Theatre Live: The Audience" (with Helen Mirren) was the highest grossing live event during the period, closely followed by "Doctor Who: The Day of The Doctor". Event cinema has continued to grow and demand for the right product is strong and overall ticket prices are more than 50% higher than for regular film screenings.

Retail

Food and drink sales to our customers are the second most important source of revenue and represent 22.9% (2012: 23.1%) of total revenues. Total retail revenues were stronger at £84.6m (2012: £82.3m).

Net retail spend per person improved 1.7% in the period to £1.75 (2012: £1.72) partly due to the film mix, but also reflecting the expansion of Cineworld Cinemas' retail offerings.

During the year we opened nine Starbucks coffee outlets, bringing the total to 11. All the outlets have traded in line with expectations and continue to grow their revenues. More openings are scheduled for 2014.

Other Income

Other Income includes all revenue streams other than box office and retail and represents 6.3% (2012: 6.3%) of total revenues. It increased 4.9% to £23.4m (2012: £22.3m).

The largest single element of Other Income is screen advertising revenue. Trading at Digital Cinema Media Limited ("DCM"), our joint venture screen advertising business formed in July 2008, was in line with the previous comparative period.

DCM's primary function is to sell advertising time on cinema screens on behalf of Cineworld Cinemas, Picturehouse and its other clients. It also engages in related promotional work between advertisers and cinemas. The management team at DCM has been driving operational efficiencies and effectiveness

and, during the period, has been working on further exploiting the benefits of digital projection. DCM is now in a position to offer a greater number and a more diverse range of campaigns to its customers.

Other Income also includes the sale of 3D glasses, ticket bookings and theatre hires. Much of the increase in Other Income was due to sales of 3D glasses, which reflected higher 3D admissions compared with the previous comparative period.

Picturehouse

On 6 December 2012 the Group acquired the Picturehouse cinema chain for £47.3m. It comprised of 21 cinemas focusing on a different audience from Cineworld Cinemas, with the cinemas being smaller (all have five or less screens) and more individual.

While blockbuster films may be shown at these cinemas, non-mainstream and specialised films are central to its programming as an arthouse cinema chain. The cinemas tend to be located in urban areas with high student, or affluent and diverse, adult-orientated populations. Food and drink is a key differentiator and some have bars and food operations which form a significant proportion of a cinema's total business. The Picturehouse cinemas tend to have their own individual styles reflecting their location or former purpose of their building, which provides a unique ambience compared with that of a multiplex cinema. Typical Picturehouse customers will tend to visit as a social occasion or as a cultural outing rather than purely to view films and therefore require a more personal cinema-going experience.

The market in which Picturehouse operates is distinct from those of Cineworld Cinemas. There is growing demand from older and from more affluent cinema-goers and Picturehouse is well positioned to capitalise on this more specialised sector of the cinema market under its own brand.

Since acquisition, Picturehouse has traded in line with expectations. As stated at the time of announcing the acquisition, Picturehouse continues to be run under separate management who continue to develop the brand and pipeline of new cinemas.



	Picturehouse 52 weeks to 26 December 2013 Total	Picturehouse 52 weeks to 27 December 2012 ⁽¹⁾ Total
	£m	£m
Admissions	3.1m	3.0m
Box office	18.4	17.8
Retail	9.5	8.4
Other Income	8.7	7.8
Total revenue	36.6	34.0

(1) Comparative information is presented for Picturehouse on a pro-forma basis through summing the 11 month management accounts result to 6 December 2012 together with the 22 day period to 27 December 2012. Picturehouse is only included in the consolidated Group comparative information for the 22 day period from 6 December 2012.

Overall, revenues for the period have increased by 7.6%. Box office increased by 3.4% to £18.4m – a direct result of the 3.3% increase in admissions and a marginal rise in average ticket price. Retail revenue increased by 13.1% to £9.5m and Other Income increased by 11.5% to £8.7m (Other Income includes advertising income, membership subscription income and screen-hire income). EBITDA has increased by 22.7% to £5.4m on a pro-forma basis (2012: £4.4m).

On 8 October 2013, the Competition Commission published their decision on the acquisition of Picturehouse, resulting in the requirement to dispose of one cinema in each of Aberdeen, Bury St Edmunds and Cambridge. The process of disposing of a cinema in each location was underway at the period end. Following the publication on 31 January 2014 of the Competition Commission's final report, the Group has until 31 July 2014 to divest itself of the cinemas at the three locations.

Total revenue in the year in respect of the three sites selected for disposal was £6.3m (2012: £5.8m on a pro-forma basis) and EBITDA was £1.4m (2012: £1.4m on a pro-forma basis).

Due to the ongoing Competition Commission investigation during the period, the full extent of the potential synergies of £0.6m identified during the acquisition process have not yet been realised. Whilst continuing to retain the separate management team who are charged with developing the clearly distinct Picturehouse brand and pipeline of new cinemas, we believe that synergies will start to be realised during 2014.

Initiatives and Developments UK Cinema Expansion

One of the key strategic priorities of the Group remains expansion. We continue to maintain the financial capability, through our debt facility available, to pursue such opportunities aided by the cash generative nature of our business model.

During the year we have opened a nine screen cinema in Wembley and a new ten screen cinema in Gloucester Quay to replace the existing six screen cinema already in place. In October, we also reopened the Glasgow Science Centre's IMAX as a Cineworld Cinema. Unfortunately, due to delays in construction, the new six screen cinema in St Neots will now open in early 2014, with new cinemas in Swindon and Telford also scheduled to open during 2014. Picturehouse is scheduled to open a further two sites during 2014.

While the uncertainty over development financing and the timing of new projects continue to be risks, we have seen improvements in confidence in the property market during the year with renewed interest in existing proposals from developers as well as new plans and ideas being tabled. Our strong financial position and our good track record of driving high footfalls through our cinemas make us an attractive partner for property developers. We have 17 further development sites signed or in legal negotiation (at least ten of which are currently scheduled for opening in 2015) and have a good pipeline of further opportunities to achieve our target of 25 new Cineworld cinemas between 2013 and 2017.

Other Initiatives and Developments

The Unlimited programme is one of the pillars that underpin our strategy of growing other revenues and admissions. At the end of the year there were over 371,000 members (2012: 318,000), a figure which has since increased further. The Unlimited programme brings to the Group the financial benefits of regular subscription income thereby reducing the level of fluctuation in our revenues. It also brings operational benefits by encouraging repeat visits, often at off-peak times. This, in turn, enables us to improve capacity utilisation at our cinemas, provide more retail opportunities and allows us to offer a wider range of films than our competitors. As a result, we continued to enjoy significant market share among the smaller, less mainstream films during 2013.

During the prior year period we launched a 10% reduction in the price of tickets for booking online through MyCineworld and membership has since increased to over 3.5m members by the end of the period (2012: 2.5m).

The growth of MyCineworld is an important part of our strategy to engage further with our customers. It has enabled us to improve our customer retention and helps us to encourage more frequent visits to our cinemas. By transferring bookings online, we aim to improve customer service by reducing queues at the box offices and to convert more space to other activities which will improve the customer experience at our cinemas and help drive incremental revenues. The addition of new sites will facilitate the expansion of our Unlimited and MyCineworld propositions into new locations, thereby growing and consolidating our business further.

Activity on our consumer website continued to increase year-on-year, with the 2013 period to date recording over 1m visits per week. This performance has enabled our website to rise into the top 30 (2012: 40) most visited retail websites in the UK (as reported in the IMRG Experian Hitwise Hot Shops List) for the period. In addition, our successful mobile-enabled web booking service is now complemented by our applications ("apps").

In terms of improving the customer experience, Cineworld Cinemas is expanding the IMAX format across a selection of our sites following its success. The IMAX screens opened in the second half of 2012 have performed well during the current year and Cineworld cinemas continues to operate the eight IMAX screens successfully. In October we reopened the IMAX screen at the Glasgow Science Centre ("GSC") as a Cineworld Cinema where we offer a broader range of IMAX feature films as well as working closely with the GSC to enhance their educational IMAX offering. Cineworld Cinemas has also recently signed a new deal to open a further three IMAX screens, at least one of which is scheduled to be opened during 2014.

People and Diversity

Our people are core to the success of the Group. As in previous years, 2013 saw a considerable investment in a number of initiatives aimed at ensuring individuals are developed and supported in reaching their full potential. As at the period end, one of the seven members of the Board was female and two of the eight members of the executive leadership group were also female. Of the seven directors of our subsidiary companies, two were female.

We are an equal opportunity employer and seek to recruit, retain and promote staff on the basis of their qualifications, skills, aptitude and attitude. A wide range of applicants are encouraged to apply for all roles and we have a wide and diverse workforce. We still believe that the single most important factor is to identify, recruit and retain the people we consider, on merit, to be the best candidates for each particular role.

Further details on such initiatives, together with other corporate responsibility matters including gender diversity and our position on human rights, can be found on page 30 and 31 of the Corporate Responsibility section.

Key Business Relationships

Cineworld Cinemas has worked hard at developing good working relationships with a wide range of film studios, both major and independent. Our focus on driving cinema admissions and on providing our customers with a wide range of films through our film strategy has resulted in many opportunities for us to work with film studios on simplifying the film buying process and on promoting smaller films to a wider audience. We also work closely in association with the Cinema Exhibitors' Association and The Federation Against Copyright Theft to combat film piracy.

We build relationships with developers, landlords and council planners to ensure that we maintain a pipeline of new sites for the future. We also work closely with suppliers of technological enhancements, for instance IMAX, which enables us to ensure that we are delivering the best possible experience to our customers, as well as looking to maximise box office revenues. Strong relationships with our principal retail suppliers, such as Coca-Cola and Starbucks, enable us to work together on promotions that help drive retail sales. We seek to manage relationships with our suppliers fairly and to work in accordance with our aspirations as set out in our ethical policy, a cornerstone of which is treating others as you expect to be treated yourself.

Cineworld Cinemas' successful participation in Tesco's Clubcard loyalty programme continued during the year, despite no longer being their only cinema partner. Cineworld remains the exclusive gift card partner with Morrisons to date.

The Environment and Health and Safety

Being a multi-site business, the Group is conscious of its total energy consumption and the amount of waste materials generated, and is actively working to reduce both energy usage and the quantity of waste materials produced that cannot be recycled. Cineworld Cinemas has consistently reduced its carbon emissions on an annual basis. The latest publication of the Carbon Reduction Commitment ("CRC") annual report released in November 2013 showed a reduction of 2.6% in carbon emissions since the launch of the scheme three years ago (excluding Picturehouse) despite the growth in the estate, increased technological offerings such as IMAX and the introduction of Starbucks outlets. Further details of our environmental initiatives can be found on page 27 of the Corporate Responsibility section.

During 2013, Cineworld Cinemas has embedded an improved framework for health and safety operations including audit processes, fire risk assessments and associated documentation. As in the previous year, all cinemas were subject to Fire, Food and Health and Safety Audits on an announced basis this year by NSF International (an independent auditor). Sites achieved an average score of 95.5% (with 85% being considered the acceptable level of performance).

Key Trends and Factors Potentially Affecting the Future Availability of Appealing Films and the Impact on Box Office and Retail Revenues

The Group's business and future success depends on the availability of films for screening in its cinemas and the appeal of such films to our customers. The Group's box office revenue is driven by admissions (one of our key performance indicators), which depend on the number, timing and popularity of the films we are able to show in our cinemas. Admissions in turn drive the two other main revenues for the Group, which are retail revenue (the sale of food and drink for consumption within our cinemas) and screen advertising income (revenue from advertisements shown on our screens prior to feature presentations).

The film slate, including the timing of film releases, in any given period affects our ability to draw customers to our cinemas. The films available in any given period also affects box office revenue and average ticket prices through the mix of different ticket types sold. Certain films tend to attract an adult audience that will purchase higher-priced adult tickets, whereas other films are intended for children whose tickets are sold at a discount. Certain films are also more likely to be shown in premium formats such as 3D and/or IMAX, which command higher ticket prices per ticket. Retail revenue is also impacted by the types and lengths of films shown and the exhibition format.

The film slate for 2014 is expected to mirror the performance in 2013. As with 2013, whilst there is no “Skyfall” (a record box office hit), there are a number of sequels from successful franchises which are expected to perform well. The “Harry Potter” series has been replaced with “The Hobbit” trilogy which concludes in December 2014. Similarly, The “Twilight” series has been followed by “The Hunger Games” as an alternative for the same female and teenage audience (“The Hunger Games: Mockingjay Part 1” is scheduled for release in November 2014). Many such films outperform the original film or concept, so the film studios will continue to look to capitalise on proven success formulae. The outstanding success of “Iron Man 3” and “Thor: The Dark World” will provide further impetus to advance the Marvel franchises, with films including “X-Men: Days of Future Past”, “Captain America: The Winter Soldier” and “Guardians of the Galaxy” all scheduled for release during 2014.

Digital Film and Technological Innovation

Technological innovation in film exhibition industry has impacted both revenue and costs for the Group. All of our cinemas have now been converted to digital projection. The operating flexibility of digital projection technology has enhanced the capacity utilisation of the Group. Digital film content can be easily moved to and from auditoriums in our cinemas to maximise admissions. DCM can also offer shorter lead times and improved advertisement targeting to advertising customers.

Technical innovation has also allowed the Group to enhance the customer experience through premium formats such as IMAX, 3D and other large screen formats. Cineworld Cinemas is also continuing to trial 4D Motion Technologies in some of our cinemas with D-Box seating. D-Box seating provides additional sensory experiences for customers.

The price differential between 3D and 2D films is expected to continue, and should help support the overall revenue levels, although it is anticipated that 2014 overall will see a slightly lower number of 3D films compared with 2013.

Film based on action, fantasy and animation and appealing to an older teenage and young adults audience, such as “Marvel: Avengers Assemble” and “The Hobbit: An Unexpected Journey”, have had the highest take up of 3D, while those which appealed to younger children tend to attract a lower proportion of 3D business.

Appeal of Screen Advertising

The attractiveness of cinema screen advertising, as well as the demand for advertising generally, drives the Group’s revenue from DCM. Screen advertising revenue generally varies depending on the type of films screened, the minutes and value of advertising sold, the number of attendees who view the film, and the placement of the advertisement in relation to the start time of the film. Demand in the wider advertising industry is anticipated to remain challenging, which would be reflected in our screen advertising revenues. However, full digital conversion by all of DCM’s major clients in 2012 has improved DCM’s competitive position and continues to support its objective of gaining a larger share of advertisements’ budgets, especially local retail, which is a sector largely unexploited in cinema advertising.

Expansion and Improvements

Customers choose to attend cinemas in part based on the state of their facilities and their locations. We maintain the quality of our offering by adding new screens, upgrades to seating concepts, expansion of food and drink offerings, and by disposing of older screens. The Group devotes a considerable amount of time assessing new site opportunities and this, along with further acquisitions, is a key part of our future growth strategy. Planning laws, economic environment, and the ability of developers to finance their projects where we may choose to locate our cinemas are some of the factors that may impact the Group’s development and growth initiatives.

The acquisition of Picturehouse has provided a new and additional channel for expansion in the arthouse market under the Picturehouse brand and the existing pipeline of new multiplex cinemas is also increasing.

Subscription Programmes

Cineworld Cinemas’ and Picturehouse’s subscription programmes help smooth out the level of seasonal fluctuation in the Group’s revenue. They also encourage customers to come during off-peak periods as it is generally not possible to make advance bookings, thereby improving the Group’s capacity utilisation. The subscription programmes also help support our Customer Relationship Management (“CRM”) initiatives to improve customer segmentation, customise customer offerings and drive future revenue.



Financial Performance

	52 week period ended 26 December 2013			52 week period ended 27 December 2012 (restated) ⁽²⁾
	Cineworld Cinemas Total	Picturehouse Total	Total Group Total	Total Group ⁽³⁾ Total
	£m	£m	£m	£m
Admissions ⁽⁴⁾	48.4m	3.1m	51.5m	48.0m
Box office ⁽⁴⁾	261.5	18.4	279.9	252.6
Retail	84.6	9.5	94.1	82.8
Other	23.4	8.7	32.1	23.3
Total revenue	369.5	36.6	406.1	358.7
EBITDA ^{(1),(4)}	66.9	5.4	72.3	66.9
Operating profit	35.7	1.8	37.5	44.0
Financial income	0.3	–	0.3	0.3
Financial expenses	(6.6)	(0.2)	(6.8)	(5.9)
Net financing costs	(6.3)	(0.2)	(6.5)	(5.6)
Share of loss from joint venture	(0.1)	–	(0.1)	(0.1)
Profit on ordinary activities before tax	29.3	1.6	30.9	38.3
Tax on profit on ordinary activities	(9.8)	(0.1)	(9.9)	(10.8)
Profit for the period attributable to equity holders of the Company	19.5	1.5	21.0	27.5

(1) EBITDA is defined as operating profit before depreciation, impairments, reversals of impairments and amortisation, onerous lease and other non-recurring or non-cash property charges, transaction, pensions, refinancing and reorganisation costs.

(2) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits".

(3) Picturehouse results consolidated for 22 days covering 6 December 2012 to 27 December 2012.

(4) Key performance indicators, together with average ticket price and retail spend per customer.

The following commentary on the profitability, cash flow and balance sheet focuses on the Cineworld Group including Picturehouse, except where stated.

EBITDA and Operating Profit

Group EBITDA was up 8.1% during the year at £72.3m (2012: £66.9m) and was achieved through higher revenues. Gross profit margin has suffered a small reduction from the prior year. While the film hire rate remained flat on average, there has been an increase in concession costs and higher royalties paid following the relative success of IMAX and 3D films during the period. In addition, there were higher energy and property costs as well as general increases in other operating costs.

Operating profit at £37.5m was 14.8% lower (2012: £44.0m). Operating profit included a number of non-recurring and non-trade related costs totaling £10.8m (2012: £1.4m). During the last quarter of 2013, £6.1m of transaction costs were incurred relating to the acquisition of Cinema City Holdings N.V. Further transaction and reorganisation costs of £2.0m related to the Competition Commission investigation into the acquisition of Picturehouse and other restructuring costs incurred during the period. As a result of the investigation, the Group is in the process of disposing of sites in Aberdeen, Bury St Edmunds and Cambridge.

We are legally obliged to complete the disposals by 31 July 2014. A goodwill impairment of £0.7m in respect of Picturehouse goodwill allocated by cinema has been recognised in respect of this divestment. Other asset impairments resulting from the annual impairment review by cinema also resulted in £1.2m asset write-downs at weaker performing cinemas.

The total depreciation and amortisation charge (included in administrative expenses) in the year of £24.0m was higher than the comparative prior year (2012: £21.5m). The increase includes £1.6m of amortisation in respect of brand and customer list intangible assets recognised as part of the acquisition accounting for Picturehouse. A further £1.5m of depreciation has been incurred as a result of Picturehouse being part of the Group for a full year. This has been offset in part by a £0.6m reduction in depreciation in respect of Cineworld Cinema assets.

Finance Costs

The net financing costs of £6.5m were higher than the £5.6m in the prior year. There has been an increased level of borrowing from the start of the year following the cash acquisition of Picturehouse in December 2012. The overall charge for the prior year also included £1.0m credit on the expiry of one of three interest rate swaps in May 2012, which necessitated a reclassification of the closing derivative value from equity to the income statement. Of the £0.3m financial income reported in the current year, £0.1m related to interest receivable (2012: £0.1m) and £0.2m to the actuarial valuation of the returns on the defined benefit pension plan assets (2012: £0.2m).

Earnings

Profit on ordinary activities before tax in the period was £30.9m, a decrease of 19.3% compared to the comparative period (2012: £38.3m). The decline is attributable to the £8.1m transaction and reorganisation costs incurred in the current period in respect of the acquisition of Cinema City, the Competition Commission investigation into the acquisition of Picturehouse and other restructuring costs (2012: £1.1m). Basic earnings per share amounted to 14.0p (2012: 19.2p).

Eliminating the one-off, non-trade related items described above, totalling £13.8m and the credit of £1.0m relating to the expiry of an interest rate swap (included in the comparative year net financing costs), adjusted pro-forma diluted earnings per share were 22.6p (using a normalised tax rate of 23.25%) compared with 2012 of 21.1p. The weighted average number of shares in issue during the year was 149.8m including 0.3m shares issued during the period.

Taxation

The overall tax charge during the year was £9.9m giving an overall effective tax rate of 32.0% (2012: 28.2%) which reflects the impact of one-off disallowable expenditure (acquisition costs) incurred during the period and the net impact in the current period of recognising deferred tax assets and liabilities at the lower future tax rate. The corporation tax charge in respect of the current year was £9.8m. There was a credit of £1.0m relating to prior years, which offset by £1.1m deferred tax charges principally relating to capital allowances (the difference between the tax written down value of the capital allowance and the net book value of the underlying assets).

Cash Flow and Balance Sheet

The Group continued to be cash generative at the operating level. Total cash generated from operations in the year was £65.3m compared to £67.0m in 2012. The current year suffered from a significant cash outflow at the start of the period in respect of film hire on "Skyfall", the cash inflow benefit for which occurred in the last month of 2012.

Net cash spent on capital during the year was £18.9m, which is net of reverse premiums received of £3.4m. Included in this cash expenditure was £11.0m in relation to the development of new sites, £8.9m in respect of maintenance and £2.4m on other revenue-generating initiatives.

Net debt decreased to £112.3m at the end of the current year (2012: £126.9m). During the year the net movement on existing facilities was a repayment of £4.5m (repayment of £29.5m and a draw-down of £25.0m). Other movements include non-cash items totalling £0.6m in respect of interest on finance leases, the unwinding of amortised finance charges and the movement on the interest rate swap. Cash-in-hand increased by £8.1m to £19.0m (2012: £10.9m).



Overall, net assets increased to £193.9m (2012: £188.6m). This includes the recognition of the fair value of net assets acquired with Picturehouse totalling £23.9m, and the residual goodwill recognised on acquisition of £19.8m. Due to the timing of the acquisition and its close proximity to the 2012 year-end, the fair value of acquired net assets and residual goodwill were recognised at December 2012 on a provisional basis. The acquisition accounting was finalised by June 2013 and was reported in the Cineworld Group's 2013 interim statements. Goodwill arising on acquisition increased from £19.6m as previously stated to £19.8m following a small reduction in other intangibles recognised and a corresponding adjustment to deferred tax liabilities in respect of Picturehouse.

Dividends

The Directors are recommending to shareholders for approval a final dividend in respect of the period ended 26 December 2013 of 6.4p per share, which taken together with the interim dividend of 3.7p per share paid in October 2013 equates to a total dividend in respect of 2013 of 10.1p per share (2012: 10.6p per share). The interim 2013 and total dividend per share for 2012 have been adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014, in order to present a comparator. The dividends per share as previously reported were 4.1p per share for the interim 2013 and 11.8p per share for the total dividend for 2012. Whilst the dividend per share has decreased following the rights issue, shareholders who took up their rights in full benefitted by a 6.3% increase in cash dividend received. Over 95% of shareholders took up their rights.

Combination with the Cinema Operations of Cinema City International N.V.

On 10 January 2014, Cineworld Group plc was pleased to announce the combination with the cinema business of Cinema City International N.V. ("CCI"), a leading cinema business in seven countries across Central and Eastern Europe ("CEE") and Israel ("Cinema City"), by means of an acquisition of the shares in Cinema City Holding N.V. ("CCH"), a subsidiary of CCI. The transaction was based on an enterprise value of CCH (on a debt free/cash free basis) of £503m and €14.5m. The combination with Cinema City completed on 27 February 2014 and has created the second largest cinema business in Europe (by number of screens). The enlarged Group now has 201 sites and 1,852 fully digital screens.

Consideration for the transaction was settled with cash and shares. Cash consideration of £272m and €14.5m was part funded by an 8 for 25 Rights Issue which completed on 14 February 2014, raising net funds of £105m with the residual cash consideration being funded within the Group's new debt facility. Cineworld Group plc issued to CCI shares in Cineworld Group plc initially valued on 10 January 2014 at £231m, representing 24.9% of the post-rights issue share capital.

As part of the combination Cineworld Group plc restructured its debt financing, an element of which was drawn to part settle the cash consideration of £272m and €14.5m. The residual of the facility has been drawn to refinance the existing facilities of the combined group and to fund general working capital requirements going forward. The new facility provides funding of £400m of which £275m is a term loan and £125m is a revolving

credit facility. £160m (€192m) of the new facility is available in Euros, reflecting the composition of the combined group. This financing arrangement became effective on 27 February 2014.

On completion of the combination, Moshe (Mooky) Greidinger (former Chief Executive Officer of CCI) and Israel Greidinger (former Chief Financial Officer of CCI) joined the Board of Cineworld Group plc as Chief Executive Officer and Chief Operating Officer respectively. At the same time, Mooky Greidinger and Israel Greidinger stepped down from their positions on the Board of CCI. Given the investment in Cineworld Group plc held by CCI and the relationship between Mooky Greidinger and Israel Greidinger and CCI, a Relationship Agreement has been put in place to govern the key operational arrangements between the related parties.

The full details of the transaction are detailed in the combined Class 1 circular and prospectus issued on 10 January 2014 which can be found on the Group's website: www.cineworldplc.com.

Other Board Changes

Tom McGrath was a Director at the start of the period, but he did not stand for re-election at the Annual General Meeting ("AGM") and so left the Board on 15 May 2013.

On 20 November 2013, the Group announced the resignation of Stephen Wiener, Cineworld's founder and CEO, and he will leave the employment of the Group on 31 March 2014.

On completion of the combination with Cinema City, Scott Rosenblum and Arni Samuelsson joined the Board as Non-Executive Directors and Stephen Wiener stepped down from his role as CEO and as a Director at that time.

Current Trading and Outlook

The first quarter of the current financial year has started in line with expectations with films including "The Wolf of Wall Street" and "12 Years a Slave" performing strongly at the box office. The first month of the year also benefitted from the play through of "The Hobbit: The Desolation of Smaug", "American Hustle" and "Frozen". There is a solid film release programme for the remainder of 2014 which includes the next instalment from the Hunger Games franchise: "The Hunger Games: Mockingjay – Part 1", as well as the final film in "The Hobbit" franchise: "The Hobbit: There and Back Again".

Other popular film franchises including Transformers, Spiderman and X-Men also have new releases throughout the year. This, along with a strong pipeline of Cineworld, Picturehouse and Cinema City openings, means the Group looks forward to delivering further value to shareholders in the forthcoming year.

By order of the Board

Anthony Bloom
Chairman
6 March 2014

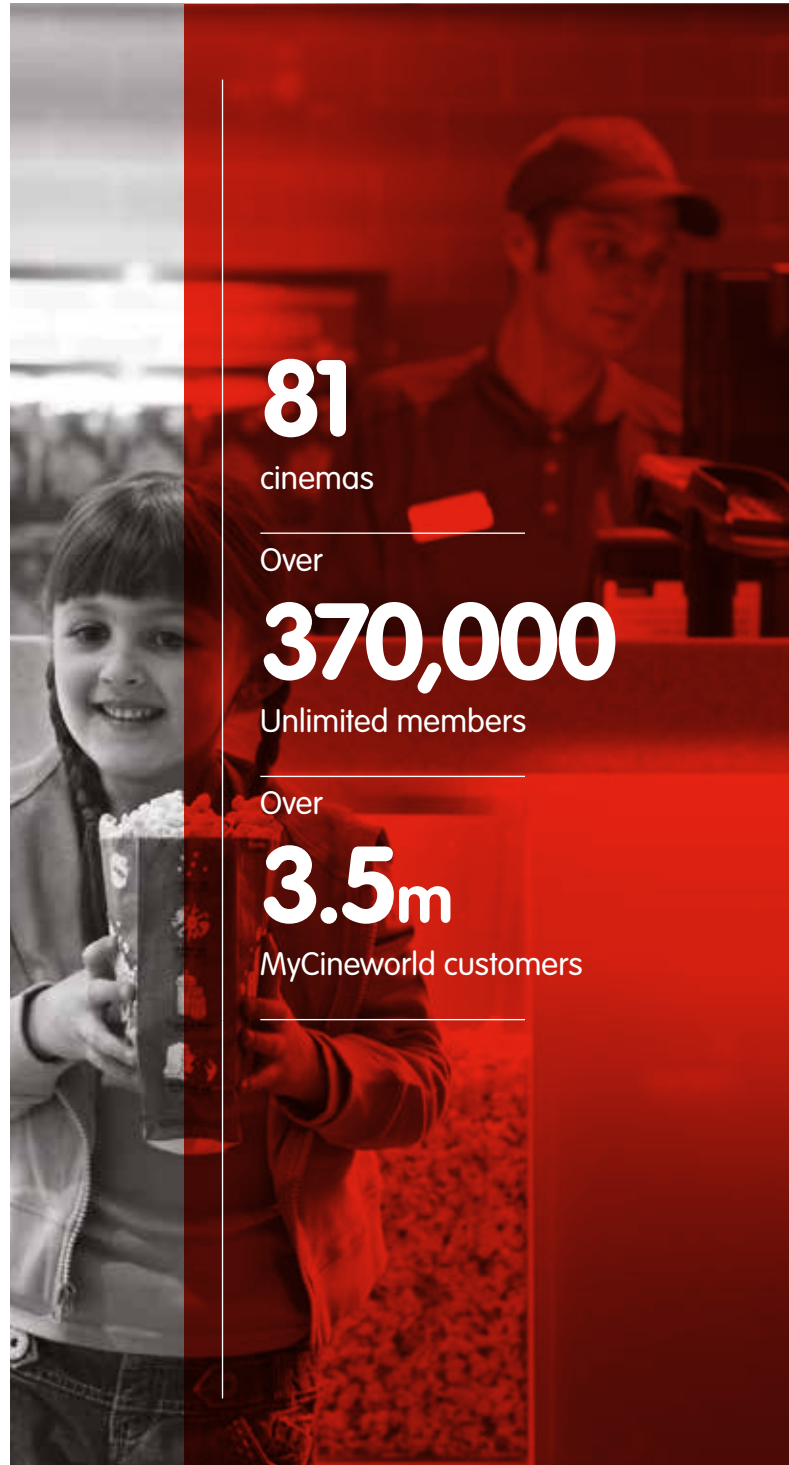
Philip Bowcock
Chief Financial Officer



Improving the Customer Experience

Over the course of 2013 Cineworld has consolidated its position as the UK's leading cinema chain by box office. But size isn't everything as we aim to improve our customers' experiences in each and every visit. From the ease of booking online to a friendly farewell on leaving, and everything in between, Cineworld is striving to become the UK's favourite cinema chain. And it's the little things that matter: like removing barriers to booking online; making our mobile booking process easier; introducing e-ticketing in cinemas; providing the widest range of movies;

regularly reviewing film times; removing "clutter" in the foyer; introducing welcome "greeters" at the entrance; and thanking customers as they leave. We have introduced more IMAX theatres and more Starbucks. And we're getting closer to our customers – with over 370,000 Unlimited customers and 3.5m MyCineworld members – we now have customer information on over 50% of our admissions. It is still work in progress, but most importantly we're making progress.



81

cinemas

Over

370,000

Unlimited members

Over

3.5m

MyCineworld customers

Risks and Uncertainties

The following is a summary of the principal business specific risks and uncertainties facing the Group at the end of the period rather than all risks. If any of these risks or other unforeseen risks materialise, they could have a serious adverse effect on the Group's business and its financial condition, in turn impacting upon the value of its securities in issue. Where possible and appropriate, the Group seeks to mitigate these risks and uncertainties.

Some factors which may mitigate particular risks and uncertainties are also set out below. In determining whether a risk is principal or not regard has been taken of the Group's risk register, the probability of a particular risk crystallising and the impact it would have if it did.

Availability and Performance of Film Content

Cinema-going in the UK is driven primarily by output from Hollywood, which is dominated by six film studios. There is a risk that the Group may not be able to obtain licences for certain films from the film studios. There is also a risk that these studios may not reach agreement on film hire terms with the Group, or may seek to negotiate film hire terms less favourable to the Group. Any such moves could be countered in part by the Group's negotiating position due to its market share in the UK and Irish markets.

During periods where there are fewer or no major films to drive cinema attendance, or if the Group was unable to licence a certain major film, the Group's box office revenues may decline. Cineworld's Unlimited card subscription service generates regular box office revenues which helps to offset lower box office receipts during quieter trading periods. It is also part of Cineworld's wider strategy to promote interest in a range of films beyond the traditional Hollywood blockbuster in such areas as Bollywood, other foreign language and small and mid-range films.

There is a further risk that a major film may be released late or may not perform at the box office in line with expectations. The Group has an experienced team liaising closely with distributors and forecasting the likely performance of films based on historical precedent and their knowledge of the film industry.

Release Window, Alternative Media and Advancement of Technology

Film studios may seek to reduce or eliminate the release window (the period between the film being released at the cinema and the film being released through other distribution channels), which could lead to increased competition from alternative film delivery methods such as streaming, DVD, cable and pay television and the internet. This increased competition could reduce cinema admissions and adversely impact box office sales. The window is currently agreed at 16 weeks and three days in the UK, to capitalise on box office awareness and success. Cinema exhibitors have, historically, mitigated this threat by refusing to screen films with reduced release windows or insisting on paying reduced film rentals which has minimised reductions to date.

Film studios may also choose to release their films through other channels instead of primarily through exhibition at cinemas. The box office success of a film is often, however, an important factor in establishing its value in subsequent film distribution channels such as streaming, DVD, cable and pay television and the internet.

The existence of DVD (and video before that) has proven the ability of cinema to co-exist with alternative media. Additionally the increase in use of digital and 3D technology in cinemas should encourage the film studios to continue to use cinemas as the primary release channel.

The continuing development of existing and new technology (such as 3D television and internet streaming) may introduce new competitive forces for the film-going audience. The cinema does, however, provide a unique social experience that to date cannot be matched by watching films at home. Also trials by studios to release films on the internet during the theatrical release window have, so far, not proved to be commercially successful.

Revenue from Retail Sales

Retail sales form a significant part of the Group's revenue. Retail sales generally fluctuate in line with admissions, therefore if admissions were to fall, revenue from retail sales could decrease. Retail spend may also decrease due to changes in customer preferences, decreased disposable income or other economic and cultural factors. The Group runs promotions, makes offers and changes its retail offerings to keep them attractive to customers.

Film Piracy	<p>Film piracy (aided by technological advances) has long-term implications for the business and industry as it may decrease cinema admissions, reduce ticket prices and even eventually force film studios to invest less in films, resulting in the release of fewer films and lower quality films with less commercial appeal and/or an increase in the use of other channels for releasing films. The quality of copies pirated by recording from a cinema screen has improved and can be of a similar quality to films pirated from other media and copies made in the earlier manufacture and distribution stages. It is, however, currently not possible to produce a 3D pirated version of the original film from a portable recording device used in a cinema. So far, the impact of piracy has been higher on alternative media (especially on DVD) than on cinema. The Group works with and continues to be a strong supporter of initiatives by The Federation Against Copyright Theft.</p>
Competition	<p>Competition among cinema providers exists in acquiring attractive cinema sites, acquiring existing cinemas, attracting customers and licensing films.</p> <p>Existing competitors could also change their strategies, invest in new technologies or a new competitor could enter the market at a local or national level, reducing trade. Costs generally, and in particular in developing new sites or acquiring existing cinemas are, however, barriers to entry as are the lack of readily available cinemas for acquisition.</p> <p>Cinemas also compete for customers against other leisure and entertainment attractions. This competition could increase as a result of reduction in consumer confidence or in levels of disposable income in general or, over the longer term, the ageing of the UK population. Cinemas also face competition from major events, such as the Olympics, which may impact attendance levels for their duration.</p>
Availability of New Locations, Poor Location Selection and Construction of Cinemas	<p>The Group's strategy includes expanding operations through new openings and the acquisition of existing cinemas. The availability of attractive locations for new openings and the acquisition of existing cinemas are subject to local conditions (such as availability of space or increase in demand for real estate, demographic changes and changes in planning laws) and competition. The Group seeks to maintain good relations with potential key partners and monitors changes likely to impact such matters.</p> <p>The selection of the wrong location for the development of a new cinema, poor or delayed construction, unanticipated expenses in connection with new locations, or underperformance of a new cinema could result in lower than expected returns and a series of poor decisions on location, or poorly constructed cinemas, could seriously impact the Group. Each potential site is reviewed carefully and the management team are experienced in the choice of location for, and development of, new sites.</p>
Screen Advertising Revenue	<p>Screen advertising accounts for a proportion of the Group's profits and the level of revenues earned will be affected by the overall demand for advertising and the competitive pressures for that advertising spend. In addition, lower levels of admissions may impact the level of advertising which the business can attract, resulting in reduced screen advertising revenues.</p> <p>The formation of Digital Cinema Media Limited in 2008, with a joint venture partner, was a positive step towards taking closer control of future screen advertising revenues. The advantages of screening advertisements to a captive audience in cinemas and the flexibility of digital media to deliver more and varied advertising are potential opportunities to attract more advertisers and to generate higher revenues.</p>
Extreme Weather Conditions	<p>Unusual weather patterns such as unseasonably warm summers or extreme snowfalls in winter can impact attendances at cinemas and, particularly where this coincides with major film releases, could have a significant effect on revenues.</p> <p>Most of the Group's cinemas are air conditioned. Historically, in periods of extreme warm weather, audience levels have returned to near-normal seasonal levels after a while.</p>

Risks and Uncertainties

continued

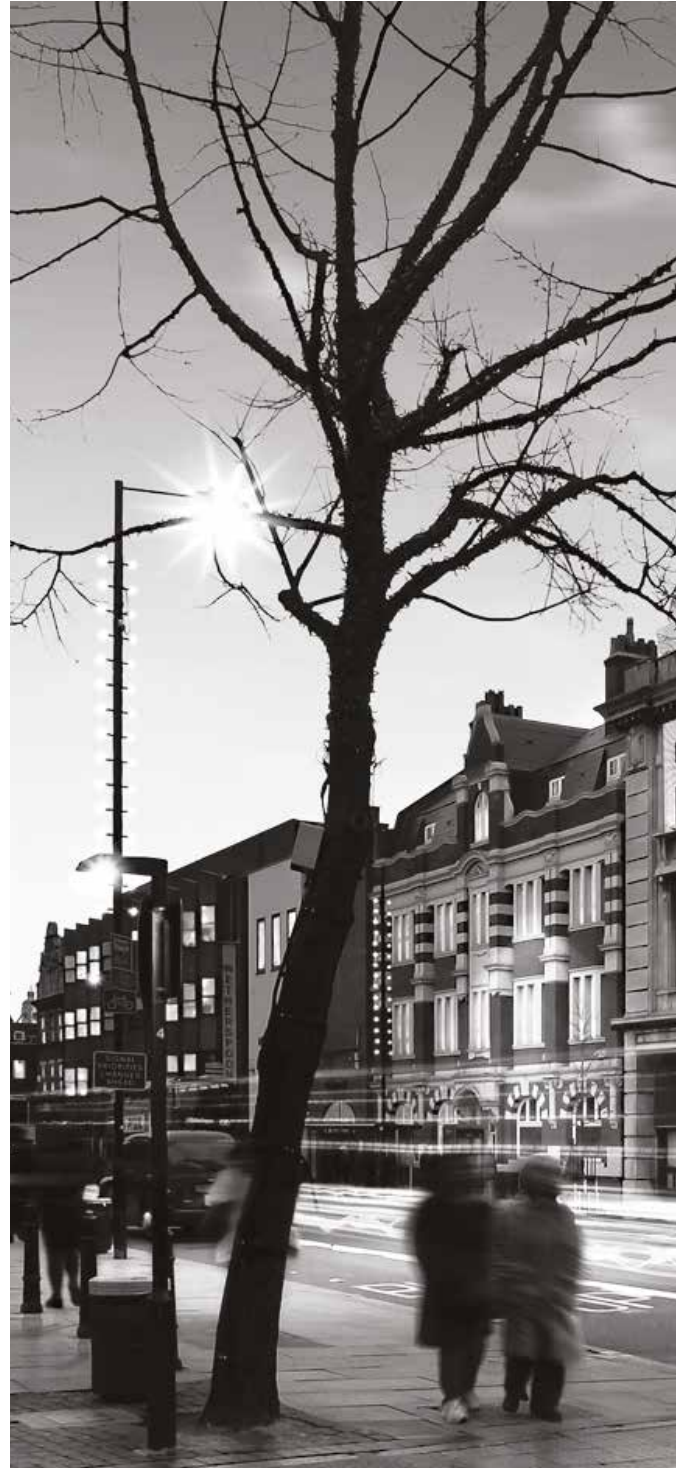
UK and Global Economy	The main driver of cinema-going is the film, although it is recognised that macro-economic influences may affect cinema-going and the level of retail spend per customer on each visit. In addition, the price of such items as energy and foodstuffs has a direct impact on costs which we may not be able to pass on to customers. With cinema being a less expensive form of entertainment and leisure, economic downturns may benefit cinemas at the expense of other entertainment and leisure activities.
Government Regulations and Actions	The Group's business and operations are affected by central and local regulations covering such matters as planning, the environment, health and safety, licensing, food and drink retailing, data protection and the minimum wage. Failure to comply with this type of legislation may result in fines and/or suspension of the activity or entire business operation. In addition, changes to pension legislation such as automatic enrolment and regulations relating to the Group's defined benefit schemes, could result in additional costs from funding pension obligations or from changes in the way pension schemes are administered.
Digital Conversion Cost Recovery	All of the Group's cinemas have been converted to digital projection. Film studios helped to finance this conversion and the Group expects to recover up to 90% of the total costs of conversion over a 7–10 year period. At completion of the rollout, the Group had incurred the costs of converting 100% of its projection facilities to digital, which was approximately £40m. There is a risk that payments are not received, or that full recovery of the costs does not happen within the ten-year term of the agreed arrangements. There are binding contracts, put in place by Arts Alliance Media ("AAM") from which the Group benefits, for the recovery of these payments. The Group chose AAM because of the quality of its systems and experience in administering this type of contract and, to date, all payments have been received in accordance with the contractual terms. As time passes, the risk of non-recovery of this expenditure reduces.
Failure of IT Systems or Data Controls	The failure of the Group's IT systems or data controls, whether because of cyber attack or otherwise, could impact the profitability and reputation of the Group. All suppliers are monitored and the Group employs an appropriately qualified team to maintain its in-house systems with external experts being employed to oversee, and help manage, major projects involving the upgrading or replacement of such systems.
Availability of Capital	<p>The cost and availability of finance may affect the Group's ability to expand. Limited availability of capital has impacted property developers who have not been able to proceed with developments which would have included new cinemas. The Group has a promising pipeline of potential new sites and its strong covenant is attractive to developers and places Cineworld as a preferred tenant in many proposed new leisure developments.</p> <p>Reduced lending may also affect the financing of film productions which could reduce the supply of films and/or delay their production and releases in cinemas.</p>

Following the Group's acquisition of Cinema City Holding B.V. (the "Combination", and the combined Group and Cinema City Holding B.V., together the "Enlarged Group") which completed on 27 February 2014, the following principal business specific risks and uncertainties apply to the Enlarged Group in addition to the above risks and uncertainties. The following is a summary of the additional principal business specific risks and uncertainties facing the Enlarged Group rather than all risks.

Acquisitions	<p>There is a risk that due diligence undertaken during an acquisition process fails to accurately identify ongoing profitability and other issues that may seriously affect the valuation of a business. In addition, costs and expenses in connection with any acquisition may be more than anticipated. After completion, an acquired business may not perform as expected, integration may be problematic or anticipated benefits or synergies may not be realised. As part of any acquisition process professional advisors are retained and report to the Board, or the appropriate Committee, on pertinent aspects of any target business.</p> <p>This risk is especially pertinent following the Combination as the Board recognises that there will be considerable execution risk around the merger of the two groups. Specifically there are two particular risks associated with the Combination; the first being the integration of the finance systems and related processes and controls, and the second the fact that the Enlarged Group is operating outside of the UK for the first time, having roughly 40% of its operations in six Eastern European countries and Israel. The Board, together with its senior management team, is in the process of developing a detailed integration plan and will retain appropriate advisers and resources to enable the effective integration, which the Board will closely monitor through the next financial period.</p>
Exclusive Distribution Relationships	<p>The Enlarged Group has exclusive distribution relationships with certain film studios in some Central and Eastern European ("CEE") countries and Israel. There is a risk that the Enlarged Group may not be able to retain these exclusive relationships or that the film studios otherwise seek to negotiate distribution terms less favourable to the Enlarged Group. Any such moves could be countered in part by the Enlarged Group's negotiating position due to its market share in the relevant CEE countries and Israel.</p>
Doing Business in Countries in Emerging Markets	<p>A significant part of the Enlarged Group's revenue is attributable to operations in CEE and, additionally, the Enlarged Group may look to expand into countries in South-Eastern Europe. Political, economic and legal systems in emerging market economies can be unpredictable and the risks of doing business in those markets can be high. Before expansion into any further countries is undertaken, the future prospects of those countries will be carefully investigated to ensure that an appropriate balance of risk and reward is maintained.</p>
Doing Business in Israel	<p>Israel is one of the Enlarged Group's countries of operation, which will subject the Enlarged Group to risks relating to the political and military situation in that country.</p>



Picture house



A DIFFERENT EXPERIENCE

2014 marks Picturehouse cinemas' 25th anniversary. The chain joined the Cineworld Group in December 2012 as a standalone entity of 21 cinemas, each offering a unique style influenced by its urban location and strong community relationships. Picturehouse audiences include a diverse, affluent, adult demographic and a burgeoning student contingent. These customers appreciate independent and arthouse films as well as the more discerning mainstream titles.

Picturehouse also offers a wide range of event cinema, with opera, theatre and ballet particularly popular among audiences. Its cinemas have a strong café-bar culture with excellent wine lists providing a different cinema experience to the multiplex and serving different occasions.

Picturehouse Entertainment, the company's award-winning distribution arm, goes from strength to strength. Alongside feature films it distributes Event Cinema content, such as Royal Shakespeare Company productions, for which it is the worldwide distribution partner.

Looking forward, there are four Picturehouse cinema projects in London at various stages of planning. They include Chiswick Lane Picturehouse and Crouch End Picturehouse, both expected to open by early 2015.



Corporate Responsibility

The Board acknowledges its duty to ensure the Group conducts its activities responsibly and with proper regard for all its stakeholders.

The Board acknowledges its duty to ensure the Group conducts its activities responsibly and with proper regard for all its stakeholders including employees, shareholders, business partners, suppliers and local communities. In this context, the Group seeks to integrate corporate social responsibility ("CSR") considerations, relating particularly to social, ethical, health and safety, and environmental issues, in its day-to-day business operations. Further information in respect of the Group's activities is set out below together with illustrative examples. The Group's mandatory greenhouse gas report can be found in the Directors' Report on pages 37 and 38.

Cineworld Cinemas Community

Cineworld observes the British Board of Film Classification's guidelines for film classification unless the local authority specifies otherwise; within this framework however, it seeks to show as wide a range of film product and other screen content as possible. Screenings are frequently driven by local communities and their wishes. For example, Cineworld was once again the number one exhibitor for Bollywood product in the UK during the period and is the biggest exhibitor of Indian language product in the UK including Hindi, Tamil, Punjabi, Malayalam and Telugu films.

In addition, Cineworld has continued to show a wider range of film product including non-English language titles, smaller British releases and independent American productions. Cineworld has continued its successful screening of Polish films and has gala screenings of Polish titles at its Hammersmith cinema. It also partnered again with BAFTA on the annual "BAFTA Tour", bringing back award-winning films to the big screen at selected cinemas.

Cineworld has continued its commitment to Event Cinema in the form of live screenings from the National Theatre, the Royal Opera House and the Metropolitan Opera. In addition to these established seasons, Cineworld has shown a variety of very successful events in 2013, including the British Museum's "Pompeii Exhibition Live" (for both the public and schools), the "Doctor Who 50th Anniversary episode: The Day of the Doctor in 3D" and the Royal Shakespeare Company's first live broadcast of "Richard II". Screening such a wide range of content means that we attract a wider range of audiences into our cinemas and helps us distinguish ourselves in the marketplace from our principal competitors.

2013 saw Cineworld working again with various charities, local government and community groups. Activities included Cineworld supporting BBC's Children in Need, running charity premieres of "Walking with Dinosaurs 3D" and working with the newly formed National Youth Film Festival, with screenings for hundreds of schools across the country. Undertaking such activities helps to establish and make the Cineworld brand better known in local communities.

Cineworld continued as a venue partner for several festivals including the Jameson Dublin Film Festival, the Glasgow Film Festival and the Edinburgh International Film Festival where it hosted 50% of the festival screenings. This involvement helps to promote Cineworld's brand through the wider film industry and increase awareness of the Cineworld brand in audiences that might not normally associate Cineworld with this kind of wider film based activity.

Access for All

Cineworld is keen to promote a "Movies for All" policy for our customers. Increasing accessibility results in local cinemas playing a fuller role in the communities in which they operate. On Saturday mornings we operate "Movies for Juniors", where it is still possible for children to see films for £1. This price has not increased for over 17 years. During 2013, Movies for Juniors extended to Sundays and weekdays during holiday periods at selected cinemas to cater for extra demand. We have also introduced subtitled Movies for Juniors performances across selected cinemas. Senior citizens and students continue to benefit from discounts at certain times of the day and greater online discounts can be achieved through MyCineworld. Cineworld also subscribes to the Cinema Exhibitor Association ("CEA") card scheme which allows registered customers with disabilities to be accompanied by a carer with them free of charge.

All new cinemas are designed to exceed current statutory requirements to provide buildings which are technically advanced, yet meet high operational standards in terms of public service, safety and accessibility. They are designed to remove physical features which can hinder the use of the facility by the less physically able, so that auditoriums are as accessible as possible given the restrictions of any particular location. The opportunity is also taken to enhance access within cinemas when they undergo major refurbishment as part of an ongoing programme of improvements and renovations.

Cineworld continues to support the CEA Disability Working Group and, internally, the business's own Disability Focus Group meets regularly to review all aspects of disability access and the improvement in the services provided in this area. A cross-industry film called "Welcoming Disabled Customers" has been developed in partnership with our colleagues across the industry and the CEA; the film provides a consistent approach to disability awareness training across all circuits. The film shows Cineworld's commitment to working within the industry to ensure best practice when it comes to disability awareness and to providing the best possible cinema experience for all customers. The film is incorporated into a two-day cinema staff induction programme for all new starters.

As part of the process of improving further Cineworld's offer to disabled customers, all Cineworld staff have received training in "Disability Awareness and Welcoming Disabled Customers". During 2013 Cineworld delivered in excess of 314,000 audio descriptive screenings (2012: 277,000) and over 9,000 subtitled screenings (2012: 11,000) and also ran autism-friendly screenings across the majority of our cinemas.

Film Piracy

With films being first released in cinemas and often in the UK and Ireland before other territories, there remains a significant risk of piracy within the UK and Irish cinema industries. Cineworld continues to work closely with the CEA, The Federation Against Copyright Theft ("FACT") and INFACT Ireland in order to help reduce and prevent film piracy. In line with Cineworld's operational strategy, each cinema management team has a responsibility to ensure that they do everything reasonably practicable to protect the intellectual property rights of films and Event Cinema exhibited within the cinemas.

With the ever-changing threat of evolving technologies and smaller undetectable recording devices, Cineworld seeks to mitigate this risk by constantly reviewing and developing its training programme, policies and procedures to ensure its staff are able to effectively prevent film piracy. Night-vision technology is utilised throughout the circuit and there is an increased vigilance around high-profile vulnerable release titles.

At the annual FACT awards in December 2013, a total of 14 rewards were presented nationally to UK film exhibitors. Eight of these rewards were presented to staff at Cineworld cinemas for their efforts in detecting and preventing piracy.

Environment

Cineworld seeks to comply with all relevant environmental legislation and to operate in an environmentally sensitive manner. The Directors acknowledge the impact that the business has on the environment and seek to mitigate it. Often changes which help to mitigate our environmental impact also reduce our operating costs.

Being a multi-site business, the Group is conscious of its total energy consumption and amount of waste materials generated and is actively working on reducing both energy usage and quantity of waste materials produced that cannot be recycled.

During 2013, there was continuous focus on delivering ongoing training and awareness to energy champions at cinema sites. Most cinemas now have an "Energy Board" which show the sites' latest energy reports and again help promote awareness to staff. The introduction of the daily, weekly and monthly energy reports have proved to be successful in helping cinemas identify high or unusual energy consumption patterns and to continuously monitor energy usage looking at further areas of energy reduction and savings. Monthly energy league tables are now available which rank sites based on energy usage which can be further broken down per region.

As part of the Carbon Reduction Commitment ("CRC") energy efficiency scheme, Cineworld Cinemas reports on its annual carbon emissions. Cineworld Cinemas has consistently reduced its carbon emissions on an annual basis. The latest publication of the CRC annual report released in November 2013 shows a reduction of 2.6% in carbon emissions since the launch of the scheme three years ago (excluding Picturehouse) despite the growth in the estate which includes the opening of new cinemas as well as a number of Starbucks coffee shops and IMAX screens.

During 2013, a pilot energy project was carried out at six sites. Three sites were installed with a Voltage Optimisation Unit and three sites with a Wireless Energy Building Management System ("WEMS"). Following the installations an average saving in energy of 8% has been realised for voltage optimisation and an average saving of 15% for WEMS. Based on the success of the projects, a further review will take place for sites to have energy-saving installations carried out in 2014 which will also incorporate a review of LED lighting which has been installed successfully in a number of sites in previous years.

The use of digital projection technology has further reduced Cineworld's environmental impact. The move away from 35mm celluloid prints has reduced the use of raw materials for the production of bulky prints using chemical processes, which ultimately are shredded as they are unable to be recycled at the end of their relatively short life. In addition, the distribution of digital content through small hard drives, down IDSL lines or by satellite greatly reduces the delivery costs and associated carbon footprint. Delivery by satellite and IDSL line removes the carbon impact almost completely and this year a growing number of films shown in Cineworld cinemas were distributed in this way.

3D technology has its own environmental challenges with the use of special disposable 3D glasses. In 2009, Cineworld altered its pricing structure from a premium for 3D films with "free" glasses to a smaller premium with customers being required to purchase glasses separately. This approach, which continues today, has significantly encouraged customers to retain their glasses for future use and, during 2013, on average around 52% of audiences for 3D films brought with them glasses obtained from previous visits (2012: 50%).

Retail

We seek to provide the range of products our customers seek in a way that is responsible, takes account of alternative healthier options and reduces the impact on the environment. Much of the focus has recently been on providing information to enable customers to make more informed choices and offering healthier options.

During 2013, Cineworld continued to review and develop strategies in respect of how it marketed its food and drink offers within cinemas and has worked with the CEA and the Department of Health in respect of delivering improved customer nutritional and product information. Example action taken included, in Spring 2013, the introduction of all new point of sale materials across the business which incorporated calorie information and, in the case of our Pick and Mix product, included allergen and food content information labelling. A healthier dried fruit alternative to chocolate is available in our children's Munchbox on request and we have trialled smaller portion sized chocolate countlines.

Working closely with one of our key partners, all Coca-Cola promotions now have a sugar-free variant of one of their products as their primary promotional focus, and the latter part of the year saw the introduction of Coke Zero cups into the business for all variants of dispensed carbonated drinks. The formulation of Sprite product has also been changed by reducing the calorie content and our children's drink product has been changed from an all juice to a juice and spring water formula, thus reducing natural sugar content further.

Nutrition and calorie information regarding all our retail products is now published on our website. Staff briefings were also held to enable staff to provide more informed responses in response to product-related customer queries.

Instances of improved processes to reduce environmental impacts included more point of sale material being sent direct to cinemas from our agents rather than into the central offices for re-delivery and the introduction of an e-version of our successful Christmas Gift Boxes reducing the amount of packaging required to fulfil the product.

Initiatives to make our cinema a more affordable and inclusive treat have included a number of new promotions which have included the "Midweek Special" combo and "Family Special" combo being rolled out to all cinemas across the circuit permanently. In addition, following a successful trial, we have introduced a discounted "Munchbox for Juniors" offer across all cinemas in conjunction with our extended Movies for Juniors initiative. This means that our younger customers can now enjoy both a movie and snack from just £3 during applicable times.

Each time there is a requirement for a new or replacement contract, all proposed arrangements are carefully reviewed to ensure that they are not only commercially beneficial, but also appropriate account is taken of environmental considerations. For instance we now have 11 Starbucks outlets with further openings planned for 2014. While Starbucks' highly recognised brand made them an attractive partner, their strong environmental credentials played a significant part in the decision to roll-out their coffee offer.

Our People

Cineworld's people remain key to ensuring the ongoing success of the business. All of our human resources initiatives are aimed at ensuring Cineworld is a great place to work and, in turn, a great place to watch films. As in previous years, 2013 saw a considerable investment in a number of initiatives aimed at ensuring individuals are developed and supported in reaching their full potential and are able to play a full part in the teams in which they work. Training also helps staff members feel part of the team and valued which is essential if they are to provide the services which customers expect.

Employee engagement remains central to the human resources strategy as the Company continues to recognise that engaged employees go the extra mile for its customers.



In 2013, Cineworld ran its second all-employee engagement survey with a very good response rate of 89%. The survey has resulted in a number of Company-wide initiatives to ensure that we are working with our people in the most effective way. Cineworld has also committed to annual surveys going forward to ensure we are continuously improving how we work with our people.

We continue to develop our talent. A group of the senior managers just below the executive team participated in a management development programme called "Lead and Succeed" which ran throughout 2012 and concluded in early 2013, culminating in one commercial initiative and one people initiative being implemented in the business.

Our Academy programme continues to offer high-potential managers the chance to study for diplomas at levels 5 and 7 accredited by the Institute of Leadership and Management ("ILM"). For team members and supervisors, we have also established internal succession programmes to identify and develop talent for the next role in the business.

Cineworld has also developed and launched the industry's first apprenticeship programme and 35 apprentices have joined the Company in order to study on the Cineworld Advanced Apprenticeship. This provides an opportunity for young people to learn straight from school and provides an exciting career path into the cinema industry. The introduction of apprenticeships means that our Academy now provides training at all levels within cinemas so people can develop their skills and see a career path to becoming a General Manager with recognised qualifications whatever their starting point.

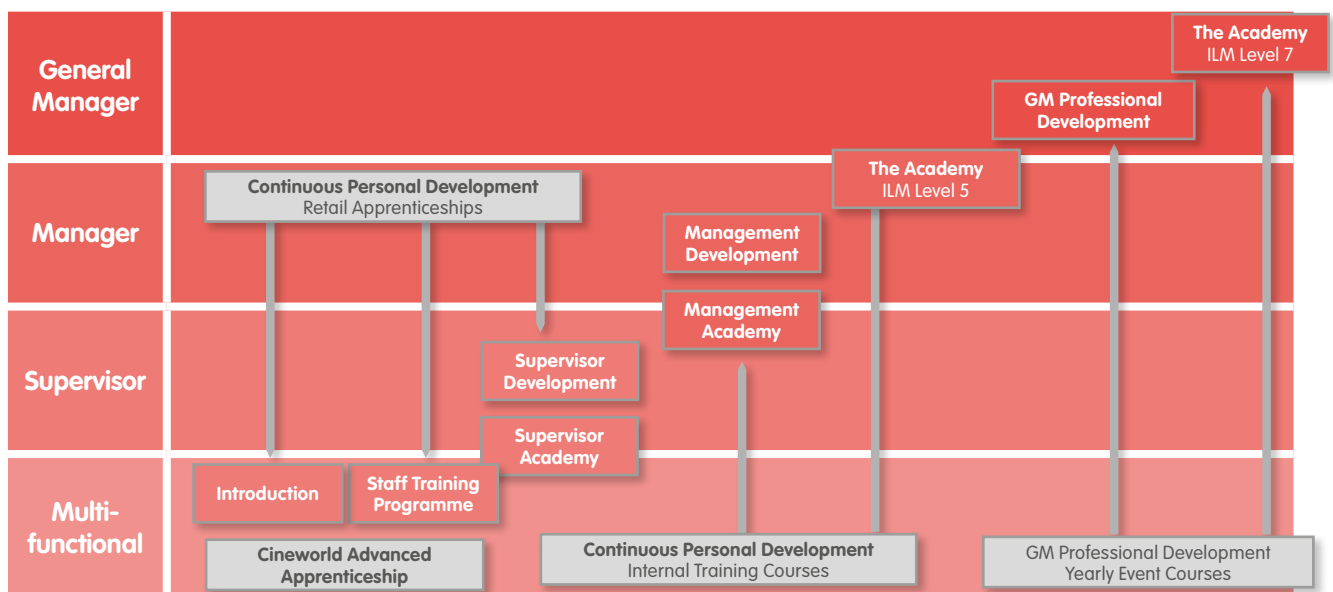
In addition to this significant programme of learning, we provide a suite of "core courses" which promote continuous learning. For our Head Office teams there is a structured programme of courses providing opportunity to continually enhance skills and for these to be tailored to an individual's needs as part of our "Pick Your Story" initiative. In addition, there have been exciting developments in cinemas with major rollouts of programmes such as the "Speed of Trust" and "Coaching and Mentoring".

All of these talent management activities mean that when vacancies arise we have a strong pool of talent to choose from which has resulted in a high internal promotion rate across all positions and reduced recruitment costs.

All employees throughout the Group participate in the success of Cineworld through bonus schemes and Cineworld is proud that for the nineteenth consecutive year bonuses were again paid to all qualifying staff. All such bonuses are underpinned by a performance management framework, which reflects not only personal performance but also Group performance, which helps ensure that everyone is recognised and rewarded for their individual contribution to the business. Staff can also benefit from the success of the Company by participating in its SAYE Share Option Scheme and currently over 250 staff are doing so.

We continue to offer our people a wide range of benefits through the Company's flexible benefits scheme. 2013 saw the introduction of pension auto-enrolment and the Company now offers all eligible employees the choice of joining an equally matched contribution scheme or the statutory auto enrolled scheme. We now have more than 1,200 employees participating in a pension scheme.

Staff Development



Safety

The ongoing management of the day-to-day health, safety and welfare of Cineworld's customers, employees and contractors is of major importance with over 47.5 million customer visits a year. Cineworld has continued to seek to maintain high standards in the effective management of our health and safety obligations and our duty of care to our customers and staff.

A review of health and safety consultants in late 2012 resulted in a new organisation, NSF International, being appointed to this role with effect from January 2013. All Cineworld's health and safety policies were reviewed at the start of the year and revised to reflect current best practice and the latest legislation whilst seeking to reduce administrative burdens. Improved systems of monitoring and reporting health and safety matters were also introduced.

During the 2013 period, Cineworld has embedded an improved framework for health and safety operations including audit processes, fire risk assessments and associated documentation. As in the previous year, all cinemas were subject to Fire, Food and Health and Safety Audits on an announced basis this year by NSF International. Sites achieved an average score of 95.5% (with 85% being considered the acceptable level of performance) with some cinemas receiving a remarkable top score of 99.5%. Overall the reports have shown that standards remain high.

Diversity and Human Rights

Cineworld is an equal opportunity employer and seeks to recruit, retain and promote staff on the basis of their qualifications, skills, aptitude and attitude. A wide range of applicants are encouraged to apply for all roles. In employment-related decisions, the business complies with all relevant legislation including that specifically targeted at preventing discrimination and such principles are embedded through the business by requisite policies.

Cineworld also seeks to treat all its staff in accordance with its Ethics policy so that each person is accorded dignity and respect and the guiding principle is followed that we treat other people as we ourselves would like to be treated.

Picturehouse Community

We place ourselves at the heart of the community. Our cinemas are in town and city centre sites and aim to make the fullest use of public transport and we have many partnerships with local retailers which encourage customers to spend locally, helping keep town centres alive and this is central to our development policy. The business also strives to build architecturally attractive venues that make a contribution to their urban environment.

Picturehouse are strong supporters of independent films. A programme of arthouse and world cinema is at the core of our programming policy. The cinemas actively support smaller films and documentaries through the "Discover Tuesdays" slot and through a multitude of one-off screenings. The cinemas also support numerous film festivals including the Cambridge Film Festival, Human Rights Watch Festival, London Film Festival, Lesbian and Gay Film Festival, Kurdish Film Festival and many others. Over 30% of our box office takings each year come from films that are outside of the UK's top 100 biggest grossing films.

Picturehouse is a partner in the Cambridge Film Consortium which provides educational work across schools and colleges in the Cambridgeshire area. It also employs five education officers across the Group and supports the work of education officers employed by partners, such as those in our Norwich cinema. All this activity encourages cinema-going and lifelong learning about film while also promoting the Picturehouse name and its cinemas to a broad ranging constituency.

Cineworld Cinemas male/female staff members as at 26 December 2013

	Cineworld Cinema Sites								Chiswick Head Office							
	Team Members & Supervisors		Operations Manager		Deputy General Manager		General Manager		Chiswick Employees		Middle Managers		Vice Presidents		Board of Directors	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Males	54%	54%	62%	61%	63%	66%	70%	77%	58%	59%	64%	49%	87%	86%	87%	86%
Females	46%	46%	38%	39%	37%	34%	30%	23%	42%	41%	36%	51%	13%	14%	13%	14%



In 2013 Picturehouse removed all its booking fees for advance ticket purchases, joining Cineworld Cinemas as market leaders in pricing transparency and bringing us in line with the spirit of the Payment Surcharges regulations.

Opportunities are provided at all cinemas for members of the community who cannot afford peak time prices to buy discounted tickets either on special days or for club screenings (e.g. Silver Screen). Picturehouse also has a free Carers Card which enables customers with disabilities to obtain a free carer's ticket in person, by telephone or online.

We pioneered Event Cinema screenings in the UK and have been responsible for outreach work across the arts by screening opera, theatre, ballet and literary events live by satellite to cinemas across the independent sector – creating substantial audiences whose needs had not been previously met and who now contribute to the sustainability of many independent cinemas. Picturehouse also created Parent and Baby screenings and autism-friendly screenings, which are now regularly screened across the whole exhibition sector, and it works with local community groups and schools to provide opportunities to experience and learn about cinema.

Retail

We have reviewed the range of snacks and drinks available in Picturehouse cinemas with the aim of introducing healthier options. For example, our Kids Club combo deals now include the option of frozen yoghurt instead of ice cream and fruit snacks instead of sweets. Our packs for schools visits include fruit juice-based drinks instead of carbonated drinks. We publish information on ingredients of non-packaged goods at our kiosks, including calorific values and all of our snacks and drinks are served in portions which are well under the Government's suggested limit of 500 calories. Picturehouse have also become partners in the Change for Life "Smart Swaps" campaign.

Our People

Our published company values focus on our people. We aim to treat staff fairly and with respect, providing a good environment in which to work and this contributes to our aim of delivering excellent customer service with a strong emphasis on the individuality of the people and the service.

Charity

Picturehouse has supported the charity Plan for a number of years, principally through donating 10p for every bottle of water sold and through annual fundraising events. In 2013 we raised over £47,000 for Plan's Africa Water Fund which improves access to water and sanitation for children across Africa. In 2013 we reversed our 2012 cycle relay from Aberdeen to Exeter, this time starting in Exeter and ending in Aberdeen. 46 cyclists and 18 support drivers were involved over the 1,300 miles of this 19-day event. Such activities not only benefit a good cause, but also help to bring together our cinema teams.

Safety

Picturehouse works at every level to respect the well-being and safety of its staff and its customers. Its policy is to decentralise authority and responsibility to its individual cinemas and to guide, check and monitor the effectiveness of this through provision of guidelines from its Head Office for implementation by the people on site. A rolling programme of audit and compliance processes covering all areas of safety, customer care and financial accuracy checks and controls the effectiveness of the implementation.

In 2013 we appointed Workplace Safety as the health and safety advisers to Picturehouse. Workplace Safety has inspected all of the Picturehouse cinemas and its Head Office and has reviewed Risk Assessments and Safe Systems of Work. We are now using Workplace Safety's online portal for storing all Risk Assessments and Safe Systems of Work and for reporting all accidents and incidents which gives our central teams improved visibility of incidents and the actions that have been taken as a consequence.

Picturehouse male/female staff members as at 26 December 2013

	Picturehouse Cinema Sites						Picturehouse Head Office					
	Employees		Managers		General Managers		Employees		Managers		Senior Managers	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Males	50%	50%	63%	60%	80%	85%	42%	39%	67%	76%	50%	40%
Females	50%	50%	37%	40%	20%	15%	58%	61%	33%	24%	50%	60%



Directors

As at 26 December 2013



Anthony Bloom
Chairman – Age 75

Anthony Bloom joined the Board in October 2004 as Chairman and has served as Chairman of Cine-UK Limited since the business was founded in 1995. He was previously Chairman and Chief Executive of The Premier Group Limited (South Africa) and a director of Barclays Bank (South Africa), South African Breweries and Liberty Life Assurance. Mr Bloom holds Bachelor of Commerce and Bachelor of Law degrees (cum laude) from the University of Witwatersrand in South Africa and a Masters of Law degree from Harvard Law School. He was a Sloan Fellow at the Stanford Graduate School of Business. In 2002, Mr Bloom was awarded the degree of Doctor of Law (H.C.) by the University of Witwatersrand in recognition of his contribution towards the establishment of a non-racial society in South Africa.



Philip Bowcock
Chief Financial Officer – Age 45

Philip Bowcock joined the Board in December 2011 as the Chief Financial Officer. His experience spans senior financial roles in the property, retail and leisure industries, having acted as Financial Controller at Barratt Developments plc, Finance Director for Tesco's UK property portfolio, Vice President of Finance at Hilton Group and latterly as Finance Director at Luminar Group Holdings plc. Mr Bowcock has a degree in Economic History and is a chartered management accountant.



Stephen Wiener
Chief Executive Officer – Age 62

Stephen Wiener joined the Board in October 2004. He has 43 years' experience in the cinema industry, starting in the US as an usher while a full-time student, and rising through various roles culminating in Vice President for Cineplex Odeon in New York City. He then moved to Warner Bros Europe in 1991 to become Managing Director. In 1995, he left to found Cine-UK Limited and developed the business into a chain of 34 cinemas before it was acquired by Blackstone in October 2004. At the time of the UGC acquisition, he was appointed Chief Executive Officer of the combined group. He is also a Non-Executive Director of Digital Cinema Media Limited, the screen advertising company 50% owned by Cineworld.



David Maloney
Senior Independent Director – Age 58

David Maloney joined the Board in May 2006. He is the Senior Independent Director, Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Mr Maloney is currently Deputy Chair of Micro Focus International plc and the Senior Independent Non-Executive Director of Enterprise Inns plc and Stock Spirit Group plc. He is also the Chairman of Reed & Mackay Limited, Brandon Hire Limited and on the Board of Trustees of Make A Wish Foundation (UK). Previously, he was the Chairman of Hoseasons Holdings Ltd, a Director of Virgin Mobile Holdings (UK) plc, Ludorum plc and Carillion plc and held a number of senior positions, including Chief Financial Officer for Le Meridien Hotels & Resorts, Thomson Travel Group plc and Avis Europe plc. Mr Maloney holds a degree in Economics from Heriot Watt University, Edinburgh and is a fellow of the Chartered Institute of Management Accountants.



Martina King

Non-Executive Director – Age 53

Martina King joined the Board in July 2010. She is a member of the Audit, Nomination and Remuneration Committees. Martina is currently Managing Director of Featurespace and a Non-Executive Director of Capita Plc and Debenhams Plc. Previous roles include Managing Director of Capital Radio PLC and MD of Yahoo! UK and Europe.



Eric (Rick) Senat

Non-Executive Director – Age 64

Rick Senat joined the Board in July 2010 and is a member of the Audit, Nomination and Remuneration Committees. He has over 40 years' experience in the film industry. Rick joined Warner Bros in 1976, becoming its Senior Vice President for Business Affairs in Europe. Among the projects with which he was closely associated are the "Harry Potter" films, "Greystoke", "Batman", "Superman" and many more. He retired from Warner Bros after 25 years' service. He was a Director of the legendary and recently revived film company Hammer Film Productions, and has served as Vice Chair of the British Film Institute. Currently, he is a partner in the Blair Partnership, a literary agency, a Non-Executive Director of Pottermore Limited and Bank Leumi (UK) plc and Chairman of the London Film Museum. Mr Senat is a graduate of University College London and a solicitor.



Peter Williams

Non-Executive Director – Age 60

Peter Williams joined the Board in May 2006. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He is the Senior Independent Director of Sportech PLC and a Non-Executive Director of Rightmove Plc; Chairman of both Mister Spex GmbH, an online eyewear retailer based in Berlin, and OfficeTeam Limited, an office supplies group and a trustee of the Design Council. In the past, he has also served on the boards of ASOS plc, the EMI Group, Blacks Leisure Group plc, JJB Sports plc, GCap Media plc, and Capital Radio Group plc. In his executive career, he was Chief Executive at Alpha Group plc and prior to that Chief Executive of Selfridges plc where he also acted as Chief Financial Officer for over ten years. Mr Williams has a degree in Mathematics from Bristol University and is a chartered accountant.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the 52 week period ended 26 December 2013. The comparative period is for the 52 week period ended 27 December 2012.

Strategic Report

The strategy of the Group is set out on pages 8 and 9, and a review of its business and operations, and the main trends and factors likely to affect its future development and performance, are set out on pages 10 to 17 in the Strategic Report, which should be read in conjunction with this Directors' Report. An explanation of the Group's business model and an overview of the markets in which it operates are set out on pages 4 to 7.

Key performance indicators are set out below and the principal risks and uncertainties are set out on pages 20 to 23. Information about environmental, employee and community issues is set out in part below and also in the Corporate Responsibility ("CR") section on pages 26 to 31. Information about diversity is set out on page 44 of the Corporate Governance Statement and on page 30 of the CR section.

The strategy and Strategic Report, the section on Risks and Uncertainties, the Group's business model, overview of its markets, Corporate Governance Statement and CR sections are incorporated by reference into this Directors' Report.

Certain statements in these sections are forward looking and so involve risk and uncertainty because they relate to events, and depend upon circumstances, that will occur in the future. Therefore results and developments can differ materially from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward looking statements. Nothing in this Annual Report should be construed as a profit forecast.

To the extent it is material, the Group's approach to the use of financial instruments in respect of its financial risk management objectives, and its exposure to price, liquidity and cash flow risk, is set out in Note 22 to the financial statements, and is incorporated into this report by reference.

Key Performance Indicators ("KPIs")

The Board of Directors and executive management receive a wide range of management information. The following are the principal measures of achievement that are reviewed on a regular basis to monitor the development of the Group:

Admissions

This measure is the ultimate driver of the business and primary indicator of business volume.

Box Office Revenue

This measure represents the principal revenue stream of the Group and is used generally within the cinema industry as the measure of market share (as reported by Rentrak).

Average Ticket Price and Retail Spend per Customer

Average ticket price is calculated by dividing total net box office revenue by total admissions. It is a composite of the various pricing structures operated during the day and for different promotions for each cinema. Together with admissions this gives box office, which is the primary economic measurement for the industry. Retail spend per head is a measure of the value of the retail activity and our ability to generate other revenues directly from our customers. Both box office and retail measures are stated excluding VAT.

EBITDA

EBITDA (as defined in Note 1 to the financial statements) serves as a useful proxy for cash flows generated by operations and of the Group's ability to finance its capital expenditure and pay dividends.

Results and Dividends

The results for the Group for the 52 week period ended 26 December 2013 are presented under International Financial Reporting Standards ("IFRS") as adopted by the EU. The results for the period are set out in the Group Consolidated Statement of Profit or Loss on page 67. The results for the Company are drawn up under UK GAAP.

An interim dividend of 4.1p per share was paid on 4 October 2013. The Directors are recommending a final dividend of 6.4p which, if approved by the shareholders at the Annual General Meeting ("AGM"), will be paid on 3 July 2014 to shareholders on the register on 6 June 2014.

Financial Risk Management

The Board of Cineworld Group plc regularly reviews the financial requirements of the Group and the risks associated therewith. The Group does not currently use complicated financial instruments, and where financial instruments are used it is for reducing interest rate risk (subject to the below). The Group does not use derivative financial instruments for trading purposes. Group operations are primarily financed from retained earnings and bank borrowings including an overdraft facility. Further details of capital management are set out in Note 22. In addition to the primary financial instruments, the Group also has other financial instruments such as debtors and trade creditors that arise directly from the Group's operations.

The Group considers the currency risk on consolidation of the assets and liabilities of its Irish subsidiary, Adelphi-Carlton Limited, to be of low materiality and no hedging is provided.

Key Performance Indicators:

	52 week period ended 26 December 2013			52 week period ended 27 December 2012		
	Cineworld Cinemas	Picturehouse	Total Group	Cineworld Cinemas	Picturehouse	Total Group
Admissions	48.4m	3.1m	51.5m	47.8m	0.2m ⁽¹⁾	48.0m ⁽¹⁾
Box Office Revenue	£261.5m	£18.4m	£279.9m	£251.6m	£1.0m ⁽¹⁾	£252.6m ⁽¹⁾
Average ticket price	£5.40	£5.94	£5.43	£5.26	£5.93 ⁽²⁾	£5.26 ⁽¹⁾
Retail spend per customer	£1.75	£3.06	£1.83	£1.72	£2.80 ⁽²⁾	£1.73 ⁽¹⁾
EBITDA	£66.9m	£5.4m	£72.3m	£66.4m	£0.5m ⁽¹⁾	£66.9m ⁽³⁾

(1) Comparative information only includes 22 days from 6 to 27 December 2012 for Picturehouse.

(2) Comparative information is presented for Picturehouse on a pro-forma basis through summing the 11 month management accounts result to 6 December 2012 together with the 22 day period to 27 December 2012.

(3) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

On 10 January 2014, Cineworld Group plc announced the combination with the cinema business of Cinema City International N.V. ("CCI"), a leading cinema business in seven countries across Central and Eastern Europe and Israel ("Cinema City"), by means of an acquisition of the shares in Cinema City Holding B.V. ("CCH"), a subsidiary of CCI ("CCI Transaction") which completed on 27 February 2014. After the completion of the transaction the Group is subject to greater currency risk exposure. Wherever possible, overseas operations will fund their day-to-day working capital requirements in local currency with cash generated from operations, naturally hedging the currency risk exposure to the Group. Management will continually monitor the level of currency risk exposure, and consider hedging where appropriate.

At the period end, prior to the combination with the cinema business of CCI, the Group had a bank loan which consisted of a term loan and a revolving facility. During 2013 the original term loan was extended by £30m to £87.5m. The revolving facility was £100m. Interest was charged on the facility at LIBOR plus 1.95%. The whole of the balance of the original £70m term loan amounting to £57.5m continued to be hedged in 2013. The Group took steps to ensure that the swaps were accounted for as hedges and that changes in valuation were recognised through reserves. Further information is provided in Notes 17 and 22 to the financial statements.

As part of the combination with CCI, the Company entered into a new five-year facility to part finance such combination and repay the existing facility. An element of the new facility was drawn to part settle the acquisition cash consideration of £272m and €14.5m. The residual of the facility has been drawn to repay the existing facilities of the combined Group and to fund general working capital requirements going forward. The new facility provides funding of £400m of which £275m is a term loan and £125m is a revolving credit facility. £160m (€192m) of the new facility is available in Euros, reflecting the composition of the combined Group. This new financing arrangement became effective on 10 January 2014, but the new facility was not drawn and the existing facility was not repaid until 27 February 2014. As with the previous facility, the new facility is subject to floating interest rate charges. In line with the terms of the new facility agreement, management are currently in the process of implementing appropriate hedging arrangements to mitigate the risk of a material impact arising from interest rate fluctuations.

Directors and Directors' Interests

Short biographical details of the Directors of the Company, who held office at the end of the period under review, are given on pages 32 and 33.

Thomas McGrath was a Director at the start of the period, but he did not stand for re-election at the AGM and so left the Board on 15 May 2013.

On 20 November 2013, the Company announced the resignation of Stephen Wiener, Cineworld's founder and CEO, and he is due to leave the employment of the Company on 31 March 2014. On completion of the CCI Transaction, Moshe (Mooky) Greidinger and Israel Greidinger joined the Board as Chief Executive Officer and Chief Operating Officer respectively, and Scott Rosenblum and Arni Samuelsson joined the Board as Non-Executive Directors. Stephen Wiener resigned as CEO and a Director at the same time.

Under the Articles of Association (the "Articles"), any Director appointed during the year must resign and stand for election at the next AGM. Consequently Mooky Greidinger, Israel Greidinger, Scott Rosenblum and Arni Samuelsson will offer themselves for election at the AGM.

In addition, although the Articles require one third of the Directors to retire by rotation at the AGM and, being eligible, to offer themselves for re-election each year, in accordance with best practice, all the other Directors are offering themselves for re-election this year at the AGM. Following the Board evaluation process undertaken in November 2013, the Board is satisfied that each Director standing for re-election continues to show the necessary commitment and to be an effective member of the Board due to their skills, expertise and business acumen.

Under the terms of the relationship agreement (described further in the Major Shareholder Voting Arrangements section below), following completion of the CCI Transaction, CCI has the right to appoint one Non-Executive Director (if none of Mooky Greidinger, Israel Greidinger and Scott Rosenblum are on the Board) for so long as it holds at least 10% of the voting rights in the Company.

Details of the Directors' interests in the issued share capital of the Company at the beginning and end of the year under review are set out on page 36. Details of the Directors' remuneration, and information on their service contracts, are set out in the Directors' Remuneration Report on pages 47 to 62.

Details of the Directors' interests in the ordinary shares of the Company arising under the Group's Share and Option Schemes are set out in the Remuneration Report on pages 59 and 60. No rights to subscribe for shares in or debentures of Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial period. None of the Directors had any disclosable interest in the shares of Group companies and there have been no changes to Directors' share interests between 26 December 2013 and the date of this report except in respect of the rights issue as set out on page 36.

None of the Directors has a material interest in any contract of significance to which the Company or a subsidiary was a party during the financial year, other than as disclosed above, in their service contracts or letters of appointment described on page 52 to 54 and in Note 25, Related Parties.

Conflicts of Interest

The Articles permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts whereby the Directors who have no interest in the matter decide whether to authorise the conflict. In deciding whether to authorise the conflict, the non-conflicted Directors are required to act in the way which they consider would be most likely to promote the success of the Company for the benefit of all shareholders and they may, and do, impose conditions to be attached to such authorisations. The Board believes that the arrangements for reporting and considering such conflicts operate effectively.

Share Capital and Control

The Company has only one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and each carries one vote. Details of the share capital, and changes in it over the period, are shown in Note 21 to the financial statements.

The holders of ordinary shares are entitled to receive Company reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

There are no restrictions on transfers of, or limitations on the holding of, ordinary shares and there is also no requirement of any prior approval of any transfers other than those which may be applicable from time to time under existing laws or regulation or if a person with an interest in 0.25% of the issued share capital held in certificated form has been served with a disclosure notice and fails to respond with the required information concerning interests in that share capital.

No ordinary shares carry any special rights with regard to control of the Company. Except as set out in the Major Shareholder Voting Arrangements section below, there are no restrictions on voting rights attaching to the ordinary shares and the Company is not aware of any known agreements between shareholders that restrict the transfer of voting rights attached to ordinary shares. No treasury shares are held by the Company and no shares are held by any trustee in connection with any Share Scheme operated by the Group.

The Company's Articles set out the rules governing the appointment and replacement of Directors. In addition the Articles, together with English law, define the Board's powers. Changes to the Articles must be approved by shareholders in accordance with the Articles themselves and legislation in force at the relevant time.

Major Shareholder Voting Arrangements

Following completion of the CCI Transaction, CCI is interested in aggregate in 24.9% of the rights to vote at general meetings of the Company. The Company and CCI have entered into a relationship agreement dated 10 January 2014 to regulate the relationship between them. Under the relationship agreement, the parties acknowledge that the Group is capable of carrying on business independently, and that all arrangements between the Company and CCI will be on arm's length terms. The relationship agreement also contains restrictions on the disposal of ordinary shares in the Company by CCI for 12 months following completion of the CCI Transaction and thereafter a requirement (where reasonably practical) to consult with and consider the reasonable views of the Chairman or Senior Independent Director of the Company prior to a disposal of ordinary shares in the Company.

Material Contracts

The Group has a number of contractual agreements with its suppliers in support of its business. While the loss of some of these arrangements may cause temporary disruption, none on their own are considered essential to the business of the Group.

Change of Control

There are no significant agreements which take effect, alter or terminate in the event of a change of control of the Company except that under its current banking arrangements a change of control may trigger a right for lenders to require early repayment of all sums outstanding.

No Director or employee is contractually entitled to compensation for loss of office or employment as a result of a change in control; however, provisions in the Company's share schemes may cause options or awards granted to employees to vest on a change of control.

Issue of New Shares and Authority to Purchase Shares

At the AGM held on 15 May 2013, shareholders gave authority for the allotment of shares up to an aggregate nominal value of £997,700 subject to certain conditions. This authority will expire on the earlier of the 2014 AGM and 14 August 2014. As at 26 December 2013, a total of 272,811 shares had been issued under this authority. 53,080 ordinary shares were issued under the Company's Share Option Plan, 210,475 ordinary shares were issued under the Company's Performance Share Plan, and 9,256 ordinary shares were issued under the Cineworld Group Sharesave Scheme. Further details of the 272,811 ordinary shares issued in the period in this respect are set out in Note 21.

Between the year end and 6 March 2014, being the last practicable date before publication of this report, 47,965,465 ordinary shares were issued pursuant to a rights issue in connection with the combination with the cinema operations of Cinema City International N.V. In addition 65,601,236 shares were allotted to Global City Holdings N.V. (formerly CCI) as part of the consideration for the combination with the cinema business of CCI. More details can be found in Note 27 to the financial statements.

At the AGM held on 15 May 2013, shareholders gave authority for the purchase of up to 22,434,000 ordinary shares in the Company for cancellation or placing into treasury. No shares have been acquired under this authority.

The Board proposes to seek shareholder approval at the AGM to renew both the Company's authority to issue new shares and its authority to purchase its own ordinary shares for cancellation or placing in treasury. Details of the proposed resolutions are set out in the Notice of AGM (the "AGM circular") dispatched to shareholders with the Annual Report and Accounts (or notification of their availability).

The Directors who held office at the end of the financial period had the following interests in the ordinary shares of the Company:

Director	Ordinary shares held directly			Ordinary shares held by companies in which a Director has a beneficial interest		
	Following Rights Issue ⁽²⁾	26 December 2013	27 December 2012	Following Rights Issue ⁽²⁾	26 December 2013	27 December 2012
Anthony Bloom	–	–	–	2,158,006 ⁽¹⁾	1,723,224 ⁽¹⁾	1,723,224 ⁽¹⁾
Philip Bowcock	13,200	10,000	10,000	–	–	–
Martina King	2,563	1,942	1,942	–	–	–
David Maloney	26,400	20,000	20,000	–	–	–
Rick Senat	26,937	20,407	20,407	–	–	–
Stephen Wiener	2,038,677	1,988,677	1,939,589	–	–	–
Peter Williams	52,800	40,000	40,000	–	–	–

(1) Shares are held by a nominee for a Jersey-based discretionary trust, of which Mr Bloom is one of the potential beneficiaries.

(2) Rights Issue announced 10 January 2014 and closed on 19 February 2014 in connection with the combination with the cinema business of CCI.

Substantial Shareholdings

At 26 December 2013, the Group had been notified, pursuant to the Disclosure and Transparency Rules, of the following interests in the voting rights of the Company. Notifications confirming a party's interest has gone below the threshold notification level have not been included:

Shareholder	Voting Rights	% of Total Voting Rights ⁽¹⁾	Nature of Holding
Franklin Templeton Investment Management Limited	8,435,635	5.64	Indirect
Mawer Investment Management Limited	7,484,903	4.99	Direct
Rathbone Brothers plc	7,314,563	4.88	Indirect
AXA Investment Managers SA	7,225,000	4.82	Indirect
Royal London Asset Management Limited	4,887,024	3.26	Direct

(1) Percentages are stated as at the time of notification.

The following additional notifications were received in the period from 26 December 2013 up to 5 March 2014 (the last practicable date to include such notifications).

Shareholder	Voting Rights	% of Total Voting Rights ⁽¹⁾	Nature of Holding
Global City Holdings N.V. (formerly Cinema City International N.V.) ⁽²⁾	65,601,236	24.9%	Direct
Mawer Investment Management Limited	16,087,769	8.13%	Direct
Aviva plc	10,698,450	4.06%	Direct and indirect
Royal London Asset Management Limited	7,305,749	Under 3%	Direct

(1) Percentages are stated as at the time of notification. The total number of voting rights at 26 December 2013 was 149,892,079. Following completion of the rights issue on 19 February 2014, it increased to 197,857,544 and following the allotment of the consideration shares for the combination on 28 February 2014 it further increased to 263,458,780.

(2) Global City Holdings N.V. is majority owned by the Greidinger family including Moshe and Israel Greidinger.

Annual General Meeting

The Notice convening the AGM, to be held at The Cineworld Cinema, South Side Shopping Centre, Wandsworth High Street, London SW18 4TF at 2.00pm on 8 May 2014, is contained in the AGM circular. Details of all the resolutions to be proposed are set out in the AGM circular.

Directors' and Officers' Insurance and Indemnity

The Company maintains insurance cover for all Directors and Officers of Group companies against liabilities which may be incurred by them whilst acting as Directors and Officers.

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors as permitted by law and by the Articles against liabilities they may incur in the execution of their duties as Directors of the Company.

Political Donations

The Group's policy, which it has followed, is to make no donations to political parties.

Employees

The policy is to recruit, employ and develop staff on the basis of the suitability of their qualifications and experience, regardless of sex, marital status, race, nationality, age, sexual orientation or religion. It is Company policy to give full and fair consideration to applications for employment from disabled people, having regard to their particular abilities and aptitudes. Full consideration is given to continuing the employment of staff who become disabled, including considering them for other reasonable positions and arranging appropriate training. Details of the gender diversity for both Cineworld Cinemas and Picturehouse can be found in the Corporate Responsibility section on pages 30 to 31.

The health, welfare and development of the Group's employees remain a priority. With the intent of attracting, recruiting, developing and retaining key employees, Cineworld maintains a number of policies and procedures for the benefit of its employees, which can be accessed by employees via the Human Resources department and via the Human Resources manual on the Company's intranet. Continuing education, training and development are important to ensure the future success of the Group and employee development is encouraged through appropriate training. The Group supports individuals who wish to obtain appropriate further education qualifications and reimburses tuition fees up to a specified level.

Regular and open communication between management and employees is essential for motivating the workforce. Briefings are held regularly to provide updates on the Group's business and to provide opportunity for questions and feedback. The Company also maintains both an internet website which is freely accessible and an intranet site accessible to all head office employees and at all cinemas.

The Group encourages the involvement of employees in its performance through the operation of a Sharesave Scheme, details of which are set out on page 29 of the CR section.

Environmental Matters and Greenhouse Gas Emissions

Information on the Group's environmental policies are summarised in the CR section on pages 26 to 31, while this section provides the greenhouse gas ("GHG") emission data and supporting information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Organisational Boundary

The organisational boundary used for the Company's GHG reporting is operational control and the Company is reporting on emissions covered by scope 1 and 2 (comprising electricity, gas, and fugitive F-gas emissions from all operations in the UK and Ireland, including Picturehouse).

As well as scope 1 and 2 emissions figures, additional emissions are included for owned transport to account for biofuel additions.

Exclusions

No mandatory emissions sources as specified by the Environmental Reporting Guidelines published by the Department for Environment, Food and Rural Affairs ("Defra") have been excluded from this report. Table 1 shows Defra's stated mandatory areas for reporting and how the stated categories apply to the Group.

Table 1: Reporting Requirements

Reference	Defra Requirement	Relevance
A1	Fuel combustion (stationary)	Gas use for heating
A2	Fuel combustion (mobile)	Owned transport (fleet)
B	Facility operation: process emissions	N/A
B	Facility operation: fugitive emissions	F-gases: refrigeration and air conditioning
C	Emissions from the purchase of electricity, heat, steam, cooling	Electricity only

GHG Emissions Data

The GHG emissions for the Group for the calendar year to 31 December 2013 are shown in Table 2 below.

Table 2: Emissions

Reference	Category	Tonnes CO ₂ e
A1	Fuel combustion (stationary)	14,468
A2	Fuel combustion (mobile)	267
B	Facility operation	1,185
C	Purchased electricity	44,710
Total		60,630

As this is the first year of reporting, an exemption applies for the year-on-year comparison requirement. A small amount of estimated data was used for electricity and gas emissions for some meters for December 2013. This affects 0.1% of electricity emissions and 0.06% of gas emissions.

Emissions Intensity

The chosen carbon intensity measure is financial turnover. This was chosen due to ready availability of the data. The value for the period was 149 tonnes CO₂e per £m turnover (60,630 CO₂e/£406.1m).

As this is the first year of reporting, no year-on-year comparison is available.

Methodology and Emissions Factors

This report was calculated using the methodology set out in Defra's updated greenhouse gas reporting guidance, Environmental Reporting Guidelines (ref. PB 13944), issued by Defra in June 2013. Emissions factors are taken from DECC/Defra 2013 update.

Emissions factors use well-to-tank additions where appropriate. Owned transport emissions include outside-of-scope additions for biogenic additions. Electricity emissions include transmission and distribution losses.

Corporate Governance

Details of the Group's corporate governance arrangements are set out in the Corporate Governance Statement on pages 40 to 46 which together with the Directors' Remuneration Report and the Statement of Directors' Responsibilities form part of this Report together with any other parts cross referenced from it.

Corporate Responsibility

Cineworld recognises its responsibilities to the communities in which it operates and to operate in a way that respects the environment and people within those communities. Further details on its approach to such matters are set out in the CR section on pages 26 to 31.

Events Affecting the Company since Year End

As referred to above, on 10 January 2014, the Company announced the proposed combination with the cinema business of CCI, a leading cinema business in seven countries across Central and Eastern Europe and Israel by means of an acquisition of the shares in Cinema City Holding B.V. ("Cinema City") which was a subsidiary of CCI. The transaction is based on an enterprise value of Cinema City (on a debt free/cash free basis) of £503m. The combination with Cinema City has created the second largest cinema business in Europe (by number of screens) and the enlarged Group has 201 sites and 1,852 fully digital screens. More details of the combination with Cinema City may be found in Note 27 to the financial statements.

Disclosure of Information to Auditor

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

Auditor

KPMG Audit Plc will not be seeking to continue in office and a resolution proposing KPMG LLP's appointment as auditors in their place, at a fee to be agreed by the Directors, will be proposed at the AGM. The change reflects an internal reorganisation at KPMG whereby KPMG Audit Plc has transferred its business to its immediate parent and so it is not seeking re-appointment.

Funding and Liquidity

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 10 to 17. In addition, Note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As highlighted in Note 22 to the financial statements, during the year the Group met its day-to-day working capital requirements through its bank facilities which consisted of a five-year facility of £187.5m, which comprised of a £87.5m term loan and £100m revolving facility. As at the period end, £85m of the term loan plus £38.5m of the revolving facility were drawn down. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance in the foreseeable future. As noted above, since the period end the facilities in place during the year have been repaid from the Group's new facility following the combination with the cinema business of CCI which is set out on page 35.

The new bank facility is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including compliance with the bank facility covenants. The Group therefore continues to adopt the going concern basis.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Management Report

This Directors' Report is the "management report" for the purposes of rule 4.1.8R of the Disclosure and Transparency Rules.

Directors' Responsibility Statement

The Directors' Responsibility Statement is set out on page 63, which states that the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Information in the Strategic Report

An indication of likely future developments in the Group's business is set out on pages 10 to 17 of the Strategic Report.

Overseas Branches

At the financial year end, the Group had overseas operations in Jersey and Ireland. Following the CCI Transaction, the Group has overseas operations in Poland, Israel, Hungary, Czech Republic, Bulgaria, Romania and Slovakia.

By order of the Board

R B Ray

Company Secretary
Cineworld Group plc
6 March 2014

Registered Office:
Power Road Studios
114 Power Road
Chiswick, London W4 5PY

Registered:
England No: 5212407

Corporate Governance Statement

Chairman's Introduction

Dear Shareholder

The Board remains committed to ensuring that an appropriate standard of corporate governance is maintained throughout the Group and strives to meet the standards required of larger companies. A number of regulatory changes have been made by the UK Corporate Governance Code published in September 2012 ("the Governance Code"), mainly in respect of the Audit Committee, and so the format of the report has changed somewhat this year. Overall, we are fully compliant with the Governance Code.

Anthony Bloom

Chairman

Compliance with the UK Corporate Governance Code

The principal governance rules applying to UK companies listed on the London Stock Exchange for the period covered by this statement are contained in the 2012 UK Corporate Governance Code published by the Financial Reporting Council in September 2012 and a copy is available on its website www.frc.org.uk.

For the year ended 26 December 2013, the Board considers that the Company was compliant with the provisions of the Governance Code (and also the 2010 version). This report explains how the Company has complied with the provisions of the Governance Code. The information required to be disclosed by the Disclosure and Transparency Rules ("DTR") 7.1 and 7.2 is set out in this statement except that information required by DTR 7.2.6 which is set out in the Directors' Report on pages 34 to 39 and is incorporated in this statement by reference.

The Board

The Group is ultimately controlled by the Board of Directors of the Company. The Board is responsible for the overall leadership of the Group and for determining its long-term objectives and commercial strategy to create and deliver strong and sustainable financial performance to enhance shareholder value. In fulfilling its role, the Board ensures that necessary financial and other resources are available to enable the Group's objectives to be met. The basis on which the Board seeks to preserve value over the longer term and the strategy for delivering the objectives is set out in the Strategic Report on pages 10 to 17.

The Board meets regularly at least six times a year and also once for a strategy day. The meetings follow a formal agenda, which includes matters specifically reserved for decision by the Board. The Board also meets, as and when necessary, to discuss and approve, if appropriate, specific issues. All Directors receive notice of such meetings and are given the opportunity to comment on the issues being discussed if they are unable to attend the meeting.

A schedule of matters specifically reserved for decision by the Board has been agreed and adopted. These matters include: setting Group strategy; approving an annual budget and medium-term forecasts; reviewing operational and financial performance; approving major acquisitions, divestments and capital expenditure; succession planning; approving appointments to the Board and of the Company Secretary, and approving policies relating to Directors' remuneration and contracts.

The Board is supplied on a monthly basis with detailed management accounts and an overview of Group financial and operational information.

Directors and Directors' Independence

At the start of the year, the Board was composed of eight members, consisting of the Chairman, two Executive Directors and five Non-Executive Directors, all of whom were considered independent. Thomas McGrath decided not to stand for re-election at the Annual General Meeting ("AGM") and left the Board on 15 May 2013 reducing the number of Non-Executive Directors to four.

On 20 November 2013, it was announced that Stephen Wiener, the Chief Executive Officer, would be leaving the Company on 31 March 2014 and that a search would be commenced for a new Chief Executive Officer. The names of the Directors at the year end together with their biographical details are set out on pages 32 and 33.

The terms and conditions of appointment of Non-Executive Directors are set out in letters of appointment and are made available for inspection by any person at the Company's registered office during normal business hours and will be available at the AGM. Further details of the letters of appointment of the Non-Executive Directors and the service contracts of the Executive Directors can be found in the Directors' Remuneration Report on pages 47 to 62.

The Roles of the Chairman and Chief Executive

The posts of Chairman and Chief Executive Officer are separate. The division of responsibility between the Chairman of the Board, Anthony Bloom, and the Chief Executive Officer, Stephen Wiener, is clearly defined in writing.

The Chairman, together with the Chief Executive Officer, leads the Board in determination of its strategy having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders. He is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman also facilitates the effective contribution of Non-Executive Directors and oversees the performance evaluation of the Board and he regularly discusses matters with the Non-Executive Directors without the Executive Directors being present.

The Chairman performs a number of external roles, but the Board is satisfied that these are not such as to interfere with the performance of the Chairman's duties to the Group.

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. He holds regular meetings with his Executive Team consisting of senior executives who assist him in this task.

Independent Directors and the Company Secretary

The Governance Code recommends that, in the case of smaller companies incorporated in England which are below the FTSE 350, at least two non-executive members of the Board of Directors should be independent in character and judgement, and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The Board considers that Martina King, David Maloney, Thomas McGrath (up to his leaving date), Rick Senat and Peter Williams were for the period all Independent Non-Executive Directors.

David Maloney has been appointed as the Senior Independent Non-Executive Director and he, together with Peter Williams, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which contact is inappropriate.

The independent Non-Executive Directors bring an objective viewpoint and range of experience to the Company and ensure that no individual or group of individuals is able to dominate the Board's decision making. They play a key role in reviewing proposals and providing constructive challenge generally and in particular in respect of strategy. They also ensure that appropriate standards are being maintained. All the Non-Executive Directors have access to independent legal advice subject to consulting with the Board and following the agreed procedure.

The Company Secretary is responsible for advising and supporting the Chairman and the Board on Corporate Governance matters, ensuring Board procedures are followed and facilitating the good information flow within the Board and the Board appointed Committees.

Professional Development and Performance Evaluation

Under the direction of the Chairman, the Board's responsibilities include facilitating induction and professional development. Any new Director receives a comprehensive, formal and tailored induction into the Company's operations. Appropriate training is provided to new Directors and is also available to other Directors as required.

During the year, a performance evaluation was carried out in respect of the Board, the Audit, Remuneration and Nomination Committees and each individual Director including the Chairman. In accordance with the statement made in the 2012 Annual Report, the process was facilitated by an external consultant from Jon Edis-Bates Associates who had no connection with the Group. He met individually with each of the Directors and other key individuals and discussed a range of questions pre-agreed with the Chairman. The facilitator then collated the results and reported back to the Chairman. A summary was then presented to the Board and each Director given the chance to ask further questions. A short confidential report was also prepared on the performance of each Director which the Chairman shared with the individual.

The evaluation confirmed that overall the Board and Committee processes were working appropriately and the Directors including the Chairman were performing satisfactorily. However, there were a few matters identified where Directors felt that more time should be allocated to them and processes could be improved further in certain areas. Such matters included more regularly reviewing the Board's composition with a particular focus on succession planning for the Non-Executive Directors, the diversity of the Board generally, ensuring Directors undertook appropriate training, and assessing if certain advisers provided consistently good quality advice. Action has been taken and additional time has already been spent on some of these matters and the Board plans to take further action and allocate more time to them in the future.

Board Committees

In accordance with best practice, the Board has appointed a number of Committees, as set out below, to which certain Board functions have been delegated. Each of these Committees has formal written terms of reference which clearly define their responsibilities. The terms of reference of each of the Board's three Committees are available on the website or from the Company Secretary.

Audit Committee Report Chairman's Introduction

Dear Fellow Shareholders,

I am pleased to introduce the report on the activities of the Audit Committee (the "Committee") during the 2013 financial year, a year that has seen a number of regulatory changes which have reinforced the role of the Committee, on behalf of the Board, in ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable.

In this report I have detailed how the Committee has discharged its responsibilities in relation to the three areas highlighted in the revised Corporate Governance Code, being:

- Addressing significant financial statement reporting issues;
- Assessing external audit effectiveness; and
- Appointing the external auditor and safeguards on non-audit services.

The Committee has continued to take an active role in understanding certain aspects of the business and the risk and challenges it faces. During 2013, we have undertaken an exercise to review how best to use internal and external resources to ensure that we maintain and improve our internal audit standards. Following a report by PricewaterhouseCoopers, we are proposing to make greater use of external resources going forward, although we will still be retaining an active in-house internal audit function – albeit on a smaller scale. Changes will be implemented over the course of 2014 which, I believe, will make the Group's arrangements more efficient and effective.

The Group is currently not required to put its audit out to tender at least every ten years under the Corporate Governance Code (as it is not a FTSE 350 company). However, we have been monitoring with interest the issue of audit reform, in particular the findings of the Competition Commission and the EU's provisional agreement on proposed changes. We recognise that periodic tenders are now best practice and will therefore plan during 2014 when such a tender process should be undertaken.

David Maloney

Chairman, Audit Committee

Composition

At the start of the year, the Committee comprised three independent Non-Executive Directors (namely David Maloney, Rick Senat and Peter Williams). Martina King, another independent Non-Executive Director, was appointed as an additional member at the end of January 2013. Both David Maloney and Peter Williams are considered by the Board to have recent and relevant financial experience. The Group considers that it complied with the Governance Code throughout the year as it recommends that the Audit Committee of a smaller company which is below the FTSE 350 should comprise of at least two members who should both be independent Non-Executive Directors, and at least one member should have recent and relevant financial experience.

Roles and Responsibilities

The Committee assists the Board in discharging its responsibility with regard to financial reporting, the control environment and the work of the external and internal auditors, including:

- Monitoring the financial reporting process;
- Reviewing the Group's Annual and Interim Reports;
- Reviewing the Group's risk assessment process, the output of that assessment and the associated risk management systems;
- Reviewing the effectiveness of the Group's internal controls;
- Considering the scope of both internal and external audit's activities, their reports and their effectiveness;
- Reviewing and monitoring the extent of the non-audit work undertaken by the external auditors; and
- Advising on the appointment of external auditors.

The ultimate responsibility for reviewing and approving the Annual and Interim Reports remains with the Board.

The Chairman, the Chief Executive Officer, the Chief Financial Officer, other senior executives, the internal auditors and the external auditors may be invited to attend meetings, but are not members.

What the Committee did in 2013

We met five times during the year, during which time we:

- Monitored the financial reporting process and reviewed the half-year and annual financial statements with particular reference to accounting policies, principal risks and uncertainties, together with significant estimates and financial reporting judgements and the disclosures made therein;
- Reviewed the management representations made to the external auditor and the Group's procedures to ensure all relevant information had been disclosed;
- Discussed any issues arising out of the interim review and full year audit with the external auditor (in the absence of management where appropriate);
- Reviewed the most recent risk register and the measures implemented to mitigate the principal risks facing the Group;
- Monitored and reviewed the effectiveness of the Group's internal financial controls together with its broader internal controls and risk management systems;
- Reviewed the Group's internal audit function and decided upon changes to internal and external resources utilised by the Group to improve efficiency and effectiveness;
- Reviewed the results of non-financial audits including compliance with Health and Safety regulations (including food hygiene and fire safety) and where applicable agreed enhancements to procedures and reviewed remedial actions;
- Made recommendations to the Board with regard to continuing the appointment and remuneration of the external auditor, oversight of the Group's relations with the external auditor and their independence and monitored the effectiveness of the audit process; and
- Reviewed its terms of reference and recommending changes to the Board.

Significant Issues Considered in Relation to the Financial Statements

During the year the Committee, management and the external auditor considered and concluded on what the significant risks and issues were in relation to the financial statements and how these would be addressed.

Valuation of Picturehouse Intangible Assets

In December 2012, the Group acquired the Picturehouse cinema chain. Due to the close proximity of the acquisition to the 2012 year end, the fair value of acquired assets was determined on a provisional basis. Goodwill of £19.6m in respect of the acquisition was recognised at the 2012 year end. During the first half of 2013, our approach to formally valuing the acquired assets, specifically the intangible assets, was further refined. We engaged with Deloitte to carry out a valuation of the identified brand and customer relationship assets which were identified in the 2012 financial statements (totalling £15.5m). The process resulted in a small reduction in total value of the identified intangible assets and change in allocation of value between the brand and customer relationship assets. The valuation exercise resulted in an increase in the goodwill recognised on acquisition of £0.2m. This is further explained in Note 9 to the financial statements.

Based on the Committee's enquiries of management and review of the work performed by Deloitte the Committee satisfied themselves that:

- The fair value of acquired intangible assets presented in the financial statements was consistent with the advice received from the external expert;
- The sensitivities that they had applied to the key inputs in the valuation cash flow forecasts did not materially alter the value of the assets presented; and
- The subjectivity of the valuation process was appropriately disclosed in the annual financial statements.

The Competition Committee Investigation into the Acquisition of City Screen Limited

On 31 January 2014, the Competition Commission announced their final report on the acquisition of Picturehouse. The required remedial action detailed in the report is the requirement to dispose of either the Picturehouse or Cineworld cinema in Aberdeen, Bury St Edmunds and Cambridge. In light of this announcement management assessed the detailed findings and remedies, prepared detailed operational plans to action the adopted remedy and provided the Committee with their findings and recommendations in respect of both the operational impact and the impact on the carrying value of the acquisition goodwill, brand and customer relationship assets and cinema assets.

As a result of the decision made by the Board to dispose of sites in Aberdeen, Bury St Edmunds and Cambridge an element of goodwill recognised on the acquisition of Picturehouse (totalling £0.7m) was impaired accordingly. Management made the assessment that the sale of Picturehouse sites did not diminish the value of the brand asset recognised on acquisition and no impairment was made. The current offers for each of the sites exceed the carrying value of the respective property, plant and equipment and therefore no impairment of these assets was deemed necessary.

The Committee, along with the Board, reviewed managements' operational and strategic rationale in respect of selecting sites for disposal. The Committee gave due consideration to the impairment exercise and concluded that the approach adopted was consistent with Group accounting policies.

By way of enquires of management and discussions with the external auditor, the Committee satisfied themselves that the position adopted and disclosed in the financial statements was based on the latest and best available information. Further explanation can be found in Note 16 to the financial statements.

Onerous Lease and Dilapidation Provisions

As detailed in Note 20, the approach to estimating the onerous lease and dilapidations provisions has remained consistent with prior periods. It is noted that changes in performance of individual sites and the sensitivity of the inputs mean that the provision is inherently subjective. Management evaluate the appropriateness of the provision on at least an annual basis. The exercise involves reviewing forecast future earnings on a site-by-site basis and ensuring that the provision in place remains at an appropriate level. As well as considering site performance, management also consider the appropriateness of the discount rate applied, the Group's weighted average cost of capital and ensure it is updated for current market information and the Group's current leverage.

Management confirmed to the Audit Committee that the methodology had been applied consistently during the current year and none of the Committee's other enquiries, nor the auditor's work, identified any errors or inconsistencies that were material in the context of the financial statements as a whole. Management confirmed that they have monitored the adequacy of the provision historically and concluded that there have been no material un-provided costs or un-required provisions identified.

Virtual Print Fee ("VPF") Recognition

As detailed in Note 15, a VPF is recognised on the date of the showing of the film to which it relates. Its recognition in the Statement of Comprehensive Income does therefore not necessarily align with when the cash is received. There is therefore an element of judgement applied to the accounting process. Over the last 18 months, the availability of information in respect of VPF recognition has been enhanced and management have informed the Committee that a refined process in respect of recognition is now in place. Management confirmed to the Committee that the new approach has been applied consistently during the year. The Committee satisfied themselves that the new approach was appropriate and resulted in accurate recognition by enquiring of management and the external auditor.

As there can be a timing difference between recognition in the Statement of Comprehensive Income and cash receipt of the VPF income, the Committee enquired of management as to whether or not the recovery of cash was a risk. Management informed the Committee that it has monitored the recovery of the VPF income and that there were no significant amounts which had not been recovered in line with the standard payment terms agreed with Arts Alliance Media.

Valuation of Property, Plant and Equipment

As detailed in Note 10, there is a significant inherent risk that the Group's considerable property, plant and equipment balances may prove to be irrecoverable, due to fluctuations in the underlying performance of cinemas or one-off events. Given the difficulties involved in predicting the performance of sites operated by the Group there is an element of judgement applied to the potential level of impairments to be recognised on a cinema-by-cinema basis. At each balance sheet date, management prepare their valuation model which assesses net present value of the cinema-by-cinema cash flows, based on the Board approved budget over each cinema lease term. The main assumptions over growth rates, the impact of one-off events, expected cost increases and discount rate are updated to reflect management's best estimate.

At the period end management prepared their valuation model for the Board's consideration, together with their proposed site impairments. Management confirmed to the Committee that they have applied a consistent methodology in the preparation of the valuation model and the Committee satisfied itself that the approach was appropriate, the assumptions reasonable and that the impairments proposed were complete and accurate. The Committee also satisfied themselves through enquiry of management and review of the Board papers that all significant events which may have impacted on the valuation of the property, plant and equipment had been appropriately captured in management's assumptions and reflected in the valuation model.

Auditor Appointment and Independence

The Committee reviews the appointment of the external auditors each year before the cycle of audits commence and in deciding whether to renew the appointment takes note, amongst other matters, of the quality of the service received, the proposed fees and the auditors' independence. Management and all members of the Committee are consulted during the process. Further details of these processes are set out below.

The Committee considers the independence of the external auditors on an ongoing basis and has established policies to consider the appropriateness or otherwise of appointing the external auditors to perform non-audit services. In particular, under its terms of reference, all non-audit fee work needs to be approved by the Committee if the value of such work is likely to be greater than £30,000. KPMG have provided certain non-audit services to the Group, principally in respect of advice on taxation and merger and acquisition matters with fees in respect of this work totalling £68,000 and £723,000 respectively. Further details are set out in Note 4 to the financial statements. Particular consideration was given prior to appointing KPMG to undertake work in respect of the combined Class 1 circular and prospectus for the proposed combination with the cinema operations of Cinema City International N.V issued on 10 January 2013 as the fees from such appointment would mean that the ratio of non-audit fees to audit fees would be greater than three to one. The Committee was satisfied that it is normal and sensible for such work to be undertaken by a Group's auditors and KPMG was best placed to undertake this work. The Committee is satisfied that such work was best undertaken by KPMG and their objectivity has not been impaired by reason of this further work.

Audit quality and effectiveness is reviewed throughout the year with the focus on the firm's methodology and its application to Cineworld, robustness of challenges and findings on areas that require management judgement, and the quality of the senior members of the audit team. In particular, the effectiveness of the audit is assessed over the year by:

- Reviewing the quality and scope of planning of the audit and its approach to changes in our business;
- Monitoring the independence and transparency of the audit;
- Reviewing the Financial Reporting Council's Audit Quality Review (AQR) reports for KPMG and other audit firms; and
- Seeking feedback from KPMG on any external or internal quality review of our audit.

Further, at the conclusion of each year's audit the Committee evaluates the performance of the external auditor by discussing with Executive Directors and relevant senior finance management areas such as the quality of audit team, business understanding, audit approach and management. Where appropriate, actions are agreed against the points raised and subsequently monitored for progress. There were no significant findings from the evaluation this year and the Committee considers the external audit to have been robust and effective.

The Committee is satisfied that it has sufficient oversight of the external auditors and their independence and objectivity is not comprised due to the safeguards in place.

The combination with the cinema business of Cinema City International N.V. is a transformational event that has led to a significant change to both the executive leadership, with two new Executive Directors, and the operations of the Group, which will expand outside of the UK for the first time. With 40% of operations being in Eastern Europe and Israel and the execution risk that exists around the integration of the financial reporting systems and establishing the associated processes and controls, this is a time of substantial change and enhanced risk for the Group. As part of ensuring the integration of the two businesses is well controlled, the Committee considers robust, independent challenge and insight from its auditor to be key to safeguarding the quality of our financial reporting and the audit opinion.

Professional standards normally require the audit partner to be rotated every five years. The current audit engagement partner was appointed for the 2009 audit and so a new audit partner would normally be appointed for 2014. However, after careful consideration the Audit Committee believes that, given the specific circumstances faced by Cineworld (as described in the previous paragraph), it is necessary to extend the tenure of the audit engagement partner in order to safeguard the quality of the external financial statement audit. The Audit Committee has therefore requested that the current audit engagement partner continue in the role for up to two years, although the Committee will review the need for the second year extension in 12 months. KPMG has agreed to this request.

The external auditors are also required to periodically assess whether, in their professional opinion, they are independent and confirm this to the Committee. KPMG has provided this confirmation.

Nomination Committee

At the start of the year, the Company's Nomination Committee was comprised of three members, all of whom are independent Non-Executive Directors (namely Thomas McGrath, David Maloney and Peter Williams). Martina King and Rick Senat, both independent Non-Executive Directors, were appointed as additional members at the end of January 2013. Thomas McGrath, the Committee Chairman, did not stand for re-election as a Director at the AGM and so left the Committee on 15 May 2013. Rick Senat succeeded Thomas McGrath as Chairman of the Committee.

The Committee met twice during the financial year. The Company considers that it complies with the Governance Code, which provides that a majority of the members of the Nomination Committee should be independent Non-Executive Directors. Due to the importance that the Directors play in the success of the Group, the Chairman is invited to attend meetings, and does so, except when his own position is being discussed.

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. It is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, the independence of Directors and makes appropriate recommendations to the Board on such matters. It is also responsible for ensuring that Directors have sufficient time to discharge their duties on appointment, and thereafter, with such matters being specifically addressed in the letters of appointment of the Non-Executive Directors.

During the year, the Committee reviewed its own performance, reviewed the structure of the Board and the three Committees and discussed succession issues. It also considered the development of key individuals just below Board level with the aim of ensuring that key talent was developed and retained within the Group.

Committee Membership Post the Combination with CCI

	Chairman	Member	Member
Audit Committee	David Maloney	Martina King	Peter Williams
Nomination Committee	Rick Senat	Scott Rosenblum	Arni Samuelsson
Remuneration Committee	Peter Williams	Martina King	David Maloney

All the Committees remain compliant with the Governance Code as regards their membership following these changes.

Board Diversity

While the Committee considered gender, nationality and cultural diversity all to be important when reviewing the composition of the Board and possible new appointees, it believes that the single most important factor is to identify, recruit and retain the people it considered, on merit, to be the best candidates for each particular role. It is not currently in favour of setting specific targets for Board representation to be achieved by particular dates. As part of the process of recruiting new Directors, it has agreed that candidates from a wide variety of backgrounds should be considered and, where reasonably possible, shortlists should comprise of candidates of both sex.

Remuneration Committee

At the start of the year, the Company's Remuneration Committee comprised three Non-Executive Directors (namely Martina King, David Maloney and Peter Williams). Rick Senat, another independent Non-Executive Director, was appointed as an additional member at the end of January 2013. The Committee met four times during the year. The Company considers that it complied with the Governance Code which provides that the Remuneration Committee of a smaller company which is below the FTSE 350 should consist of at least two members who are both independent Non-Executive Directors.

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and monitoring and approving the remuneration of senior management below Board level.

The Remuneration Committee appointed Towers Watson as an external adviser in November 2008 and again took advice from them during the year. Towers Watson have no other connection with the Group except as the actuary to the pension schemes of Adelphi-Carlton Limited, the Group's operating company in Ireland.

The Chief Executive Officer is consulted on the remuneration packages of the other senior executives and attends discussions by invitation except when his own position is being discussed. Given the essential part remuneration plays in the success of the Group, the Chairman is also invited to attend meetings of the Committee and does so except when his own remuneration is being considered. The Committee does not deal with the fees paid to the Non-Executive Directors. The report of the Remuneration Committee is set out on pages 47 to 62.

Changes to the Membership of the Audit, Nomination and Remuneration Committees

On completion of the combination with the cinema business of Cinema City International N.V. ("CCI") on 27 February 2014, the membership of the Audit, Nomination and Remuneration Committees was changed and became as follows:

Attendance at Meetings

The number of scheduled Board meetings and Committee meetings attended by each Director during the year was as follows:

Number of meetings in year	Board (including strategy day)	Audit Committee	Remuneration Committee	Nomination Committee
	Attended	Attended	Attended	Attended
Director				
Anthony Bloom	7 ⁽¹⁾	5 ⁽⁵⁾	4 ⁽⁵⁾	2 ⁽⁵⁾
Philip Bowcock	7	n/a	n/a	n/a
Martina King	7	2 ⁽³⁾	4	1 ⁽³⁾
David Maloney	7	5 ⁽¹⁾	4	2
Thomas McGrath ⁽²⁾	1	n/a	n/a	1 ⁽¹⁾
Rick Senat	6	4	2 ⁽⁴⁾	1 ⁽¹⁾⁽⁴⁾
Stephen Wiener	7	n/a	n/a	n/a
Peter Williams	7	5	4 ⁽¹⁾	2

(1) Chairman of Board/Committee. Rick Senat succeeded Thomas McGrath as Chairman of the Nomination Committee on 15 May 2013.

(2) Thomas McGrath did not stand for re-election at the AGM and left the Board on 15 May 2013 and so did not attend meetings after this date.

(3) Martina King was appointed to the Audit and Nomination Committees after the first meeting of the year so could have attended a maximum of four Audit and one Nomination Committees.

(4) Rick Senat was appointed to the Remuneration and Nomination Committees after the first meeting of the year so could have attended a maximum of three Remuneration and one Nomination Committees.

(5) Anthony Bloom attended these meetings by invitation.

Re-election

Under the Company's Articles of Association, at each AGM each year one third of the Directors (or if their number is not three or a multiple of three, the nearest number to, but not less than one third) must retire by rotation and being eligible may stand for re-election. A Director must retire (and will be counted in the one third to retire) if he was last appointed or reappointed three years or more prior to the AGM or has served more than eight years as a Non-Executive Director (excluding as Chairman of the Board).

Although the Company is not a FTSE 350 company, all the Directors (and not just the one third required by the Articles) will be offering themselves for re-election at this year's AGM, reflecting current best practice for larger companies under the Governance Code. Biographical details of all the Directors are set on page 32 and 33.

Investor Relations

The Directors value contact with the Company's institutional and private investors. An Annual Report and Accounts is sent to all new shareholders and is otherwise made available to shareholders via the Company's website unless they have specifically requested that a copy is sent to them. Presentations are given to shareholders and analysts following the announcement of the interim results and the preliminary announcement of the full year results. Interim management statements are issued twice each year in respect of the first and third quarters and trading updates are issued as well in early January and late June immediately before the Company enters into its close period leading up to the interim and preliminary results announcement.

Separate announcements of all material events are made as necessary. In addition to the Chief Executive Officer and Chief Financial Officer, who have regular contact with investors over such matters, Anthony Bloom (the Chairman), David Maloney (Senior Independent Director), and Peter Williams (an Independent Non-Executive Director) are available to meet with shareholders as, and when, required. Additionally, the Chief Executive Officer and Chief Financial Officer provide focal points for shareholders' enquiries and dialogue throughout the year. The whole Board is kept up to date at its regular meetings with the views of shareholders and analysts and it receives reports on changes in the Company's share register and market movements.

The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee are available at the AGM to answer questions, and that all Directors attend.

The Company's website (www.cineworldplc.com) provides an overview of the business. Major Group announcements are available on the website and new announcements are published without delay. All major announcements are approved by the Chairman and Executive Directors and circulated to the Board prior to issue. The Group also has internal and external checks to guard against unauthorised release of information.

Internal Controls

The Board is responsible for maintaining an effective system of internal control that provides reasonable assurance that the Group's assets are safeguarded and that material financial errors and irregularities are prevented or detected with a minimum of delay.

The Group has in place internal control and risk management arrangements in relation to the Group's financial reporting processes and the preparation of its consolidated accounts. The arrangements include policies and procedures to ensure the maintenance of records which accurately and fairly reflect transactions to enable the preparation of financial statements in accordance with International Financial Reporting Standards or UK Generally Accepted Accounting Principles, as appropriate, with reasonable assurance and that require reported data to be reviewed and reconciled, with appropriate monitoring internally and by the Audit Committee.

More generally the Directors are committed to implementing measures to ensure that there is an ongoing review of the effectiveness of the internal control system with procedures to capture and evaluate failings and weaknesses, and in the case of those categorised by the Board as significant, that procedures exist to ensure that necessary action is taken to remedy the failings.

The Board is satisfied that throughout the financial period in question such measures were in place throughout the Group and the Company fully complies with the requirements of the Governance Code in this regard.

The system of internal control manages rather than eliminates the risks to business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material loss or misstatement of the financial statements.

Reflecting the Board's commitment to the ongoing development of the Group's system of risk management and internal control, a review of the use of external resources to bolster the internal audit function was undertaken and a report commissioned from PricewaterhouseCoopers LLP ("PwC"). Previously such services had been supplied by Grant Thornton UK LLP, undertaking a number of specific reviews and reporting back to the Committee, in the process making recommendations to help strengthen the risk management framework and internal control processes within the Group. Following the report from PwC, the Committee decided to reduce the size of the internal audit function but continue to use external expert support for specialist services. These changes will be implemented during 2014.

Under the Audit Committee's terms of reference, it is tasked with reviewing the Company's financial reporting and internal control procedures and to make recommendations to the Board in this area. Key elements of the Group's risk management and internal control framework during 2013 were:

- The day-to-day involvement of executive members of the Board in all aspects of the business and their attendance at regular meetings with senior management, at which operational and financial performance and operational matters were reviewed. Financial performance was monitored and action taken through regular reporting to the Executive Directors and monthly reporting to the Board against annual budgets approved by the Board.
- The senior management team meeting to review current and future risks in their particular areas of responsibility and expertise and to confirm the current measures in place to mitigate those risks.
- An established organisational structure with clear lines of responsibility and reporting requirements. Capital investment and all revenue expenditure being regulated by a budgetary process and authorisation levels (manual and systems), with appraisals and post-investment and period end reviews. Policy manuals setting out agreed standards and control procedures which include human resources related policies, information technology and health and safety.
- An established internal audit function headed by an experienced internal auditor who had access to all areas of the cinema operations and prepared reports which were available to the Board and reported regularly to senior management and the Audit Committee.
- An independent external consultant conducting annual health and safety audits and reporting to the Group Health and Safety Committee (comprising of members of the senior management team meeting on a quarterly basis) and the Audit Committee.
- The external auditors providing a supplementary, independent and autonomous perspective on those areas of the internal control system, which they assess in the course of their work. Their findings were reported to both the Audit Committee and the Board.
- The Audit Committee reviewing the risk register, receiving reports on risk management and internal controls and monitoring the overall position and reviewing actions taken to address areas of weakness.

- Each cinema having its own risk register prepared by undertaking an annual review of all risks affecting the cinema and detailing the control measures in place to mitigate those risks with key controls being reviewed by the internal audit function.
- Business Continuity Plans for Head Office and each cinema being in place with components of the Head Office plan being reviewed and tested during the year.
- Upgrading the Group IT Security policy and related processes.
- A specialist company conducting quarterly penetration testing on the Group's IT networks.
- A whistleblowing policy being in place ensuring that members of staff who were concerned about impropriety, financial or otherwise, could raise such matters without fear of victimisation or reprisal.

Accountability, Audit and Financial

The Board is responsible for the preparation of the Annual Report and ensuring that the financial statements present a fair, balanced and understandable assessment of the Group's financial position and prospects. Responsibility is administered primarily by the Audit Committee, of which the terms of reference are referred to above.

A comprehensive budgeting system allows managers to submit detailed budgets which are reviewed and amended by the Executive Directors prior to submission to the Board for approval.

Whistleblowing

In accordance with best practice the Group operates whistleblowing arrangements which enable employees to raise concerns about improprieties in financial reporting and other matters on a confidential basis. The process is set out in a clear policy accessible to all staff which includes an email address which the Senior Independent Director monitors to ensure that all matters raised are dealt with appropriately and to ensure that whistleblowers are suitably protected.

Human Resources

The Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake. The Group has a range of policies which are aimed at retaining and providing incentives for key staff. Objectives are set for departments and employees that are derived from the Group's business objectives. The Group has a clear and well-understood organisational structure and each employee knows his or her line of accountability.

Insurance

It is not practical or possible to insure against every risk to the fullest extent. The Group has in place an insurance programme to help protect it against certain insurable risks. The portfolio of insurance policies is kept under regular review with its insurance broker to ensure that the policies are appropriate to the Group's activities and exposures in light of cost, and the likelihood and magnitude of the risks involved.

By order of the Board

Anthony Bloom
Chairman
6 March 2014

Directors' Remuneration Report

Chairman's Introduction Dear Shareholder

As the Chairman of Cineworld's Remuneration Committee ("the Committee"), I am pleased to present our Remuneration Report for 2013, for which we will be seeking your approval at our AGM in May 2014.

This is the first year that the remuneration report is being presented in a new format in accordance with the recent changes in reporting regulations. You will see that there are two principal sections in this report. The first part summarises the policy of the Remuneration Committee as regards the remuneration of the Directors. The second part describes how that policy has been implemented during the period.

The policy section will be put to a binding vote at this year's Annual General Meeting ("AGM"), as it will be every three years unless there are changes to our policy requiring shareholder approval. The implementation section is also being put to the AGM, as it will each year, on the basis of a non-binding vote. The Committee has always aimed to be clear and transparent in matters of remuneration and we hope that the new form of report continues this approach, is easy to understand and informative.

Proposed Combination with Cinema City International

On 10 January 2014, the Company announced a proposed combination with the cinema business of Cinema City International N.V. which completed on 27 February 2014. The new combined business (the "Enlarged Group") is of significantly increased size and international complexity. As a result of this combination and in recognition of the scope of the Company, the Committee determined to make changes to the remuneration arrangements for the Executive Directors, including an increase in salary level and maximum bonus opportunity for Philip Bowcock, the CFO, and annual award levels under the Performance Share Plan ("PSP"). These changes are described in detail on pages 58 and 59. Major shareholders have been consulted in relation to the adjustment of PSP award levels and other changes made as a result of the combination.

2013 Performance and Remuneration

The Group delivered a satisfactory year of trading in 2013 with total revenue increasing 13.2% to £406.1m (2012: £358.7m), EBITDA up 8.1% at £72.3m (2012: £66.9m) and our market share increased to 27.4% (2012: 26.4%). This performance has enabled an effective 6.3% increase to be made in the full year dividend for shareholders who took up their full entitlement under the rights issue in February 2014.

It was a busy year for the Group in terms of the execution of our growth strategy and investment activities. Picturehouse was acquired in December 2012 and has performed well and in line with our expectations, achieving steady growth during the year. The Group also introduced a number of customer-related initiatives in line with our stated strategy. The decisions in relation to executive remuneration outcomes made by the Committee were taken in the context of this performance.

The Remuneration Committee decided not to make changes to the remuneration framework and policy during 2013. The decisions we have taken in relation to remuneration for 2013 have been within the terms of our existing policies.

Base salary increases for the Executive Directors in the year were 3.3% for Stephen Wiener, the CEO, and 3.0% for Philip Bowcock, the CFO. These increases were in the context of average salary increases across the Group of around 3%.

Annual bonuses for the Executive Directors, which are based on a matrix of Group EBITDA performance against budget and the achievement of stretching individual objectives, paid out at the level of 41.2% and 67.0% of base salary for the CEO and CFO, respectively (equivalent to 41.2% and 70.5% of maximum opportunity). The payout for the two Directors was different as a consequence of the transitional arrangements described in last year's remuneration report. A consistent scale of bonuses will be used for all Executive Directors in 2014.

Awards under the Performance Share Plan ("PSP") made in March 2011 are due to vest in March 2014 at 81.3% of maximum based on EPS growth against stretching targets over the three financial years ending December 2013.

Shareholder Views

A key factor which guides the Committee's decisions is feedback received from shareholders. It is pleasing that historically the Committee has received considerable shareholder support for its past actions and I am grateful to our shareholders for this support.

One area highlighted at the AGM in May 2012 was the degree of stretch in the performance condition applicable to awards under the PSP. The Committee has discussed the performance condition at some length and decided for awards in March 2013 to change the thresholds for lower and upper end vesting from fixed figures (3.2% and 9.2%, respectively) to inflation plus figures (UK RPI + 3.0% and RPI + 8.0%, respectively). In light of the proposed combination and the significantly increased internationality of the Group, the Committee has decided that UK RPI is of less direct relevance and will make PSP awards in 2014 subject to the achievement of absolute growth targets.

Peter Williams

Chairman of the Remuneration Committee

Directors' Remuneration Report

continued

POLICY REPORT Executive Directors Policy Effective Date

This section describes the Committee's policy on the remuneration of Directors. The policy will be put to shareholders for approval at our AGM in May 2014 and will come into effect from the date of the AGM. The Committee intends that this policy will remain in effect for a period of three years unless there are changes requiring shareholder approval. Following approval at the AGM, remuneration payments and payment for loss of office to Directors can only be made if they are consistent with this policy or otherwise approved by an ordinary resolution of the shareholders.

Current Policy on Remuneration

The objective of the Group's remuneration policy is that Executive Directors should receive appropriate remuneration for their performance, responsibility, skills and experience. Remuneration packages are designed to enable the Group to attract and retain key employees by ensuring they are remunerated appropriately and competitively and that they are motivated to achieve the highest level of Group performance in line with the best interests of shareholders. They are also structured with due regard of risk so no Director is encouraged to take inappropriate risks because of the level of potential variable rewards.

To determine the elements and level of remuneration appropriate for each Executive Director, the Committee considers benchmark remuneration data for selected comparable companies and seeks to ensure that an appropriately significant proportion of potential pay is performance related and that total pay opportunity is consistent with appropriate superior levels of pay for superior performance.

The policy of the Committee is to set performance conditions for annual bonuses and long-term incentives which are appropriately stretching but fair given the environment in which the Group operates and internal and external expectations.

While the Board's normal practice is to operate within the above parameters, it will take account of individual circumstances and tailor remuneration packages accordingly. In cases of material variance, it would seek to take account of major shareholders' views.

Executive Directors' remuneration currently comprises an annual salary, a performance-related bonus, a share-based long-term incentive scheme, pension contributions and other benefits as explained below.

The table summarises the policy for each element of pay:

Element and link to strategy	Maximum	Operation
<p>Basic Salary To provide a core level of remuneration to enable the Company to attract and retain skilled, high-calibre executives to deliver its strategy.</p>	<p>Salaries may be adjusted and any increase will ordinarily be (in percentage terms) in line with those across the Group.</p> <p>Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group.</p>	<p>Executive Directors' salary levels are agreed on joining and thereafter reviewed annually on 1 July each year⁽¹⁾.</p> <p>The Committee considers both the nature and the status of the Company's operations and the responsibilities, skills, experience and performance of each Executive Director. The Committee compares the Group's remuneration packages for its Executive Directors and employees with those for Directors and employees of similar seniority in companies whose activities are comparable with the Group. The Committee also takes into account the progress made by the Group, contractual considerations and salary increases across the rest of the Group (which for 2013 were generally around 3%)⁽²⁾.</p>
<p>Pension To provide market-competitive retirement benefits.</p>	<p>Monthly employer contribution of 20% of basic salary or in the form of a pension allowance.</p>	<p>All employees, including Executive Directors, are invited to participate in a Group Personal Pension Plan which is a money purchase plan. The Company contribution for Executive Directors is 20% of base salary. Bonuses are not pensionable.</p> <p>Executive Directors may choose to opt out of the Group scheme and instead receive a cash pension allowance equivalent to 20% of base salary.</p> <p>The Company's pension contribution may be conditional on the Executive Director contributing up to 5% of his base salary to the pension scheme. Executives may make pension contributions under "salary sacrifice" arrangement. Savings as a result of such an arrangement may be shared with the Executive Director in the form of an additional pension contribution.</p>

(1) Given the new arrangements put in place for Executive Directors in relation to the combination with Cinema City International, no salary increases will be made in July 2014.

(2) Stephen Wiener has a contractual right to an annual salary increase in line with RPI, which was in place prior to the Company's listing in 2007. Going forward, and in respect of new appointments, it is the Committee's policy not to agree any guaranteed minimum increases.

Element and link to strategy	Maximum	Operation
<p>Other Benefits To provide market-competitive benefits and support the health and safety of individuals.</p>	<p>The cost to the Group of providing such benefits will vary from year to year in accordance with the cost of insuring such benefits.</p>	<p>Benefits in kind for Executive Directors currently include the provision of a company car or car allowance, private mileage, life insurance, permanent health insurance, private medical cover and, for the Chief Executive Officer only, a driver.</p> <p>Benefits are tailored to the individual circumstances of Directors to ensure that overall packages are attractive and additional benefits may be introduced where appropriate.</p> <p>A limited flexible benefits scheme operates for all employees (including Directors) and the intention is to expand it over a period of time.</p>
<p>Annual Bonus To incentivise the annual delivery of financial and operational targets.</p>	<p>Maximum opportunity for Executive Directors of 100% of salary.</p>	<p>The level of bonus is based primarily on overall Group performance in meeting its primary financial objectives in EBITDA for the financial period. The level of bonus is determined by a matrix of budgeted EBITDA and personal performance levels. The weighting of measures is circa 80% budgeted EBITDA and 20% personal performance.</p> <p>The Committee seeks to ensure that the budget is challenging and so there is a clear link between the short-term Group performance and payout under the arrangements.</p> <ul style="list-style-type: none"> • No bonus is payable if a minimum threshold of 90% (2012: 95%) of budgeted EBITDA is not achieved. At this level (assuming "good" performance against individual objectives), a bonus of 30% of maximum opportunity would be payable. • The maximum bonus level is only payable if both 110% of budgeted EBITDA and exceptional performance against individual objectives was achieved. <p>The personal element is determined by the achievement of individual strategic objectives, which vary year from year to ensure that objectives are aligned with the business plan. Individual objectives vary from year to year but our policy is to set goals which relate to the achievement of the business strategy. Examples include ensuring a strong pipeline of new cinema sites and maintaining good financial controls.</p> <p>The choice of these measures reflects the Committee's belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.</p> <p>The performance measures and targets are reviewed annually to ensure alignment to strategy.</p> <p>Bonuses are paid in cash following the approval of the Group Annual Report.</p> <p>Where a Director leaves and is considered a good leaver, he will be paid on the usual payment date a proportion of any bonus entitlement, which would have otherwise accrued, reflecting that part of the bonus period which was actually worked.</p>

Directors' Remuneration Report

continued

Element and link to strategy	Maximum	Operation
<p>The Cineworld Group Performance Share Plan ("PSP") To encourage sustainable profitability over a period of time aligned to the overall objective of achieving sustainable growth.</p>	<p>The maximum award to an individual in any year under the plan rules is 200% of base salary.</p> <p>However, the Remuneration Committee does not currently intend that awards to Executive Directors should exceed 150% of their base salary⁽³⁾.</p> <p>If it is considering changing this approach, it will consult with key shareholders before doing so.</p>	<p>Annual awards of conditional shares or nil-cost options are made to Executive Directors and members of the Senior Management Team at the discretion of the Committee.</p> <p>Awards may vest after three years subject to continuing employment and the achievement of stretching three-year EPS growth performance conditions which are aligned with the Group's strategy of delivering long-term growth.</p> <p>The Committee will review and calibrate the EPS growth targets on an annual basis for each award to ensure they are sufficiently stretching in light of both internal and external performance expectations. Threshold performance is generally intended to align to the performance of the relevant market and/or our competitors' level. If the stretch performance level is achieved, we would expect to have significantly out-performed the relevant market and for term and against our competitors.</p> <p>At the threshold performance level, 30% of an award will vest. At the stretch level of performance, 100% of an award will vest. Between these levels, vesting will be determined on a straight-line basis.</p> <p>On vesting, participants will also receive additional shares or a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting.</p> <p>At the discretion of the Committee, each participant in the PSP may have a proportional part of their PSP award replaced by an HMRC approved share option granted under the Cineworld Group Company Share Option Plan ("CSOP"), up to the maximum value of options permitted by legislation (currently £30,000). Such awards are subject to identical performance vesting conditions as the PSP shares they replace.</p> <p>The conditions applicable to awards may be varied in exceptional circumstances following the grant of an award so as to achieve their original purpose, but not so as to make their achievement any more or less difficult to satisfy. Awards may also be adjusted to reflect corporate events, such as rights issues, to maintain a holder's position, but not so as to enhance it.</p> <p>It is the Committee's intention to settle awards in shares, but the plan rules allow for flexibility to settle in cash if required. Where vesting of any award granted would result in the Greidinger family (the family of the new CEO and COO) controlling shares carrying 30% or more of the voting rights of the Company then the Committee may instead make a cash payment equal to the market value of the shares comprised in the vested award.</p>

(3) As a result of the combination with the cinema business of Cinema City International N.V. and in recognition of the increased size and international complexity of the combined business, the Committee has determined to increase the annual award level under the PSP for Executive Directors from 100% to 150% of salary. Major shareholders have been consulted in relation to the adjustment of PSP award levels.

Element and link to strategy	Maximum	Operation
The Cineworld Group Sharesave Scheme To enable Group employees to become Cineworld shareholders, encouraging alignment and rewarding for Group performance.	The maximum saving level is £250 a month over a three-year term.	Executive Directors are eligible to participate in the Sharesave Scheme, which is an HM Revenue and Customs approved scheme open to all employees of nominated Group companies. Under the Sharesave Scheme, employees are eligible to acquire shares in the Company at a discount of up to 20% of the market value at grant if they agree to enter into a savings contract for a three-year period. Consistent with the relevant legislation, no performance conditions apply. Awards may also be adjusted to reflect corporate events, such as rights issues, to maintain a holder's position, but not so as to enhance it.
Share Ownership Guidelines To provide alignment between Executive Directors and shareholders.	n/a	Each Executive Director is expected to build up, over a period of time, a holding in shares equal to 100% of their base salary. In order to achieve this level of shareholding, Executive Directors are expected to retain 50% of any shares they acquire under the PSP or on the exercise of options, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up such a holding. For the purposes of these guidelines, only beneficially owned shares will count towards the holding.

Satisfaction of Share Options and Share Awards

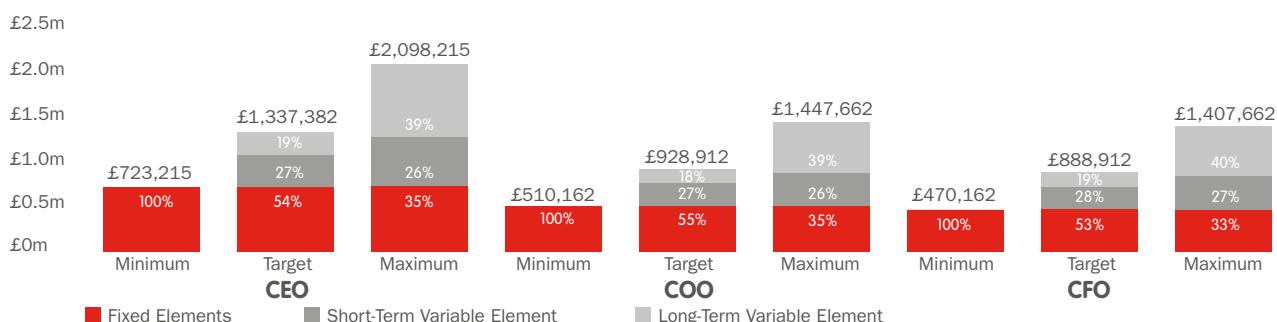
Awards under the PSP, the Sharesave Scheme and the CSOP described in the table above can be satisfied using new issue shares, shares held in treasury or shares purchased in the market in conjunction with the Cineworld Group Employee Benefit Trust (the "Trust"), established by the Company on 24 March 2006 with independent trustees based in Jersey.

If new issue shares are used, the following limits will be followed:

- In any ten-year period, the number of shares which may be issued under the PSP and under any other executive share or option scheme established by the Company may not exceed 5% of the issued ordinary share capital of the Company from time to time; and
- In any ten-year period, the number of shares which may be issued under the PSP and under any employees' share or option scheme established by the Company may not exceed 10% of the issued ordinary share capital of the Company from time to time.

Resulting Total Pay Levels Under Different Scenarios

The chart below illustrates how the potential future compensation of each of the Executive Directors may vary at different levels of performance and the percentage each element may form together with the possible total value.



For the purpose of this chart, the following assumptions have been made:

- The base salary, bonus opportunity and PSP award levels are those for the Executive Directors following completion of the combination with the cinema business of Cinema City International N.V. as set out on page 58.
- Fixed elements comprise base salary, pension and other benefits.
- Benefits levels are assumed to be the same as in 2013.
- For target performance, assumptions of bonus payout of 67% of maximum and threshold vesting (30%) for PSP have been made.
- No share price increase has been assumed.

Directors' Remuneration Report

continued

Recruitment Remuneration Policy

New Executive Directors will generally be appointed on remuneration packages with the same structure and elements as described in the policy table above. On appointment, base salary level will be set taking into account a range of factors including market levels, experience, internal relativities and cost. Annual bonus opportunity will be no greater than 100% of salary and the normal maximum award under the PSP will be 150% of salary.

For external appointments, although we have no plans to offer additional benefits, cash and/or share-based elements on recruitment, the Committee reserves the right to do so when it considers this to be in the best interests of the Company and shareholders. Such payments will take account of remuneration relinquished when leaving the former employer and, to the extent possible, would reflect the nature, time horizons and performance requirements attaching to that remuneration. If it is necessary in the circumstances, the Committee reserves the right to offer a longer initial notice period than one year. In such a circumstance, this would reduce to a notice period of no greater than 12 months after the initial period. The Committee may agree that the Company will meet certain relocation expenses as appropriate or pay a disturbance allowance.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

Shareholders will be informed of any Director appointment and the individual's remuneration arrangements as soon as practicable following the appointment via an announcement to the regulatory news services and on our website.

Service Contracts

The Group's policy in entering into service contracts with Executive Directors is to enable the recruitment of high-quality executives and to obtain protection from their sudden departure, whether or not to competitor companies. In addition, service contracts are an important element in maintaining protection for the Group's business and its commercially sensitive information.

A summary of the key terms of the Executive Directors' service contracts is set out below:

	Stephen Wiener ⁽¹⁾	Philip Bowcock	Moshe Greidinger ⁽²⁾	Israel Greidinger ⁽²⁾
Date of Contract	23 April 2007	16 November 2011	27 February 2014	27 February 2014
Notice Period ⁽³⁾	12 months	6 months	12 months	6 months
Remuneration	<ul style="list-style-type: none"> • Base salary • Pension contribution • Company car and driver • Entitlement to participate in Annual Bonus scheme • Life assurance cover • Medical insurance • Permanent health insurance 	<ul style="list-style-type: none"> • Base Salary • Cash in lieu of pension contribution • Car allowance • Entitlement to participate in Annual Bonus scheme • Life assurance cover • Medical insurance • Permanent health insurance 	<ul style="list-style-type: none"> • Base salary • Pension contribution • Company car or car allowance • Entitlement to participate in Annual Bonus scheme • Disturbance allowance • Life assurance cover • Medical insurance • Permanent health insurance 	<ul style="list-style-type: none"> • Base salary • Pension contribution • Company car or car allowance • Entitlement to participate in Annual Bonus scheme • Disturbance allowance • Life assurance cover • Medical insurance • Permanent health insurance
Termination	Company has right to terminate on payment on pre-agreed basis	Company has right to terminate on payment on pre-agreed basis	Company has right to terminate on payment on pre-agreed basis	Company has right to terminate on payment on pre-agreed basis
Non-Competition	During employment and for 12 months thereafter	During employment and for 6 months thereafter	During employment and for 12 months thereafter	During employment and for 6 months thereafter

(1) Stephen Wiener resigned as CEO and a Director on the completion of the combination with the cinema operations of Cinema City International N.V. on 27 February 2014.

(2) Appointed on the completion of the combination with the cinema operations of Cinema City International N.V. on 27 February 2014.

(3) The Group's policy is to have notice periods for Executive Directors which are between 6 and 12 months.

The Executive Directors are, under the terms of their service contracts, entitled to an annual review of their base salary each year. In the case of Stephen Wiener, a minimum increase in line with RPI had to be made.

Loss of Office Policy

The Company's policy is to endeavour to minimise any payment on early termination by insisting on mitigation of any loss where possible. To allow the Company to terminate an Executive Director's employment contract legally so it would not face a claim for wrongful termination (although a claim for unfair dismissal could still exist), its policy is to pre-agree arrangements which would apply on termination. Only the Company has the right to trigger such arrangements and it has complete discretion as to whether it does.

Under the terms of their contracts, the Company may, in lieu of giving notice, terminate an Executive Director's service contract by making a payment equivalent to 95% (in the case of Stephen Wiener) and 100% (in the case of the other Executive Directors) of base salary and contractual benefits for the notice period. In this event, the Executive Director would not be entitled to any bonus for the unworked portion of his notice period, but would be eligible for a pro-rata bonus for the period up to the date of the termination of his contract.

Where an Executive Director works their notice, pension, benefits and bonus will continue to accrue as normal up until the date of the termination. Any bonus entitlement will be paid as normal on a pro-rated basis.

Leaving arrangements under the Share and Share Option Schemes vary:

A. Under the PSP:

An award will normally lapse upon a participant leaving the employment of the Group unless the Remuneration Committee in its absolute discretion otherwise determines. Any such discretion would only be applied by the Committee to "good leavers" where it considers that continued participation is justified by reference to past performance to the date of leaving or because of the prevailing circumstances. In such cases, the award would become exercisable on the original vesting date on a reduced basis taking into account only that part of the three-year performance period which has elapsed and subject to the satisfaction of performance conditions unless the Remuneration Committee determines other arrangements are justified.

In the event of a change of control, scheme of arrangement or winding-up of the Company all awards will vest to the extent that any performance targets have, in the opinion of the Remuneration Committee, been satisfied at that time, on a reduced basis taking into account only that part of the three-year performance period which has elapsed unless the Remuneration Committee in its absolute discretion otherwise determines. An award, to the extent it becomes exercisable, may be exercised during the period of one month after which, to the extent unexercised, the award will lapse. Alternatively, with the agreement of the acquiring company, the participants may exchange their awards for equivalent options to acquire shares in the acquiring company or its parent company.

B. Under the CSOP:

An option will normally lapse upon a participant leaving the employment of the Group. However, if a participant leaves the Group by reason of death, injury, ill health, disability, redundancy, retirement (as at or after reaching 55 years under Part A of the CSOP) or any other reason as determined by the Remuneration Committee or if the company or business for which he works ceases to be part of the Group, then unless the Remuneration Committee in its absolute discretion otherwise determines, his option will become exercisable when he leaves on a reduced basis taking into account only that part of the three-year performance period which has elapsed. An option, to the extent it becomes exercisable, may be exercised during the period of six months

after which, to the extent unexercised, the option shall lapse automatically.

In the event of a change of control, scheme of arrangement or winding-up of the Company all options will vest to the extent that any performance targets have, in the opinion of the Remuneration Committee, been satisfied at that time, on a reduced basis taking into account only that part of the three-year performance period which has elapsed unless the Remuneration Committee in its absolute discretion otherwise determines. Such options become exercisable for a limited period of time. Alternatively in the case of a takeover, with the agreement of the acquiring company, the participants may exchange their options for equivalent options to acquire shares in the acquiring company or its parent company.

C. Under the Sharesave Scheme:

An option granted may normally not be exercised until the option holder has completed their savings contract and then not more than six months thereafter. However, if a participant leaves the Group by reason of death, injury, ill health, disability, redundancy, retirement (on reaching 60 years or any other contractual retirement age) or if the company or business for which he works ceases to be part of the Group, the option will become exercisable. An option, to the extent it becomes exercisable, may be exercised during the period of six months (12 months in the case of death) after which, to the extent unexercised, the option will lapse automatically.

In the event of a change of control, scheme of arrangement and/or a winding-up of the Company, options may be exercised for a limited period of time. Alternatively in the case of a takeover, with the agreement of the acquiring company, the participants may exchange their options for equivalent options to acquire shares in the acquiring company or its parent company.

**Non-Executive Directors
 Letters of Appointment**

The Non-Executive Directors, including the Chairman, do not have service contracts with the Company. The terms and conditions of their appointment as Non-Executive Directors are set out in letters of appointment, which are subject to the provisions of the Articles of Association.

It is the Board's policy that the appointment of each Non-Executive Director is terminable on a short notice unless their appointment is terminated by a resolution of the shareholders in general meeting or if they fail to be re-elected by shareholders in general meeting when it aims to ensure no notice is necessary.

The dates of appointment of the Non-Executive Directors and their notice periods are as follows:

Director	Date of appointment	Notice period
Anthony Bloom (Chairman)	7 October 2004	1 month
Martina King	2 July 2010	1 month
David Maloney	22 May 2006	1 month
Thomas McGrath	16 May 2005	1 month
Rick Senat	2 July 2010	1 month
Peter Williams	22 May 2006	1 month
Scott Rosenblum ⁽¹⁾	27 February 2014	1 month
Arni Samuelsson ⁽¹⁾	27 February 2014	1 month

(1) Appointed on the completion of the combination with the cinema operations of Cinema City International N.V. on 27 February 2014.

The Company's policy is that Non-Executive Directors receive a fixed fee for their services as members of the Board and its Committees. Non-Executive Directors do not participate in the Company's share incentives or otherwise receive performance-related pay but may receive reimbursement for travel and incidental costs incurred in furtherance of Company business.

The level of fees is determined by the Board after taking into account appropriate advice (except in the case of the Chairman whose level of fee is determined by the Remuneration Committee), in line with prevailing market conditions and at a level that will attract individuals with the necessary experience and ability to make a significant contribution to the Company's affairs. No Director participates in discussions relating to the setting of his or her own remuneration. Fee levels are reviewed on an annual basis.

Where a Non-Executive Director does not serve until the end of his or her term, the policy is to pay the fees due pro rata to the date of cessation.

Consideration of Employment Conditions Elsewhere in the Company

When considering salary increases for the Executive Directors, the Committee takes into account average levels of increase awarded to employees generally. Salary increases will normally be broadly in line with those for other employees.

The Committee does not formally consult employees in relation to remuneration policy for the Executive Directors. However, the Company regularly carries out engagement surveys which enable employees to share their views with management.

Consideration of Shareholder Views in Developing Policy

The Committee is grateful that shareholders have been supportive of its policy in the past. As appropriate, the Committee will continue to engage and communicate with shareholders regarding Cineworld's remuneration policy and take suitable action when required.

In the last year, the Committee considered feedback from some shareholders in relation to the setting of performance targets for PSP awards. For awards in 2013, it was decided to increase the thresholds for lower and upper end vesting from those used for previous awards and to express targets in excess of RPI.

ANNUAL REPORT ON REMUNERATION

The Remuneration Committee and its Role

At the end of the period, the Company's Remuneration Committee comprised four Non-Executive Directors, Martina King, David Maloney, Rick Senat and Peter Williams, who are all considered to be independent. The Chairman of the Committee was Peter Williams and the Secretary of the Committee is the Company Secretary. Rick Senat joined the Committee on 31 January 2013, while Martina King, David Maloney and Peter Williams were members throughout the 2013 financial period.

The Remuneration Committee's principal responsibilities are to:

- Make recommendations to the Board for approval of the Group's broad policy for the remuneration of the Chairman, the Executive Directors and the Senior Management Team (consisting of a small group of senior executives just below Board level);
- Determine the specific remuneration packages of the Chairman, the Executive Directors and the Senior Management Team;
- Approve the terms of their service agreements of the Executive Directors and the Senior Management Team; and
- Approve the design of, and determine the targets for, any performance-related pay schemes and long-term incentive plans.

The full terms of reference of the Remuneration Committee are available on the Company's website (www.cineworldplc.com). The terms are reviewed annually.

The Committee met four times during the year and details of the members' attendance record is set out on page 45.

A summary of the Committee's agenda over the period is detailed below:

- Review of salaries for the Executive Directors and Senior Management Team;
- Setting targets for the annual bonus scheme;
- Making awards under the PSP, including consideration of target calibration and award levels;
- Review of fees for the Chairman;
- Consideration of incentive arrangements for cinema managers;
- Preparation of this report; and
- Considering the remuneration arrangements for the Enlarged Group.

Remuneration Committee Advisers

The Committee received advice from Towers Watson during the year in relation to the Company's remuneration policy and its implementation in respect of the Chairman, Executive Directors and Senior Management Team. Towers Watson was appointed by the Remuneration Committee in November 2008. Their terms of engagement are available on request from the Company Secretary. They attended most meetings during the year at the request of the Committee. Towers Watson's fees for advice to the Committee were £60,000. Towers Watson is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

During the year Towers Watson also provided advice to the Board on the level of Non-Executive Directors' fees and the Company on incentive schemes to be introduced for staff working in Cineworld Cinemas. Towers Watson has no other connections with the Company, except as the actuary to the pension scheme of Adelphi-Carlton Limited, the Group's operating company in Ireland. The Remuneration Committee is satisfied that the advice provided on executive remuneration is objective and independent and that no conflict of interest arises as a result of these other services.

The Committee also received assistance from the Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer, the Head of Human Resources and the Company Secretary, although they do not participate in discussions relating to the setting of their own remuneration. The Committee also consulted with the Chief Executive Officer and received recommendations from him in respect of changes to remuneration packages for members of the Senior Management Team.

Remuneration for 2013

This section covers the reporting period from 28 December 2012 to 26 December 2013 and provides details of the implementation of the Company's policy during the period. Those sections of the report which are subject to audit are marked as such.

Base Salary (audited information)

The base salaries of the Executive Directors are reviewed on an annual basis. As described in the policy section, the Committee compares the Group's remuneration packages for its Executive Directors and employees with those for directors and employees of similar seniority in companies whose activities are comparable with the Group. It also takes into account the progress made by the Group, contractual considerations and salary increases across the rest of the Group. In the case of Stephen Wiener, a contractual minimum increase in line with RPI had to be made.

Base salaries were reviewed in July 2013. The increases for the Executive Directors were, for the CEO, 3.3% and, for the CFO, 3.0%. These increases were in the context of average salary increases across the Group of 3%.

Salary levels as at the end of the financial period (from 1 July 2013) were:

• Stephen Wiener:	£486,935
• Philip Bowcock:	£266,770

On 20 November 2013, Stephen Wiener announced plans to leave the business in March 2014. From this date, Philip Bowcock took on a significant level of additional responsibilities on a transitional basis – including taking a leading role in the negotiation of the combination with Cinema City International. To recognise the additional level of responsibility taken on over this period, the Committee decided to award an additional one-off transitional salary supplement of £80,031. This additional payment will be made in March 2014 and will not be pensionable, included for the purpose of annual bonus or PSP opportunity levels.

Pension (audited information)

Executive Directors are invited to participate in a Group Personal Pension Plan, which is a money purchase plan. The Company contribution to this scheme for the CEO is 20% of salary. The CFO has elected not to participate in this scheme and instead receives a cash pension allowance of 20% of salary.

Company pension contributions for the period were:

• Stephen Wiener:	£97,485 ⁽¹⁾
• Philip Bowcock:	£52,577

(1) Figure represents 20% of base salary plus benefit from salary sacrifice.

Directors' Remuneration Report
continued

Other Benefits (audited information)

Benefits in kind for Executive Directors comprised the provision of a company car or car allowance, private mileage, life insurance, permanent health insurance, private medical cover and, for the Chief Executive Officer only, a driver.

Benefit	Stephen Wiener	Philip Bowcock
Car/Car Allowance	£15,640 ⁽¹⁾	£14,000
Driver	£16,521	–
Private Medical Insurance	£1,571	£1,964
Permanent Health Insurance	£6,203	£3,408
Life Assurance	£1,441	£790

(1) Figure for Stephen Wiener includes private mileage.

Benefits with a cost value of under £1,000 are not included in the above table.

Annual Bonus (audited information)

As described in the policy section, the annual bonus for the year was determined by a matrix of EBITDA compared to budget and the achievement of specified individual objectives. The choice of these measures reflect the Committee's belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.

The performance of the Company during the year included EBITDA of £72.3m. The individual objectives for Stephen Wiener, the CEO, related to the successful integration of Picturehouse into the Group while maintaining its distinct culture, developing the Group's strategy, ensuring a strong pipeline of new sites and strengthening succession planning within the Executive team, and were judged by the Committee to be achieved at the top level, Above and Beyond. The individual objectives for Philip Bowcock, the CFO, related to the integration of Picturehouse into the Group, reviewing central costs and the Group's financing in light of the proposed new site rollout plan and planning the Group's exit from its remaining final salary pension scheme and were judged by the Committee to be achieved at the top level, Above and Beyond.

The table below shows the actual performance achieved during the year and the associated bonus outcomes for the Executive Directors.

	EBITDA performance	Individual objective performance	Bonus Paid (% of maximum)	Bonus Paid (% of base salary)	Bonus Paid (£'000)
Stephen Wiener	96% of budgeted EBITDA achieved	Above and Beyond	41.2%	41.2%	£197,413
Philip Bowcock	96% of budgeted EBITDA achieved	Above and Beyond	70.5%	67.0%	£176,133

The payout for the two Directors was different as a consequence of the transitional arrangements explained in last year's remuneration report.

The Cineworld Group Performance Share Plan ("PSP") (audited information)

(a) Awards vesting following the end of the performance period ending in December 2013

Awards under the PSP made in March 2011 are due to vest on 29 March 2014. The performance condition applicable to these awards is summarised below:

EPS growth performance	Vesting level
Less than 3.2% p.a.	Nil
3.2% p.a.	30%
9.2% p.a.	100%
Between 3.2% and 9.2% p.a.	Straight-line basis

The EPS figure for the year represented growth of 7.6% compared to the base year, with the result that the level of vesting for this award was 81.3%. The number and value of shares that will vest to each of the Executive Directors is set out on page 62 of this report.

(b) Awards made in the year

Awards were made to the Executive Directors under the PSP in March 2013. The vesting of these awards will be based on Cineworld's three-year EPS growth performance, as summarised in the table below. One area highlighted by some shareholders in 2012 was the degree of stretch in the performance condition applicable to awards under the PSP. The Committee has discussed the performance condition at some length and decided for awards in March 2013 to increase the thresholds for lower and upper end vesting from those used for previous awards and to express targets as growth figures in excess of UK RPI.

EPS growth performance	Vesting level
Less than RPI + 3% p.a.	Nil
RPI + 3% p.a.	30%
RPI + 8% p.a.	100%
Between RPI + 3% and RPI + 8% p.a.	Straight-line basis

In the past, total shareholder return has been considered as an alternative or additional performance measure, but difficulties in identifying appropriate comparator companies has resulted in the Committee deciding to use EPS as the sole performance measure. The Remuneration Committee reviews the operation of the PSP each year and the performance conditions for each grant to ensure they are appropriate for the Company and the prevailing internal and external expectations.

Philip Bowcock had a proportional part of his PSP award replaced by an HMRC approved share option granted under the CSOP. The CSOP options were subject to performance conditions identical to those applicable to awards under the PSP. There was no similar substitution in respect of Stephen Wiener as he already held the maximum permitted amount.

The number and value of share options under the PSP and CSOP which were awarded to the Executive Directors and vested during the period are set out on page 62 of this report.

Non-Executive Directors' Fees (audited information)

Following a change to Board Committee membership in January 2013, the structure of fees for Non-Executive Directors was reviewed. The intention of the review was to not increase the overall level of fees but to recognise the committee responsibilities of each individual Non-Executive Director. During the review period, each Director's fees were kept at the pre-January 2013 level, even though certain Directors had taken on additional duties.

The fees for the Non-Executive Directors were again reviewed in light of the significant increase in the size and complexity of the Group as a result of the combination with the cinema business of Cinema City International N.V. The fee for the Chairman had remained unchanged for several years. The adjusted fee level is now comparable with equivalent fees in companies of similar size and complexity. The fees set out in the final column of the table below came into effect on the completion of the business combination with the cinema operations of Cinema City International N.V.

Position held	Up to 31 May 2013	From 1 June 2013	Following completion of combination on 27 February 2014
Chairman	£100,000	£100,000	£175,000
Senior Independent Director fee	Nil	£2,000	£10,000
Non-Executive Director base fee	£33,000	£40,000	£50,000
Audit Committee Chair fee	£5,000	£14,000	£15,000
Remuneration Committee Chair fee	£5,000	£14,000	£10,000
Nomination Committee Chair fee	Nil	Nil	£5,000
Committee membership fee	£5,000	Nil	Nil

The Non-Executive Directors do not receive any share options, bonuses or other performance-related payments nor do they receive any pension entitlement or other benefits apart from expenses in relation to travel costs to attend Cineworld Board meetings, including related sustenance and accommodation.

Directors' Remuneration Report

continued

Implementation of Policy in Following Year

On 10 January 2014, the Company announced a proposed combination with the cinema business of Cinema City International N.V. As a result of this combination and in recognition of the increased size and international complexity of the combined business, the Committee determined to make changes to the salary level and maximum bonus opportunity for the CFO and annual award levels under the PSP. The remuneration packages for the proposed Directors following the combination are set out in the table below. These remuneration arrangements came into effect on the completion of the business combination. Given the implementation of these new arrangements, salary levels for the Executive Directors will not be further increased at the normal review date in July 2014 as described in the Policy Section.

Name	Moshe Greidinger	Israel Greidinger	Philip Bowcock
Role	Chief Executive Officer	Chief Operating Officer	Chief Financial Officer
Salary	£550,000	£375,000	£375,000
Pension	Pension contribution of 20% of salary	Pension contribution of 20% of salary	Cash in lieu of pension contribution – 20% of salary
Other benefits	Company car or car allowance (£14,000), life insurance, permanent health insurance, private medical cover and disturbance allowance (£40,000)	Company car or car allowance (£14,000), life insurance, permanent health insurance, private medical cover and disturbance allowance (£40,000)	Car allowance (£14,000), life insurance, permanent health insurance and private medical cover
Annual bonus	Maximum opportunity of 100% of salary	Maximum opportunity of 100% of salary	Maximum opportunity of 100% of salary
PSP	Face value of 150% of salary	Face value of 150% of salary	Face value of 150% of salary

The Committee is considering the calibration of EPS growth targets applicable to PSP awards to be made in 2014, taking into account internal and external performance expectations. The calibration of these targets has not been finalised at the time of writing. However, the proportion of an award vesting for threshold performance will remain at 30%, with 100% vesting for stretch performance. Given the significantly increased internationality of the Group following the combination with the cinema operations of Cinema City International N.V, the Committee has decided that UK RPI is a less directly relevant factor and will therefore express the targets as absolute growth levels.

Stephen Wiener's Leaving Arrangements (audited information)

Cineworld has agreed with Stephen Wiener that his employment will end on 31 March 2014 and he will then be paid £349,060, representing 95% of nine months' salary and contractual benefits, a further payment of £70,585 to the Company pension scheme on his behalf subject to the scheme and HMRC rules and, subject to applicable performance targets being achieved, a time pro-rated bonus for 2014. He will also retain the use of his car and driver until 31 December 2014 and be covered by the Company's private medical insurance until 31 March 2017, or in each case until he finds new employment (which in the case of the medical insurance provides equivalent cover). His awards under the 2007 Performance Share Plan are retained and will vest on the normal vesting dates subject to the satisfaction of applicable performance targets and on a time pro-rated basis and his awards under the Company Share Option Plan shall vest and become exercisable from 31 March 2014 on a time pro-rated basis.

Single Total Figure Table (audited information)

The table gives a single figure for the total remuneration for each Director for the period.

	Financial year	Base salary and fees (£000)	Benefits ⁽¹⁾ (£000)	Annual bonus (£000)	Sharesave ⁽²⁾ (£000)	PSP (£000)	CSOP (£000)	Total LTI (£000)	Pension (£000)	Total (£000)
Executive Directors										
Stephen Wiener	2013	479	41	197	–	507 ⁽³⁾	6 ⁽³⁾	513	96 ⁽⁷⁾	1,326
	2012	463	36	278	–	379	9 ⁽⁵⁾	388	93	1,258
Philip Bowcock	2013	343 ⁽⁶⁾	20	176	–	–	–	–	53	592
	2012	255	18	140	–	–	–	–	51	464
Non-Executive Directors										
Anthony Bloom	2013	100	–	–	–	–	–	–	–	100
	2012	100	–	–	–	–	–	–	–	100
Martina King	2013	39	–	–	–	–	–	–	–	39
	2012	38	–	–	–	–	–	–	–	38
David Maloney	2013	55	–	–	–	–	–	–	–	55
	2012	53	–	–	–	–	–	–	–	53

	Financial year	Base salary and fees (£000)	Benefits ⁽¹⁾ (£000)	Annual bonus (£000)	Sharesave ⁽²⁾ (£000)	PSP (£000)	CSOP (£000)	Total LTI (£000)	Pension (£000)	Total (£000)
Thomas McGrath ⁽⁴⁾	2013	14	13	–	–	–	–	–	–	27
	2012	38	38	–	–	–	–	–	–	76
Rick Senat	2013	39	–	–	–	–	–	–	–	39
	2012	38	–	–	–	–	–	–	–	38
Peter Williams	2013	54	–	–	–	–	–	–	–	54
	2012	53	–	–	–	–	–	–	–	53

- (1) See page 56 for details of the other benefits provided to the Executive Directors. The figures in this column for the Non-Executive Directors relate to travel costs to attend Cineworld Board meetings, including related sustenance and accommodation.
- (2) Under the Sharesave scheme, employees are able to acquire shares in the Company at a discount of up to 20% of the market value at grant. The figures in this table relate to the value of this discount at the date of grant.
- (3) The gain on PSP shares and CSOP Option vesting in the period has been calculated using a share price of £3.36, being the average post rights issue for the last three months of the period (as they will not vest until 29 March 2014) and in the case of the PSP award includes payment of a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting. The dividend equivalent payment to Stephen Wiener will amount to £42,349.
- (4) Thomas McGrath left the Company on 15 May 2013.
- (5) This CSOP option, although vested, has not been exercised and for comparison purposes a share price of £3.36, being the average post rights issue for the last three months of the period, has been used to calculate the value.
- (6) Figure represents base salary and a special one-off salary supplement of £80,031 awarded to reflect the additional level of responsibility taken following the announcement that Stephen Wiener was leaving.
- (7) Figure represents 20% of base salary ignoring salary sacrifice.

Loss of Office Payments (audited information)

There were no loss of office payments to Directors during the financial year.

Payments to Past Directors

Richard Jones, a past Director, who left the Company on 11 June 2011, exercised a PSP award which vested during the year. In accordance with the Company's policy, the award had been reduced on a time apportioned basis reflecting the period actually worked, vested on its original vesting date and remained subject to the requisite performance condition. Further details are set out on page 62. Otherwise there were no payments to past Directors during the financial year.

Directors' Shareholdings (audited information)

The interests of Directors and their connected persons in ordinary shares as at 26 December 2013, including any interests in shares and share options provisionally granted under the PSP and CSOP, are presented below.

	Beneficial	Share options subject to performance conditions ⁽¹⁾	Share options subject to performance conditions ⁽²⁾	Share options not subject to performance conditions ⁽³⁾
Executive Directors				
Stephen Wiener	1,988,677	481,992	14,485	5,232
Philip Bowcock	10,000	180,199	8,281	5,232
Non-Executive Directors				
Anthony Bloom	1,723,224 ⁽⁴⁾	0	0	0
Martina King	1,942	0	0	0
David Maloney	20,000	0	0	0
Rick Senat	20,407	0	0	0
Peter Williams	40,000	0	0	0

- (1) Relates to unvested awards under the PSP.
- (2) Relates to CSOP options with identical performance conditions to PSP awards and made at the same time.
- (3) Relates to share options held under the Sharesave scheme.
- (4) Shares are held by a nominee for a Jersey-based discretionary trust, of which Mr Bloom is one of the potential beneficiaries.

Directors' Remuneration Report

continued

As at 6 March 2014, the interests of the Directors were as set out in the table below, following completion of the rights issue on 19 February 2014.

	Beneficial	Share options subject to performance conditions ⁽¹⁾	Share options subject to performance conditions ⁽²⁾	Share options not subject to performance conditions ⁽³⁾
Executive Directors				
Stephen Wiener	2,038,677	481,992	16,087	5,811
Philip Bowcock	13,200	200,129	9,197	5,811
Non-Executive Directors				
Anthony Bloom	2,158,006 ⁽⁴⁾	0	0	0
Martina King	2,563	0	0	0
David Maloney	26,400	0	0	0
Rick Senat	26,937	0	0	0
Peter Williams	52,800	0	0	0

(1) Relates to invested awards under the PSP.

(2) Relates to CSOP options with identical performance conditions to PSP awards and made at the same time.

(3) Relates to share options held under the Sharesave scheme.

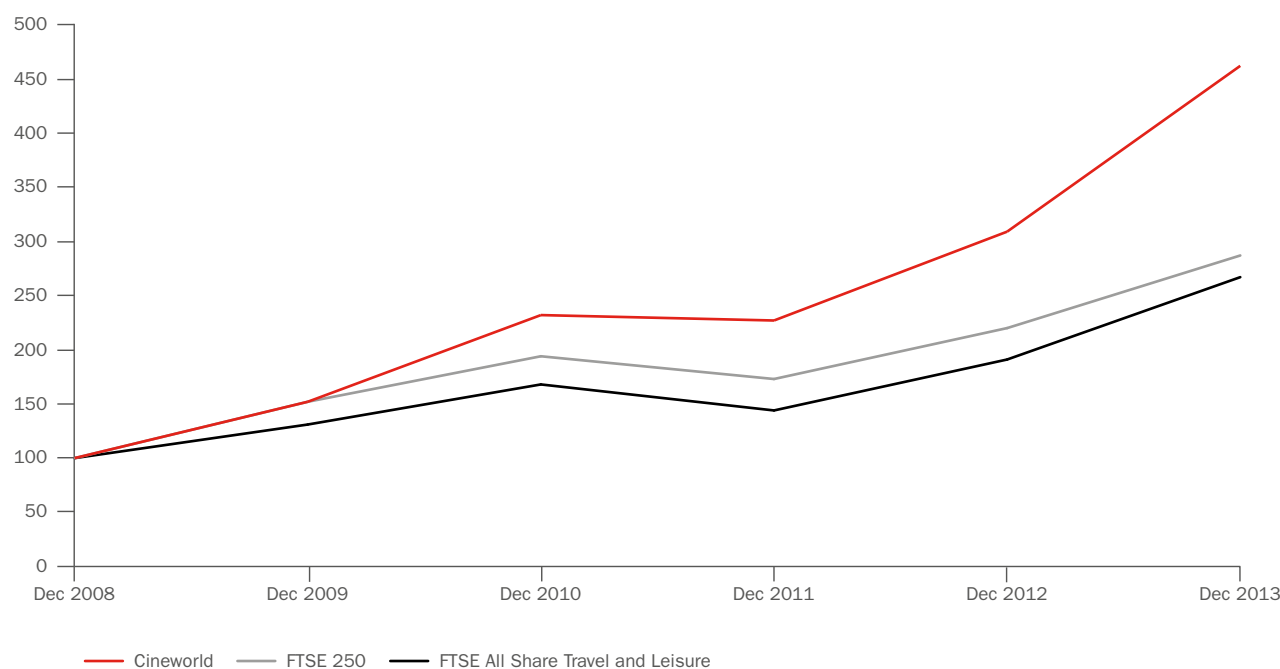
(4) Shares are held by a nominee for a Jersey-based discretionary trust, of which Mr Bloom is one of the potential beneficiaries.

As described in the policy table on page 51, each Executive Director is expected to build up, over a period of time, a holding in shares equal to 100% of their base salary. For the purposes of these guidelines, only beneficially owned shares will count towards the holding.

As at 26 December 2013, Stephen Wiener met this shareholding requirement. Philip Bowcock, who was appointed in November 2011, does not yet meet the requirement even though he has purchased 10,000 shares in December 2012; he will therefore be expected to retain 50% of any shares he acquires under the PSP or on the exercise of options, after allowing for the sale of shares to pay tax and other deductions, until such time as he has built up such a holding.

Five-year TSR Performance and CEO Pay

The graph below compares the Company's total shareholder return performance against the FTSE 250 and FTSE All Share Travel and Leisure indices over the past five financial years. The Remuneration Committee believes these indices to be the most appropriate comparators as the Group looks to benchmark itself against smaller companies within the FTSE 250 and is a member of the FTSE All Share Travel and Leisure sector.



Financial year	CEO single figure of total remuneration (£000) ⁽¹⁾	Bonus as proportion of maximum opportunity	LTI vesting as proportion of maximum opportunity
2013	£1,326	41.2%	81.3%
2012	£1,258	60%	99%
2011	£1,252	68%	100%
2010	£1,212	82%	100%
2009	£858	85%	–

(1) These figures relate to Stephen Wiener who was CEO on 26 December 2013.

Percentage increase in CEO remuneration

The percentage changes in the value of salary, non-pension benefits and bonus between 2012 and 2013 for the CEO and employees generally are set out in the table below:

	CEO	Employees generally
Salary	3.3%	3.0%
Non-pension benefits	13.9%	0.0%
Annual bonus	(29.1)%	3.0%

Relative Importance of Pay Spend

The table below shows figures for people costs, shareholder dividends and a number of other significant distributions of turnover that the Committee considers to be relevant in order to provide context to the relevant importance of pay spend.

	2012	2013	% change
Staff and employee costs	£51.9m ⁽¹⁾	£65.0m	25%
Of which, Directors' remuneration costs	£2.1m	£2.2m	7.3%
Corporation tax paid	£9.4m	£9.7m	3.2%
Other costs	£315m ⁽¹⁾	£369m	17%
Dividends paid	£16.0m	£18.1m	13%
Retained earnings	£1.2m	£4.4m	267%

(1) Includes Picturehouse for 22 days only.

Shareholder Voting Results from 2013 AGM

At the Annual General Meeting of the Company held on 15 May 2013, the resolution to approve the Director's Remuneration Report was approved on a show of hands. The proxy vote was:

	Number of votes	% of votes cast
For	98,522,148	90.8%
Discretionary	423,170	0.4%
Against	9,551,038	8.8%
Total votes cast	108,496,356	100%
Votes withheld ⁽¹⁾	2,516,870	–

(1) A vote withheld is not counted as a vote in law.

Share and Share Option Awards Granted and Vesting During the Year (audited information)

Awards or grants were made under the three Share and Share Options Schemes as follows:

PSP: Awards consisting of nil cost options over shares were granted to both Executive Directors equivalent in value to 100% of their base salary on 15 March 2013 which will become exercisable after three years. Details of the awards are set out below. Awards are subject to continued employment and the achievement of the performance conditions specified on page 57.

CSOP: Philip Bowcock had a proportional part of his PSP award replaced by an HMRC approved share option granted under the CSOP. The CSOP options were subject to performance conditions identical to those applicable to awards under the PSP. There was no similar substitution in respect of Stephen Wiener as he already held the maximum permitted amount.

Sharesave: No invitation was made to all UK employees to participate during the period. The last such invitation was made in March 2012.

Directors' Remuneration Report
continued

Awards granted or vesting during the year:

(a) Cineworld Group Performance Share Plan

Name of Director	At 28 December 2012	Awarded during year	Vested during year	Exercised during year	Lapsed during year	At 26 December 2013	Exercise price	Market value at date of exercise ⁽³⁾	Exercise period ⁽²⁾	Gain ⁽⁴⁾
Stephen Wiener	109,774	–	108,490	108,490	1,284	–	£Nil	£2.70625	30/03/13– 30/09/13	£328,426
	–	169,104 ⁽¹⁾	–	–	–	169,104	£Nil	–	15/03/16– 15/09/16	
Philip Bowcock	–	92,699 ⁽¹⁾	–	–	–	92,699	£Nil	–	15/03/16– 15/09/16	
Richard Jones ⁽⁵⁾	25,974	–	25,670	25,670	304	–	£Nil	£2.7855	30/03/13– 30/09/13	£79,744

(1) Mid-market closing price of a Cineworld Group plc share on 14 March 2013, the day before grant, was £2.7875. The face value of the award to Stephen Wiener was £471,380. The face value of the award to Philip Bowcock was £258,401. Both awards were granted as nil cost options.

(2) Subject to satisfaction of the relevant performance conditions (details of which are set on page 57). The awards vesting during the year did not vest in full.

(3) This was the price per share received in respect of those shares which were sold.

(4) The gain has been calculated using the realised share price on the date of exercising and includes payment of a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting. The dividend equivalent payments amounted to £34,825 for Stephen Wiener and £8,240 for Richard Jones.

(5) Richard Jones left the Company on 17 June 2011.

Details of the awards vesting in March 2014:

Name of Director	Date awarded	Number awarded	Vesting date	Number vesting	Number lapsing	Exercise price	Exercise period
Stephen Wiener	29/03/11	153,205	29/03/2014	124,556 ⁽¹⁾	28,649	£Nil	29/03/14– 29/09/14

(1) Adjusting the shares under the award for the rights issue completed on 14 February 2014 means that the number exercisable will be 138,330.

(b) Cineworld Group Company Share Option Plan

Name of Director	At 28 December 2012	Awarded during year	Vested during year	Lapsed during year	At 26 December 2013	Exercise price ⁽²⁾	Market value at date of exercise	Earliest date of exercise ⁽³⁾	Expiry date
Stephen Wiener	5,050 ⁽¹⁾	–	4,990	60	4,990	£1.98	–	01/07/13	30/06/20
Philip Bowcock	–	3,587 ⁽¹⁾	–	–	3,587	£2.7875	–	15/03/16	14/03/23

(1) HM Revenue and Customs approved share options.

(2) Mid-market closing price of a Cineworld Group plc share the day before grant. The face value of the award to Philip Bowcock was £9,999.

(3) Subject to satisfaction of the relevant performance conditions (details of which are set on page 57).

Details of the awards vesting in March 2014:

Name of Director	Date awarded	Number awarded	Vesting date	Number vesting	Number lapsing	Exercise price	Earliest date of exercise ⁽¹⁾	Expiry date
Stephen Wiener	29/03/11	4,801	29/03/2014	3,903 ⁽²⁾	898	£2.0825 ⁽²⁾	29/03/14	28/03/21

(1) Subject to satisfaction of the relevant performance conditions (details of which are set on page 57).

(2) Adjusting the shares under the option for the rights issue completed on 19 February 2014 means that the number exercisable will be 4,334 with an exercise price of £1.8751.

(c) Cineworld Group Sharesave Scheme

No share options were granted under the Sharesave Scheme to any employee (including the Directors) during the period and none of the share options held by Directors under the scheme vested in the period. No options under the Scheme are due to vest until July 2015.

By order of the Board

Peter Williams

Chairman of the Remuneration Committee
6 March 2014

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Principles).

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Philip Bowcock
Chief Financial Officer
6 March 2014

Independent Auditor's Report

to the Members of Cineworld Group plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Cineworld Group plc for the 52 week period ended 26 December 2013 set out on pages 67 to 109. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 26 December 2013 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Valuation on acquisition of the Picturehouse intangible assets (£15.3m)

Refer to page 42 (Audit Committee Report), page 74 (accounting policy) and pages 83–84 (financial disclosures).

- The risk: As part of the Group's accounting for the acquisition of City Screen Limited Group ("Picturehouse"), the acquired intangible assets were provisionally valued, due to the proximity to the year end, in the 2012 Group financial statements. The final valuation was completed, using external specialists, during 2013. The identification and valuation of intangible assets is highly judgmental as it is sensitive to underlying assumptions around future cash flows, discount rates, contributory asset charges and useful economic lives. Valuing intangible assets can be further complicated by expectations over the future use and transferability of the assets.
- Our response: Our audit procedures included, among others, an assessment of the competency of the Group's external valuation expert, in the context of their ability to generate a reliable estimate; which they were specifically engaged to do. We also used our own valuation specialists to assist us in evaluating whether all the intangible assets had been identified and the assumptions used in determining the asset valuations. The core valuation assumptions assessed included; the remaining useful economic lives of the assets identified, the discount rate applied, growth rates, income streams and contributory asset charges. In our assessment of these assumptions we used historic trend data from Picturehouse, external market data and applied standard valuation industry practice. We also assessed whether the Group's disclosure regarding the outcome of the valuation assessment and the changes in value allocation between the brand and customer loyalty program properly reflect the underlying valuation assumptions.

The Competition Commission investigation into the acquisition of the City Screen Limited Group (the "Acquisition") (assets held for sale £2.3m; related goodwill impairment charge £0.7m)

Refer to page 42 (Audit Committee Report), pages 74–75 (accounting policy) and pages 89–90 (financial disclosures).

- The risk: As announced on 30 April 2013 the Office of Fair Trading referred the Acquisition to the Competition Commission ("CC") with the CC findings communicated on 8 October 2013. The CC ruling requires the Group to divest of three cinemas. Due to the compulsory nature of the disposal, the current carrying value of the cinema assets, goodwill and associated intangible assets may not be fully recoverable through sale. The determination of the expected profit or loss on disposal is judgmental due to the need to determine any associated goodwill or intangible assets associated with each disposal. Judgement is also required as to whether these assets meet the conditions of relevant accounting standards for presentation as "Assets held for sale" at the balance sheet date.
- Our response: Our audit procedures in this area included, among others: consideration of the detailed ruling from the CC, including the potential remedies; and understanding and challenging the Group's evaluation of the impact of the ruling on the carrying amount of the goodwill, brand and customer relationship assets, and other cinema assets relating to the affected sites. We based our understanding on the relevant correspondence and rulings from the OFT, CC and legal advisors engaged by the Group. We challenged the Group's evaluation of the impact based on the expectations we formed from this understanding and through inspecting the third party offers for sale, disposal calculations and decisions taken by the Board. We considered the Group's operational plans regarding the impact of the ruling on the valuation and future use of these assets. We also assessed whether the Group's disclosures in respect of the Assets held for sale, the valuation of cinema assets, goodwill and the associated intangible assets properly reflected the degree of estimation and assumptions used in arriving at the position adopted.

Onerous lease provisions (£10.7m)

Refer to page 43 (Audit Committee Report), page 77 (accounting policy) and pages 97–98 (financial disclosures).

- The risk: The Group provides for onerous lease costs, on acquisition of a cinema as part of a business, when it considers that the unavoidable costs of the lease obligations from operating the cinema are in excess of the economic benefits expected to be received from operating it but where it continues to be rational to operate the cinema as the cinema operations provide a contribution towards the unavoidable lease costs. The provision is calculated and updated annually, using a valuation model that requires consideration of existing market conditions and estimates of future operating cashflows from each cinema to calculate the level of onerous lease. The value of the provision is sensitive to the underlying assumptions around future cash flows and discount rates.
- Our response: In this area our audit procedures included, among others: comparing the Group's forecast cash flows to historical cash flow trends for each cinema for which a provision has been made; considering the appropriateness and accuracy of the valuation model, including assessing the key input data, such as growth rates and discount rates, against our internal benchmark data; and applying sensitivities to these key assumptions. We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

Recognition of Virtual Print Fee ('VPF') income (£7.4m)

Refer to page 43 (Audit Committee Report), page 77 (accounting policy) and page 89 (financial disclosures).

- The risk: The Group recognises VPF income on an accruals basis, dependent on the number of screenings of particular films. The income recognition criteria are complex as they include the number, type, timing and overlap of screenings. In addition, the large volume of screening data has historically led to differences between the third party supplier and the Group's estimate due to processing delays. Further, there is the potential for penalties to be applied on certain screenings that are prohibited under the VPF agreement. There is then a six month delay between the income being recognised, the balances being fully reconciled with the third party supplier and the receivable being paid. Given the complexity and level of estimation, this is deemed to be one of the Group's key judgment areas.
- Our response: Our audit procedures included, among others: testing the Group's controls over the VPF income recognition and collection process, including screening information; testing the receipt of fee income after the period end; and considering the appropriateness of the level of VPF income recognised by reference to the terms of the VPF agreement and underlying screening data. We have also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the income recognised.

Carrying value of property, plant and equipment (£162.1m, impairment charge £1.3m)

Refer to page 43 (Audit Committee Report); page 77 (accounting policy) and pages 85–86 (financial disclosures).

- The risk – There is a risk that at an individual Cinema level the property, plant and equipment balances may prove to be irrecoverable due to local factors, such as increased competition, materially affecting site performance. The difficulties involved in predicting the performance of sites operated by the Group increase this risk. In 2013, an impairment charge of £1.3m has been recognized. Inherent uncertainty is involved in forecasting and discounting future cash flows, due to the fact that the Group has no direct control over the films released for distribution and little visibility over the release schedule more than 12 months into the future.
- Our response – Our audit procedures included, among others, an analysis of the Group's previous ability to forecast cash generation and challenging the reasonableness of current forecasts given the future plans for the business and the risk perceived in those strategies from our understanding of the business's past performance. Benchmarking was performed on the discount rates used by the Group to market data, industry norms and our expectations based on knowledge of the business. We performed an assessment of sensitivity analysis of both discount rates and forecast cash flows and the resulting headroom across all valuations and considered the appropriateness of the resulting disclosures in light of this sensitivity.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £2,300,000. This has been determined with reference to a benchmark of Group profit before taxation of £41.7m (adjusted for the one off exceptional items disclosed in the Consolidated Statement of Profit or Loss totaling £10.8m), of which it represents 5.5% (7.4% of profit before tax before adjustment), which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £115,000, in addition to any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds. In addition, we considered whether any misstatements corrected by management identified during the course of the audit should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

The Group's principal operation is Cineworld Cinemas which represents 91% of total group revenue, 95% of total Group profit before tax and 92% of total Group assets. Only the Cineworld Cinemas component is scoped in for Group reporting purposes. The Group audit team performed the audit of Cineworld Cinemas as if it were a single aggregated set of financial information using a materiality of £2,000,000.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.
- Under the Companies Act 2006 we are required to report to you if, in our opinion:
 - adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
 - certain disclosures of directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we require for our audit.

**Independent
Auditor's Report**
continued

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 39, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 40 to 46 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 63, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

**Mark Summerfield (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants
15 Canada Square,
London
E14 5GL

6 March 2014

Consolidated Statement of Profit or Loss

for the Period Ended 26 December 2013

	Note	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 (restated ⁽¹⁾) £m
Revenue	2	406.1	358.7
Cost of sales		(293.3)	(263.9)
Gross profit		112.8	94.8
Other operating income	3	0.5	0.3
Administrative expenses		(75.8)	(51.1)
Operating profit	4	37.5	44.0
Analysed between:			
Operating profit before depreciation, impairments, reversals of impairments and amortisation, onerous lease and other non-recurring or non-cash property charges, transaction and reorganisation costs, defined benefit pension scheme indexation gain, and refinancing costs			
		72.3	66.9
• Depreciation and amortisation	4	(24.0)	(21.5)
• Onerous leases and other non-recurring charges	4	(0.7)	(1.6)
• Impairments and reversals of impairments	4	(2.0)	(0.3)
• Other non-recurring income	4	–	2.0
• Transaction and reorganisation costs	4	(8.1)	(1.1)
• Defined benefit pension scheme past service costs	19	–	(0.4)
Finance income	7	0.3	0.3
Finance expenses	7	(6.8)	(6.9)
Net change in fair value of cash flow hedges reclassified from equity		–	1.0
Net finance costs		(6.5)	(5.6)
Share of loss of jointly controlled entities using equity accounting method, net of tax		(0.1)	(0.1)
Profit on ordinary activities before tax		30.9	38.3
Tax charge on profit on ordinary activities	8	(9.9)	(10.8)
Profit for the period attributable to equity holders of the Company		21.0	27.5
Basic earnings per share	5	14.0p	19.2p
Diluted earnings per share	5	13.8p	19.0p

The Notes on pages 72 to 103 are an integral part of these consolidated financial statements.

(1) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

Consolidated Statement of Other Comprehensive Income

for the Period Ended 26 December 2013

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 (restated ⁽¹⁾) £m
Profit for the period attributable to equity holders of the Company	21.0	27.5
<i>Items that will not subsequently be reclassified to profit or loss</i>		
Remeasurement of the defined benefit asset	(0.7)	1.2
Tax recognised on items that will not be reclassified to profit or loss	(0.1)	(0.2)
<i>Items that will subsequently be reclassified to profit or loss</i>		
Movement in fair value of cash flow hedge	(1.6)	(0.1)
Foreign exchange translation loss	(0.4)	(0.5)
Tax recognised on income and expenses recognised directly in equity	0.3	(0.7)
Other comprehensive income for the period, net of income tax	(2.5)	(0.3)
Total comprehensive income for the period attributable to equity holders of the Company	18.5	27.2

(1) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

Consolidated Statement of Financial Position

at 26 December 2013

	Note	26 December 2013		27 December 2012	
		£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	10		162.1		160.0
Goodwill	11		236.2		236.7
Intangible assets	11		13.8		15.7
Investments in equity-accounted investee	12		0.6		0.7
Other receivables	15		1.4		1.4
Employee benefits	19		5.3		4.4
Deferred tax assets	13		8.1		9.9
Total non-current assets			427.5		428.8
Current assets					
Inventories	14		3.5		3.8
Trade and other receivables	15		34.6		34.3
Assets classified as held for sale	16		2.3		–
Cash and cash equivalents			19.0		10.9
Total current assets			59.4		49.0
Total assets			486.9		477.8
Current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	17		(6.3)		(8.1)
Trade and other payables	18		(82.7)		(72.7)
Current taxes payable			(3.9)		(4.7)
Liabilities classified as held for sale	16		(0.1)		–
Provisions	20		(1.1)		(0.3)
Total current liabilities			(94.1)		(85.8)
Non-current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	17		(125.0)		(129.7)
Other payables	18		(54.8)		(53.3)
Government grants			(1.8)		(1.9)
Provisions	20		(10.4)		(11.1)
Deferred tax liabilities	13		(6.9)		(7.4)
Total non-current liabilities			(198.9)		(203.4)
Total liabilities			(293.0)		(289.2)
Net assets			193.9		188.6
Equity attributable to equity holders of the Company					
Share capital	21		1.5		1.5
Share premium			188.2		188.1
Translation reserves	21		1.7		1.3
Hedging reserves	21		(1.9)		(3.5)
Retained earnings			4.4		1.2
Total equity			193.9		188.6

These financial statements were approved by the Board of Directors on 6 March 2014 and were signed on its behalf by:

Anthony Bloom **Philip Bowcock**
 Chairman Chief Financial Officer

Consolidated Statement of Changes in Equity

for the Period Ended 26 December 2013

	Issued capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained deficit (restated ⁽¹⁾) £m	Total £m
Balance at 29 December 2011	1.4	171.8	1.8	(3.4)	(11.3)	160.3
Profit for the period	–	–	–	–	27.5	27.5
Other comprehensive income						
<i>Items that will not subsequently be reclassified to profit or loss</i>						
Remeasurement of the defined benefit asset	–	–	–	–	1.2	1.2
Tax recognised on items that will not be reclassified to profit or loss	–	–	–	–	(0.2)	(0.2)
<i>Items that will subsequently be reclassified to profit or loss</i>						
Movement in fair value of cash flow hedge	–	–	–	(0.1)	–	(0.1)
Retranslation of foreign currency denominated subsidiaries	–	–	(0.5)	–	–	(0.5)
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	(0.6)	(0.6)
Contributions by and distributions to owners						
Dividends	–	–	–	–	(16.0)	(16.0)
Movements due to share-based compensation	–	–	–	–	0.6	0.6
Issue of shares	0.1	16.3	–	–	–	16.4
Balance at 27 December 2012	1.5	188.1	1.3	(3.5)	1.2	188.6
Profit for the period	–	–	–	–	21.0	21.0
Other comprehensive income						
<i>Items that will not subsequently be reclassified to profit or loss</i>						
Remeasurement of the defined benefit asset	–	–	–	–	(0.7)	(0.7)
Tax recognised on items that will not be reclassified to profit or loss	–	–	–	–	0.1	0.1
<i>Items that will subsequently be reclassified to profit or loss</i>						
Movement in fair value of cash flow hedge	–	–	–	1.6	–	1.6
Retranslation of foreign currency denominated subsidiaries	–	–	0.4	–	–	0.4
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	(0.3)	(0.3)
Contributions by and distributions to owners						
Dividends	–	–	–	–	(18.1)	(18.1)
Movements due to share-based compensation	–	–	–	–	1.2	1.2
Issue of shares	–	0.1	–	–	–	0.1
Balance at 26 December 2013	1.5	188.2	1.7	(1.9)	4.4	193.9

(1) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

Consolidated Statement of Cash Flows

for the Period Ended 26 December 2013

	Note	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 (restated ⁽¹⁾) £m
Cash flow from operating activities			
Profit for the period		21.0	27.5
Adjustments for:			
Financial income	7	(0.3)	(0.3)
Financial expense	7	6.8	6.9
Net change in fair value of cash flow hedges reclassified from equity		–	(1.0)
Taxation	8	9.9	10.8
Share of loss of equity-accounted investee		0.1	0.1
Operating profit		37.5	44.0
Depreciation and amortisation	4	24.0	21.5
Non-cash property charges	4	–	1.6
Impairments and reversals of impairments		2.0	0.3
Non-cash pension gain following change in indexation		–	0.4
Surplus of pension contributions over current service cost	19	(1.6)	(1.6)
Increase in trade and other receivables		(0.1)	(5.3)
(Increase)/decrease in inventories		0.3	(1.3)
Increase in trade and other payables		2.3	10.4
Decrease in provisions and employee benefit obligations		0.9	(3.0)
Cash generated from operations		65.3	67.0
Tax paid		(9.7)	(9.4)
Net cash flows from operating activities		55.6	57.6
Cash flows from investing activities			
Interest received		0.1	0.1
Acquisition of subsidiaries net of acquired cash		–	(43.3)
Acquisition of property, plant and equipment		(18.9)	(31.1)
Net cash flows from investing activities		(18.8)	(74.3)
Cash flows from financing activities			
Proceeds from share issue		–	16.4
Dividends paid to shareholders		(18.1)	(16.0)
Interest paid		(5.2)	(4.9)
Repayment of bank loans		(29.5)	(5.0)
Proceeds from bank loans		25.0	32.3
Payment of finance lease liabilities		(0.9)	(0.6)
Net cash from financing activities		(28.7)	22.2
Net increase in cash and cash equivalents		8.1	5.5
Exchange gains/(losses) on cash and cash equivalents		–	(0.1)
Cash and cash equivalents at start of period		10.9	5.5
Cash and cash equivalents at end of period		19.0	10.9

(1) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

Notes to the Consolidated Financial Statements

(Forming Part of the Financial Statements)

1. Accounting Policies

Basis of Preparation

Cineworld Group plc (the “Company”) is a company incorporated in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in jointly controlled entities. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 104 to 109.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial period are set out below.

Information regarding the Group’s business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report on pages 10 to 17 and the Risks and Uncertainties section on pages 20 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 10 to 17. In addition Note 21 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Going Concern

At the period end the Group met its day-to-day working capital requirements through its bank loan, which consisted of a term loan and a revolving facility (refer Note 17 to the financial statements). During 2013 the original term loan was extended by £30m to £87.5m. The revolving facility was £100m. Interest was charged on the facility at LIBOR plus 1.95%. As at the period end, £85m of the term loan was outstanding and £38.5m of the revolving facility was drawn down. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group’s products; and (b) the availability of bank finance in the foreseeable future.

As part of the combination with CCI, the Company entered into a new five-year facility to part finance such combination and repay the existing facility. An element of the new facility was drawn to part settle the acquisition cash consideration of £272m and €14.5m. The residual of the facility has been drawn to repay the existing facilities of the combined Group and to fund general working capital requirements going forward. The new facility provides funding of £400m of which £275m is term loan and £125m is a revolving credit facility. £160m (€192m) of the new facility is available in Euros, reflecting the composition of the combined Group. This new financing arrangement became effective on 10 January 2014, but the new facility was not drawn and the existing facility was not repaid until 27 February 2014. As with the previous facility, the new facility is subject to floating interest rate charges. In line with the terms of the new facility agreement, management are currently in the process of implementing appropriate hedging arrangements to mitigate the risk of a material impact arising from interest rate fluctuations.

The current bank facility is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including compliance with the bank facility covenants. The Group therefore continues to adopt the going concern basis.

Measurement Convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the income statement or as available for sale.

The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

Jointly Controlled Entities (Equity Accounted Investees)

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers’ unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group’s share of the total recognised income and expense and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group’s share of losses exceeds its interest in an equity accounted investee, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Transactions Eliminated on Consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

1. Accounting Policies continued

Use of non-GAAP profit and loss measures

The Group believes that along with operating profit, the following measures:

- EBITDA
- Adjusted pro-forma earnings
- Net debt

provide additional guidance to the statutory measures of the performance of the business during the financial period.

EBITDA comprises of earnings before interest, tax, depreciation and amortisation, onerous lease and other non-recurring or non-cash property charges, transaction and reorganisation costs, defined benefit scheme indexation gain and refinancing costs.

Adjusted pro-forma earnings comprises profit after tax adjusted for certain non-recurring and non-cash items as set out in Note 5. Adjusted pro-forma earnings is an internal measure used by management, as they believe it better reflects the underlying performance of the Group. A statutory tax rate is used, as tax is considered to be an external factor affecting earnings, which management are unable to influence.

Net debt represents net borrowings and derivatives.

Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations after 23 August 2004 (the date of incorporation) are taken directly to the translation reserve. They are released into the income statement upon disposal.

Derivative Financial Instruments and Hedging

Cash Flow Hedges and Interest Swap Policy

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the statement of comprehensive income immediately.

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, interest-bearing borrowings, and trade and other payables.

Trade and Other Receivables

Trade and other receivables were initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest method less any impairment losses. A bad debt allowance for receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and Cash Equivalents

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

Trade and Other Payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1. Accounting Policies continued

Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Other leases are operating leases. These leased assets are not recognised in the Group's balance sheet.

Depreciation is charged to the statement of comprehensive income to write assets down to their residual values on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• Land and buildings: Freehold properties	50 years
• Land and buildings: Short leasehold properties including leasehold improvements	30 years or life of lease if shorter
• Plant and machinery	3 to 10 years
• Fixtures and fittings	4 to 10 years
• Motor vehicles	3 years

No depreciation is provided on assets held for sale or on assets in the course of construction.

Depreciation methods, residual values and the useful lives of all assets are reassessed annually.

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset. The Group has capitalised borrowing costs with respect to the construction of new sites.

Business Combinations

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. Transactions costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with business combinations are expensed as incurred.

Intangible Assets and Goodwill

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

• Brands	10 to 20 years
• Customer loyalty programme	10 years
• Other intangibles	5 to 10 years

Non-current Assets Held for Sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

1. Accounting Policies continued

In accordance with IFRS 5, the above policy is effective from 28 December 2012; no reclassifications are made in prior periods.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the First-In, First-Out ("FIFO") principle. Cost comprises expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, and net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful economic life, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of Recoverable Amount

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of Impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount, including a change in fair value less costs to sell.

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

Employee Benefits

Defined Contribution Pension Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined Benefit Pension Plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the asset recognised is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income at the earlier of the date the plan amendment/curtailment occurred and the date the entity recognises the related restructuring costs or termination benefit.

The increase in the present value of the liabilities expected to arise from the employees' services in the accounting period is charged to the income statement. The expected return on the schemes' assets and the interest on the present value of the schemes' liabilities during the accounting period are shown as finance income and finance expense respectively. Actuarial gains and losses are recognised immediately in equity.

Share-Based Payment Transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes model and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share appreciation rights are also granted by the Company to employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date and any changes in fair value are recognised in the income statement.

1. Accounting Policies continued**Government Grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. They are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset to which they relate.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Own Shares Held by Employee Benefit Trust ("EBT")

Transactions of the Group-sponsored EBT are included in the Group financial information. In particular, the trust's purchase of shares in the Company are debited directly to equity.

Revenue

Revenue represents the total amount receivable for goods sold, excluding sales related taxes and intra-Group transactions. All the Group's revenue is received from the sale of goods.

- Box office revenue is recognised on the date of the showing of the film it relates to;
- Concessions revenue is recognised at point of sale;
- Advertising revenue is recognised when the advertisement is shown;
- Unlimited card revenue is received annually or monthly in advance. When revenue from the Unlimited card is received annually in advance it is recognised on a straight-line basis over the year. Monthly Unlimited card revenue is recognised in the period to which it relates; and
- Other revenue is recognised in the period to which it relates.

Other Income

Other income represents rent receivable. Rental income is recognised on a straight-line basis over the life of the lease.

Expenses**Operating Lease Payments**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Where the Group has operating leases that contain minimum guaranteed rental uplifts over the life of the lease, the Group recognises the guaranteed minimum lease payment on a straight-line basis over the lease term.

Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net Financing Costs

Net financing costs comprise interest payable, amortisation of financing costs, unwind of discount on onerous lease provisions, finance lease interest, net gain/loss on remeasurement of interest rate swaps, interest receivable on funds invested, foreign exchange gains and losses and finance costs for defined benefit pension schemes.

Sale and Leaseback

Where the Group enters into a sale and leaseback transaction whereby the risks and rewards of ownership of the assets concerned have not been substantially transferred to the lessor, any excess of sales proceeds over the previous carrying amount are deferred and recognised in the income statement over the lease term. At the date of the transaction the assets and the associated finance lease liabilities on the Group's balance sheet are stated at the lower of fair value of the leased assets and the present value of the minimum lease payments.

Where the Group enters into a sale and leaseback transaction whereby the risks and rewards of ownership of the assets concerned have been substantially transferred to the lessor, any excess of sales proceeds over the previous carrying amount is recognised in the income statement on completion of the transaction, when the sale and subsequent lease back has been completed at fair value.

Taxation

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

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

Deferred tax is recognised using the balance sheet method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1. Accounting Policies continued

Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In applying the Group's accounting policies described above the Directors have identified that the following areas are the key estimates that have a significant impact on the amounts recognised in the financial statements.

Onerous Leases

Provision is made for onerous leases on acquisition of a cinema as part of a business, where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received from operating it. The unavoidable costs of the lease reflect the least net cost of exiting from the contract and are measured as the lower of the net cost of continuing to operate the lease and any penalties or other costs from exiting it.

When calculating the provision for onerous leases the Group is required to make certain assumptions about the future cash flows to be generated from that cinema site. It is also required to discount these cash flows using an appropriate discount rate. The resulting provision is therefore very sensitive to these assumptions however, the Directors consider that the assumptions made represent their best estimate of the future cash flows generated by onerous cinema sites, and that the discount rate used is appropriate given the risks associated with these cash flows. Management has applied sensitivity analysis to the estimate (see Note 20).

Virtual Print Fees

A Virtual Print Fee ("VPF") represents a discount from the cost Cineworld pays for film rental and reflects the cost saving to the studios of the move to digital. A VPF is receivable the first time a film is played in a digital format on a screen rather than using 35mm film.

A VPF is recognised on the date of the showing of the film it relates to and is included in cost of sales as a reduction of the film hire costs. VPFs are expected to be received until between 2016 and 2018, dependent upon the rate of screenings of films on which VPF income is earned.

The income recognition criteria are complex as they include the number, type and timing of screenings and the recognition of the income on an accruals basis does not necessarily match the cash received.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimate of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit that holds the goodwill at a determined discount rate to calculate the present value of those cash flows.

Forecasting expected cash flows, and selecting an appropriate discount rate, inherently require estimation, however management has also applied sensitivity analysis to the estimates which does not affect the outcome (see Note 11).

Impairment of Tangible Fixed Assets

The Group determines whether tangible fixed assets are impaired when indicators of impairments exist. This requires an estimate of the value in use of the cash-generating units to which the tangible fixed assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units that holds the tangible fixed assets at a determined discount rate to calculate the present value of those cash flows.

When reviewing fixed assets for impairment, the Group is required to make certain assumptions about the future cash flows to be generated from the individual cinema sites. It is also required to discount these cash flows using an appropriate discount rate. The resulting calculation is therefore very sensitive to these assumptions. However, the Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the cinema sites, and that the discount rate used is appropriate given the risks associated with these cash flows. Management has applied sensitivity analysis to the estimates (see Note 10).

Employee Post Retirement Benefit Obligations

The Group has two defined benefit pension plans. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligations calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of the assumptions used are provided in Note 19.

Management consider that the assumptions used are the most appropriate but recognise that the resulting pension liability is very sensitive to these assumptions.

1. Accounting Policies continued**Deferred Tax Assets**

The Group recognises deferred tax assets for temporary differences arising at the balance sheet date. The Group applies estimates when calculating the carrying value of these assets and considering whether future taxable profits are sufficient to ensure their recoverability.

Judgements

In addition, the Directors are required to make certain judgements when applying the Group's accounting policies described above. The key judgements are:

Finance and Operating Leases

When the Group enters into a new lease it is required to consider whether it bears substantially all the risks and rewards of the asset. The Group considers the requirements of IAS 17 "Leases" when determining whether it has an operating or finance lease, and in most cases the outcome is clear.

Hedging Arrangements

The Group enters into interest rate swaps to fix a portion of its exposure to variable interest rates on its loan arrangements. In order to apply the hedge accounting provisions of IAS 39 "Financial Instruments", the Group must consider the effectiveness of its hedging arrangements when deciding whether they can hedge account.

Other Areas of Significant Judgement

During 2013, management also consider that the following two areas require significant judgement:

- The impact of the Competition Commission into the acquisition of City Screen (see Note 16); and
- The valuation on acquisition of the Picturehouse intangible assets (see Note 11).

New Standards and Interpretations

The Directors considered the impact of other new and revised accounting standards, interpretations or amendments on the Group that are currently endorsed but not yet effective. The Directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to impact the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments clarify the offsetting criteria, specifically:

- When an entity currently has a legal right of set off; and
- When gross settlement is equivalent to net settlement.

An entity "currently has a legally enforceable right of set off" if the right is:

- Not contingent on a future event; and
- Enforceable in both the normal course of business, and in the event of default, insolvency or bankruptcy of the entity and all of the counterparties.

Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:

- Eliminate or result in insignificant credit and liquidity risk; and
- Process receivables and payables in a single settlement process or cycle.

Recoverable Amount Disclosures for Non-financial Assets (Amendments to IAS 36)

The amendments reverse the unintended requirement in IFRS 13 "Fair Value Measurement" to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

Continuing Hedge Accounting after Derivative Novations (Amendments to IAS 39)

The amendments add a limited exception to IAS 39 to provide relief from discounting an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

2. Operating Segments

Determination and presentation of operating segments:

Following the acquisition of Picturehouse in 2012, the Group has determined that it has two operating segments: Cineworld Cinemas and Picturehouse.

	Cineworld Cinemas (restated ⁽¹⁾) £m	Picturehouse £m	Total (restated ⁽¹⁾) £m
52 weeks to 26 December 2013			
Total revenues	369.5	36.6	406.1
Segmental operating profit	35.7	1.8	37.5
Net finance costs	(6.3)	(0.2)	(6.5)
Share of loss of jointly controlled entities using equity method, net of tax	(0.1)	–	(0.1)
Profit before tax	29.3	1.6	30.9
Segmental total assets	469.0	17.4	486.4
52 weeks to 27 December 2012			
Total revenues	356.2	2.5	358.7
Segmental operating profit	43.9	0.1	44.0
Net finance costs	(5.6)	–	(5.6)
Share of loss of jointly controlled entities using equity method, net of tax	(0.1)	–	(0.1)
Profit before tax	38.2	0.1	38.3
Segmental total assets	441.2	36.6	477.8

(1) Comparative information relating to 2012 has been restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

Revenue by destination and by origin from countries other than the UK in all financial periods was not material. Likewise non-current assets located in other countries other than the UK in all financial periods are not material.

Entity Wide Disclosures:

Cineworld Cinemas

	52 week period ended 26 December 2013 Total £m	52 week period ended 27 December 2012 Total £m
Revenue by product and service provided		
Box office	261.5	251.6
Retail	84.6	82.3
Other	23.4	22.3
Total revenue	369.5	356.2

Picturehouse

	52 week period ended 26 December 2013 Total £m	52 week period ended 27 December 2012 Total £m
Revenue by product and service provided		
Box office	18.4	1.0
Retail	9.5	0.5
Other	8.7	1.0
Total revenue	36.6	2.5

All revenue streams are driven by admissions. The Group's internal management reporting and operations are not separated into these categories.

Notes to the Consolidated Financial Statements

continued

3. Other Operating Income

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Rental income	0.5	0.3

4. Operating Profit

Included in operating profit for the period are the following:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Depreciation (see Note 10)	22.3⁽¹⁾	21.4 ⁽¹⁾
Impairments (see Notes 10 and 11)	2.0⁽¹⁾	0.3 ⁽¹⁾
Amortisation of intangibles (see Note 11)	1.7⁽¹⁾	0.1 ⁽¹⁾
Onerous leases and other non-recurring charges	0.7⁽¹⁾	1.6 ⁽¹⁾
Other non-recurring income	–	(2.0) ⁽¹⁾
Transaction and reorganisation costs	8.1⁽¹⁾	1.1 ⁽¹⁾
Hire of other assets – operating leases	49.3⁽²⁾	47.7 ⁽²⁾

(1) Included in administrative expenses.

(2) £0.4m (2012: £0.3m) is included in administrative costs. The balance is included in cost of sales.

In 2013 there is no charge in respect of onerous leases. Other non-recurring charges relate to other provisions made (£0.4m) and development costs incurred (£0.3m). In 2012 there was a net charge of £1.6m on onerous leases following changes in trading assumptions.

In 2012 non-recurring income related to the reclaim of VAT previously paid on exempt sales.

In 2013 transaction costs relate to the acquisition of Cinema City International N.V. (£6.1m) (see Note 27), the Competition Commission enquiry into the acquisition of Picturehouse in 2012 (£1.2m) (see Note 16) and redundancy costs (£0.8m). In 2012, transaction costs related to the acquisition of Picturehouse.

The total remuneration of the Group's auditor, KPMG Audit Plc, and its affiliates for the services to the Group is analysed below.

	52 week period ended 26 December 2013 £000	52 week period ended 27 December 2012 £000
Auditor's remuneration:		
Group – audit	242	208
Company – audit	6	6
Amounts received by auditors and their associates in respect of:		
– Audit of financial statements pursuant to legislation	248	214
– Audit related assurance services	50	56
– Tax compliance services	57	64
– Tax advisory services	11	111
– Other assurance services	243	–
– Corporate finance services	480	50
– All other services	33	9

5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of non-vested ordinary shares held by the employee ownership trust. Adjusted pro-forma earnings per share is calculated in the same way except that the profit for the period attributable to ordinary shareholders is adjusted by adding back the amortisation of intangible assets, the cost of share-based payments, any other one-off income or expense as shown in the table below, and applying a tax charge at the statutory rate, to the adjusted profit.

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of non-vested ordinary shares held by the employee share ownership trust and after adjusting for the effects of dilutive options.

5. Earnings Per Share continued

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 (restated ⁽¹⁾) £m
Earnings attributable to ordinary shareholders	21.0	27.5
Adjustments:		
Amortisation of intangible assets	1.7	0.2
Share-based payments	1.3	0.9
Transaction and reorganisation costs	8.1	1.1
Impairments	2.0	1.0
Defined benefit scheme past service costs	–	0.4
Other non-recurring charges	0.7	–
Onerous lease cost	–	1.6
Income relating to VAT reclaim	–	(2.0)
Refinancing (income)/expenses	–	(1.0)
Adjusted earnings	34.8	29.7
Add back tax charge	9.9	10.8
Adjusted pro-forma profit before tax	44.7	40.5
Less tax at statutory rate 23.25% (2012: 24.5%)	(10.4)	(9.9)
Adjusted pro-forma profit after tax	34.3	30.6

(1) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

	52 week period ended 26 December 2013 Number of shares (m)	52 week period ended 27 December 2012 Number of shares (m)
Weighted average number of shares in issue	149.8	143.1
Basic and adjusted earnings per share denominator	149.8	143.1
Dilutive options	2.1	1.6
Diluted earnings per share denominator	151.9	144.7
Shares in issue at period end	149.9	149.6
	Pence	Pence
Basic earnings per share	14.0	19.2
Diluted earnings per share	13.8	19.0
Adjusted pro-forma basic earnings per share	22.9	21.4
Adjusted pro-forma diluted earnings per share	22.6	21.1

As required by IAS 8.28 "Accounting Policies", changes in accounting estimates and errors, the impact of the restatement on the current and comparative information on EPS, following the adoption of IAS 19, "Employee Benefits" is as follows:

	Pence	Pence
Basic earnings per share	(0.2)	(0.2)
Diluted earnings per share	(0.2)	(0.2)
Adjusted pro-forma basic earnings per share	(0.1)	(0.1)
Adjusted pro-forma diluted earnings per share	(0.1)	(0.1)

6. Staff Numbers and Costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	Number of staff	
	2013	2012
Head office	266	215
Cinemas	5,232	5,226
	5,498	5,441

Included in the average number of persons employed by the Group are part-time employees. No distinction is made between full-time and part-time employees in the analysis above.

Notes to the Consolidated Financial Statements

continued

6. Staff Numbers and Costs continued

The aggregate payroll costs of these persons were as follows:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Wages and salaries	59.4	47.8
Social security costs	3.7	2.8
Other pension costs – Defined contribution	0.6	0.4
Share-based payments (see Note 19)	1.3	0.9
	65.0	51.9

See pages 47 to 62 for details of Directors' remuneration.

7. Finance Income and Expense

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 (restated ⁽¹⁾) £m
Interest income	0.1	0.1
Defined benefit pension scheme net finance income (Note 18)	0.2	0.2
Finance income	0.3	0.3
Interest expense on bank loans and overdrafts	5.2	4.9
Amortisation of financing costs	0.4	0.4
Unwind of discount on onerous lease provision	0.8	0.8
Interest charge as a result of change in discount rate relating to onerous lease provisions	–	0.4
Other financial costs	0.4	0.4
Finance expense	6.8	6.9
Amounts reclassified from equity to profit and loss in respect of cash flow hedges	–	(1.0)
Total financial expense	6.8	5.9

Recognised within other comprehensive income:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Movement in fair value of interest rate swap	1.6	(0.1)
Foreign exchange translation gain/(loss)	0.4	(0.5)
Finance expense	2.0	(0.6)

(1) Comparative information restated following the adoption of the amendments to IAS 19 "Employee Benefits". Refer to Note 26.

8. Taxation

Recognised in the Income Statement

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Current tax expense		
Current year	9.8	10.0
Adjustments in respect of prior years	(1.0)	(0.6)
Total current tax expense	8.8	9.4
Deferred tax expense		
Origination and reversal of temporary differences	1.1	1.4
Total tax charge in income statement	9.9	10.8

8. Taxation continued
Reconciliation of Effective Tax Rate

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Profit before tax	30.9	38.3
Tax using the UK corporation tax rate of 23.25% (2012: 24.5%)	7.2	9.4
Differences in overseas tax rates	(0.1)	(0.1)
Permanently disallowed depreciation	1.3	1.0
Other permanent differences	2.2	0.4
Adjustments in respect of prior years	(1.0)	(0.6)
Effect of change in statutory rate to 20% (2012: 23%) on deferred tax	0.3	0.7
Total tax charge in income statement	9.9	10.8

During the period there was a deferred tax charge of £0.2m (2012: £0.8m) recognised directly in equity. This relates to the actuarial loss (2012: gain) on the defined benefit scheme and the movement in the fair value of the cash flow hedge on part of the Group's bank loans; see Note 13.

Factors that May Affect Future Tax Charges

As at 26 December 2013 the Group had potential tax assets relating to the following:

- Other non-trading losses of approximately £2.6m (2012: £2.6m); and
- Capital losses of approximately £7.6m (2012: £7.6m).

A deferred tax asset has not been recognised in respect of non-trading and capital losses carried forward as it is unclear whether non-trading income or capital gains against which the losses may be offset will arise in the Group for the foreseeable future. The net tax benefit of utilising any of the above losses is expected to amount to approximately 20% of the losses utilised.

Deferred tax is not provided on unremitted earnings of subsidiaries and joint ventures where the Group controls the timing of remittance and it is probable that the temporary difference will not reverse in the foreseeable future.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax asset and liability at 26 December 2013 have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

9. Business Combinations

On 6 December 2012, during the prior year period, the Group obtained control of City Screen Limited, its subsidiary undertakings and joint ventures held by City Screen Limited (collectively referred to as "City Screen"). City Screen trade as the "Picturehouse" group of cinemas. Control was obtained by acquiring 100% of the shares and voting interests in the acquired entities. Headline consideration was £47.3m which when adjusted for certain provisions of the purchase agreement resulted in a fair value of consideration transferred of £43.7m.

Due to the close proximity of the acquisition to the prior year end, management were still in the process of identifying and separating acquired intangible assets and as a result the fair value of the acquired net identifiable assets was measured on a provisional basis. A professional valuation of the brand and customer loyalty programme was carried out in the first half of 2013, the results of which were reflected in the Group's interim results for 2013. The finalisation of the fair values recognised on the acquisition of Picturehouse resulted in a £0.2m decrease in the value of the brand and customer loyalty programme and an increase in goodwill of £0.2m. This adjustment has not been made retrospectively as required by IFRS 3.45 as it is considered to be immaterial.

The identification and valuation of intangible assets is highly judgemental, as described in Note 1, as it is sensitive to underlying assumptions around future cash flows, discount rates, and useful economic lives. The future cash flows have not been sensitised as they are extracted from the Board approved budget for the Picturehouse group. However, the following sensitivities are relevant, in accordance with IAS 1: if the discount rate is reduced by 1% this would increase the value of the asset recognised by £5.0m and if the discount rate were increased by 1% this would decrease the value recognised by £5.0m. In respect of the useful economic lives of the asset, if the life of the Picturehouse brand is extended from 10 to 15 years there is no direct impact on the cost of the intangible assets produced but the annual amortisation charge for the Picturehouse brand would be reduced by £0.5m.

Consideration Transferred

	£m
Fair value of consideration transferred	
Cash	43.7

Notes to the Consolidated Financial Statements

continued

9. Business Combinations continued

Identifiable Assets Acquired and Liabilities Assumed

	£m	£m
Fair value of total net identifiable assets		
Land and buildings (including leasehold improvements)		20.5
Plant and machinery		2.6
Fixtures and fittings		1.6
<i>Brand and Customer loyalty programme:</i>		
<i>Provisional fair value</i>	15.5	
<i>Adjustment resulting from finalisation of fair values recognised on acquisition</i>	(0.2)	
<hr style="border-top: 1px dotted black;"/>		
Brand and Customer loyalty programme		15.3
Inventory		0.3
Trade receivables		1.2
Other receivables		1.6
Cash and cash equivalents		0.4
Loans and borrowings		(4.3)
Government grants		(1.9)
Deferred tax liabilities		(5.0)
Trade and other payables		(8.4)
Total net identifiable assets		23.9

Goodwill

	£m
Goodwill recognised as a result of the transaction	
Fair value of consideration transferred	43.7
Less:	
Fair value of net identifiable assets	(23.9)
Revised goodwill recognised on acquisition	19.8

Residual goodwill represents the skills and industry knowledge of City Screen's management and workforce, synergies expected to be realised post acquisition and the future value expected to be generated by City Screen from its pipeline. None of the goodwill is expected to be deductible for income tax purposes.

10. Property, Plant and Equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets in the course of construction £m	Total £m
Cost					
Balance at 29 December 2011	93.7	55.5	46.5	–	195.7
Additions due to acquisition	20.5	2.6	1.6	–	24.7
Additions	1.7	11.6	17.4	2.1	32.8
Disposals	(0.5)	(6.8)	(3.8)	–	(11.1)
Transfers	2.1	(0.1)	–	(1.9)	0.1
Effects of movement in foreign exchange	(0.1)	(0.1)	(0.4)	–	(0.6)
Balance at 27 December 2012	117.4	62.7	61.3	0.2	241.6
Additions	2.5	2.2	12.6	10.5	27.8
Disposals	(6.3)	(2.7)	(10.6)	–	(19.6)
Transfers	5.2	0.6	3.1	(8.9)	–
Transfers to Assets classified as held for sale	(2.3)	(1.7)	(0.3)	–	(4.3)
Effects of movement in foreign exchange	0.1	0.1	0.4	–	0.6
Balance at 26 December 2013	116.6	61.2	66.5	1.8	246.1
Accumulated depreciation and impairment					
Balance at 29 December 2011	25.8	20.5	25.1	–	71.4
Charge for the period	5.0	7.2	9.2	–	21.4
Disposals	(0.5)	(6.8)	(3.8)	–	(11.1)
Effects of movement in foreign exchange	(0.1)	–	(0.3)	–	(0.4)
Impairments	0.1	0.2	–	–	0.3
Balance at 27 December 2012	30.3	21.1	30.2	–	81.6
Charge for the period	6.2	5.8	10.3	–	22.3
Disposals	(6.3)	(2.7)	(10.6)	–	(19.6)
Effects of movement in foreign exchange	0.1	–	0.3	–	0.4
Transfer to Assets classified as held for sale	(0.7)	(1.2)	(0.1)	–	(2.0)
Impairments	0.6	0.5	0.2	–	1.3
Balance at 26 December 2013	30.2	23.5	30.3	–	84.0
Net book value					
At 29 December 2011	67.9	35.0	21.4	–	124.3
At 27 December 2012	87.1	41.6	31.1	0.2	160.0
At 26 December 2013	86.4	37.7	36.2	1.8	162.1

Land and buildings are made up of short leasehold properties encompassing leasehold improvements and freehold properties.

In 2013 there were no significant additions in respect of any distinctive projects. In 2012, of the £32.8m additions during the year, £8.5m related to the acquisition and installation of digital projection equipment, £4.9m to the installation of IMAX and £6.8m to the Customer First Programme.

The net book value of assets held under a finance lease is:

	26 December 2013 £m	27 December 2012 £m
The net book value of assets held under finance leases comprised:		
Opening net book value	5.3	4.7
Additions due to acquisition	–	0.8
Depreciation charge	(0.3)	(0.2)
Closing net book value	5.0	5.3

The above assets held under finance leases relate to a finance lease held on one cinema site which is included within land and buildings. Additions during the previous year were as a result of the acquisition of City Screen Limited. The acquired assets held under finance leases relate to digital projection equipment.

Interest of £46,000 (2012: £15,000) has been capitalised during the period which relates to the construction of new sites.

With respect to the tangible fixed asset disposals, no proceeds were receivable in the period.

10. Property, Plant and Equipment continued

Impairment

The Group considers each cinema site to be a cash-generating unit ("CGU") and each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use. The Group estimates value in use using a discounted cash flow model, which applies a pre-tax discount rate of 8.33% (2012: 8.4%). The future cash flows are based on financial budgets approved by management covering a one year period. Cash flows beyond the first period have been extrapolated using the assumptions used in the impairment model (see Note 11). The £1.3m impairment loss, recognised in the Cineworld operating segment, was caused by trading not reaching expectations for the foreseeable future in relation to three cinema sites.

Sensitivity to Changes in Assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rate applied to cash flow projections. The impact on the impairment charge of applying different assumptions to the growth rates used in the five-year business plan and in the discount rates would be as follows:

	£m
Impairment if business plan growth rates were reduced by 1% for first five years	–
Impairment if property cost growth rates were increased by 1% for first five years	–
Impairment if discount rate was increased by 1%	–

11. Intangible Assets

	Goodwill £m	Brand and other intangibles £m	Total £m
Cost			
Balance at 29 December 2011	224.8	1.2	226.0
Acquisition of subsidiary undertakings	19.6	15.5	35.1
Balance at 27 December 2012	244.4	16.7	261.1
Adjustment resulting from finalisation of fair values recognised on acquisition (see Note 9)	0.2	(0.2)	–
Balance at 26 December 2013	244.6	16.5	261.1
Accumulated amortisation and impairment			
Balance at 29 December 2011	7.7	0.9	8.6
Amortisation	–	0.1	0.1
Balance at 27 December 2012	7.7	1.0	8.7
Amortisation	–	1.7	1.7
Impairment (see Note 16)	0.7	–	0.7
Balance at 26 December 2013	8.4	2.7	11.1
Net book value			
At 29 December 2011	217.1	0.3	217.4
At 27 December 2012	236.7	15.7	252.4
At 26 December 2013	236.2	13.8	250.0

Impairment Testing

Each individual cinema is considered to be a CGU. However, for the purpose of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, being the level at which it is monitored by management.

The ex-Cine-UK and ex-UGC (including Dublin) businesses are now fully integrated, meaning that goodwill is now monitored on a Cineworld wide level. The Picturehouse CGUs are considered together as a separate group and have been tested for goodwill impairment on this basis.

The following assumptions have been applied to both individual CGUs when testing for impairment of PPE and groups of CGUs for goodwill impairment testing where applicable.

The recoverable amount of Cineworld and Picturehouse CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the first year period have been extrapolated using the below assumptions. This growth rate does not exceed the long-term average growth rate for the market in which Cineworld operates.

11. Intangible Assets continued

The key assumptions used in the cash flow projections for the purpose of the impairment review are as follows:

	Cineworld CGU		Picturehouse CGU	
	52 week period ended 26 December 2013 %	52 week period ended 27 December 2012 %	52 week period ended 26 December 2013 %	52 week period ended 27 December 2012 %
Discount rate	8.33	8.40	8.33	n/a
EBITDAR growth rate	3.00	3.00	3.00	n/a
Property cost growth rate	2.50	2.50	n/a	n/a

2014 forecast EBITDA, as defined in Note 1, was used as the basis of the future cash flow calculation. This is adjusted to add back rent (EBITDAR) and essential capex on existing sites. In line with long-term industry growth rates, EBITDAR is assumed to grow at 3% per annum.

Property costs are factored into the model, but are assumed to grow at 2.5% per annum over the life of the model. Cash flows are projected over the shorter of the lives of the property leases or the intangible assets to which the cash flow relates.

The Group has discounted forecast flows using a pre-tax discount rate of 8.33% (2012: 8.4%) being a market participant's discount rate. This is considered to reflect the risks associated with the relevant cash flows for both CGUs.

Management have sensitised the key assumptions including the discount rate and under base case and sensitised case no indicators of impairment exist. Management believes that any reasonably possible change in the key assumptions on which Cineworld's recoverable amount is based would not cause Cineworld's carrying amount to exceed its recoverable amount.

Amortisation Charge

The amortisation of intangible assets is recognised in the following line items in the income statement:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Administrative expenses	1.7	0.1

12. Investment in Equity Accounted Investee

The Group has the following investment in a jointly controlled entity:

	Country of Incorporation	Class of shares held	Ownership
Digital Cinema Media Limited	England and Wales	Ordinary	50%

On 8 February 2008 the Group jointly formed Digital Cinema Media Limited ("DCM") with Odeon Cinemas Holdings Limited ("Odeon"). On 10 July 2008 DCM acquired certain trade and assets (substantially employees, computer systems, leasehold office and existing contracts) from Carlton Screen Advertising Limited, the Group's former advertising supplier.

Under the terms of the shareholder agreement between the Group and Odeon, key business decisions in respect of DCM require the unanimous approval of the shareholders. As a consequence, the Directors of the Group do not have total management control of DCM, therefore the Group's investment is accounted for as a joint venture.

	26 December 2013 £m	27 December 2012 £m
Cost	0.9	0.9
Share of post acquisition reserves	(0.2)	(0.1)
Share of post tax loss	0.7	0.8
Carrying value	(0.1)	(0.1)
	0.6	0.7

Notes to the Consolidated Financial Statements

continued

12. Investment in Equity Accounted Investee continued

Summary aggregated financial information on jointly controlled entities – 100%:

	26 December 2013 £m	27 December 2012 £m
Current assets	20.3	23.4
Non-current assets	1.8	1.9
Current liabilities	(16.1)	(16.6)
Non-current liabilities	(6.4)	(9.0)
Net liabilities	(0.4)	(0.3)
Income	49.3	53.4
Expenses	(49.5)	(53.6)
Net loss	(0.2)	(0.2)

Screen advertising represents an important part of the Group's revenue streams and the joint venture partners recognise the importance of protecting this revenue stream. The joint venture partners are able to reduce their share of the advertising income if deemed necessary to support DCM.

13. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	26 December 2013 £m	27 December 2012 £m	26 December 2013 £m	27 December 2012 £m	26 December 2013 £m	27 December 2012 £m
Property, plant and equipment	–	0.4	(3.5)	(3.3)	(3.5)	(2.9)
Intangible assets	–	–	(2.8)	(3.6)	(2.8)	(3.6)
Employee benefits	0.5	0.4	(1.0)	(1.0)	(0.5)	(0.6)
Reverse premiums	1.9	2.2	–	–	1.9	2.2
Effect of straight lining operating lease accruals	5.6	6.6	–	–	5.6	6.6
Interest rate swap	0.5	0.8	–	–	0.5	0.8
Tax assets/(liabilities)	8.5	10.4	(7.3)	(7.9)	1.2	2.5
Set off tax	(0.4)	(0.5)	0.4	0.5	–	–
Net tax assets/(liabilities)	8.1	9.9	(6.9)	(7.4)	1.2	2.5

See Note 8 for details of unrecognised tax assets.

Deferred taxation provided for in the financial statements at the period end represents provision at 20% (2012: 23%) on the above items. The effect of the change in statutory rate from 23% to 20% resulted in a £0.3m charge recognised in income (2012: 25% to 23% £0.7m).

A review of the deferred tax will be performed at each balance date and adjustments made in the event of a change in any key assumptions.

Deferred tax assets and liabilities are attributable to the following:

	27 December 2012 £m	Recognised in income £m	Recognised in equity £m	26 December 2013 £m
Property, plant and equipment	(2.9)	(0.6)	–	(3.5)
Intangible assets	(3.6)	0.8	–	(2.8)
Employee benefits	(0.6)	–	0.1	(0.5)
Reverse premiums	2.2	(0.3)	–	1.9
Effect of straight lining operating lease accruals	6.6	(1.0)	–	5.6
Interest rate swap	0.8	–	(0.3)	0.5
Tax assets/(liabilities)	2.5	(1.1)	(0.2)	1.2

13. Deferred Tax Assets and Liabilities continued

	29 December 2011 £m	Recognised in income £m	Recognised in equity £m	Recognised on acquisition of subsidiary undertakings £m	27 December 2012 £m
Property, plant and equipment	(0.9)	(0.6)	–	(1.4)	(2.9)
Intangible assets	(0.1)	0.1	–	(3.6)	(3.6)
Employee benefits	(0.2)	(0.2)	(0.2)	–	(0.6)
Reverse premiums	2.5	(0.3)	–	–	2.2
Effect of straight lining operating lease accruals	7.3	(0.7)	–	–	6.6
Interest rate swap	1.1	0.3	(0.6)	–	0.8
Tax assets/(liabilities)	9.7	(1.4)	(0.8)	(5.0)	2.5

14. Inventories

	26 December 2013 £m	27 December 2012 £m
Goods for resale	3.5	3.8

Goods for resale recognised in cost of sales in the period amounted to £23.1m (2012: £18.0m).

15. Trade and Other Receivables

	26 December 2013 £m	27 December 2012 £m
Current		
Trade receivables	6.2	4.5
Other receivables	0.1	–
Prepayments and accrued income	28.3	29.8
	34.6	34.3
Non-current		
Land lease premiums	0.9	0.9
Loan to jointly controlled entity	0.5	0.5
	1.4	1.4

The Virtual Print Fee accrued income balance recognised at the year end of £4.4m (2012: £7.1m) is included within the prepayments and accrued income. The balance is accrued based on the number of relevant film screenings during the period. Given the complexity of the income recognition criteria, as described in Note 1, and in accordance with IAS 1, the following sensitivity is relevant:

A decrease in the number of screenings recognised of 5% would decrease the VPF income recognised by £0.4m.

16. Non-current Assets Held for Sale

The Competition Commission ruled on 31 January 2014 that as a result of Cineworld Group plc acquiring City Screen Limited and its subsidiaries ("Picturehouse") there was a substantial lessening of competition in three local geographical areas and that the divestment of either a Cineworld or Picturehouse cinema in each of the affected cities was required. As a result, the Group will be divesting assets in Aberdeen, Bury St Edmunds and Cambridge. As at the period end, the sites were being actively marketed for sale and the Group is required to complete each of the three disposals by 31 July 2014, six months after the final ruling.

The values in the table below represent the net book value of property, plant and equipment and associated liabilities which are shown as current assets and liabilities held for sale. Since the fair value less costs to sell is expected to be in excess of the net book value of the property, plant and equipment no impairment of such assets is required.

	26 December 2013 £m	27 December 2012 £m
Assets classified as held for sale		
Property, plant and equipment	2.3	–
Liabilities classified as held for sale		
Interest-bearing loans	(0.1)	–

As a result of the potential sale of Picturehouse sites, we considered the carrying value of the brand asset and goodwill recognised on acquisition associated with these sites. It was determined that no impairment of the brand asset was required, however goodwill, presented in the Picturehouse operating segment, in respect of the sites was impaired by £0.7m.

Notes to the Consolidated Financial Statements

continued

16. Non-current Assets Held for Sale continued

The significant estimation required by management was the allocation of goodwill across the cinema portfolio. Management took the 2014 forecast EBTIDA for each cinema, analysing each site's relative performance, and used this to allocate goodwill. This balance together with the property, plant and equipment assets were then compared to the fair values less costs to sell, resulting in the above impairment of £0.7m.

17. Interest-Bearing Loans and Borrowings and Other Financial Liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	26 December 2013	27 December 2012
	£m	£m
Non-current liabilities		
Interest rate swaps	0.9	2.2
Unsecured bank loans, less issue costs of debt to be amortised	118.1	121.3
Liabilities under finance leases	6.0	6.2
	125.0	129.7
Current liabilities		
Interest rate swaps	1.0	1.3
Unsecured bank loans, less issue costs of debt to be amortised	4.6	6.0
Liabilities under finance leases	0.7	0.8
	6.3	8.1

The terms and conditions of outstanding loans were as follows:

				26 December 2013		27 December 2012	
				Face value	Carrying amount	Face value	Carrying amount
				£m	£m	£m	£m
Unsecured bank loan – 1	GBP	LIBOR +1.95%	2016	123.5	122.7	124.0	123.1
Unsecured bank loan – 2	GBP	LIBOR +5.00%	2014	–	–	1.2	1.2
Unsecured bank loan – 3	GBP	LIBOR +3.50%	2015	–	–	0.7	0.7
Unsecured bank loan – 4	GBP	LIBOR +5.00%	2016	–	–	1.4	1.4
Unsecured bank loan – 5	GBP	LIBOR +5.00%	2016	–	–	0.8	0.8
Unsecured bank loan – 6	GBP	5.00%	2022	–	–	0.1	0.1
Finance lease liability – 1	GBP	7.2%	2029	6.6	6.6	6.6	6.6
Finance lease liability – 2	GBP	4.5%	2015	0.1	0.1	0.2	0.2
Finance lease liability – 3	GBP	4.5%	2014	–	–	0.1	0.1
Finance lease liability – 4	GBP	3.5%	2014	–	–	0.1	0.1
Total interest-bearing liabilities				130.2	129.4	135.2	134.3

See Note 22 for bank loan maturity analysis.

Finance Lease Liabilities

The maturity of obligations under finance leases is as follows:

	26 December 2013	27 December 2012
	£m	£m
Within one year	0.7	0.8
Between one and two years	0.6	0.8
In the second to fifth years	2.0	1.9
Over five years	7.9	8.5
	11.2	12.0
Less future finance charges	(4.5)	(5.0)
	6.7	7.0

17. Interest-Bearing Loans and Borrowings and Other Financial Liabilities continued
Analysis of Net Debt

	Cash at bank and in hand £m	Bank loans £m	Finance leases £m	Interest rate swap £m	Net debt £m
At 29 December 2011	5.5	(95.7)	(6.7)	(4.5)	(101.4)
Acquisition of subsidiary undertakings	0.4	(3.9)	(0.4)	–	(3.9)
Cash flows	5.0	(27.3)	0.6	–	(21.7)
Non-cash movement	–	(0.4)	(0.5)	1.0	0.1
At 27 December 2012	10.9	(127.3)	(7.0)	(3.5)	(126.9)
Cash flows	8.1	4.9	0.9	–	13.9
Non-cash movement	–	(0.4)	(0.6)	1.6	0.6
Transferred to Liabilities classified as held for sale	–	0.1	–	–	0.1
At 26 December 2013	19.0	(122.7)	(6.7)	(1.9)	(112.3)

The non-cash movements relating to bank loans represent the amortisation of debt issuance costs.

18. Trade and Other Payables

	26 December 2013 £m	27 December 2012 £m
Current		
Trade payables	21.1	29.8
Other payables	10.8	4.7
Accruals and deferred income	50.8	38.2
	82.7	72.7
Non-current		
Accruals and deferred income	54.8	53.3

Non-current accruals and deferred income include reverse-lease premiums and an accrual for straight lining operating leases.

19. Employee Benefits

Pension Plans

The Group operates two externally funded defined benefit pension schemes, one in the United Kingdom, the MGM Pension Scheme, and one in Ireland, the Adelphi-Carlton Limited Contributory Pension Plan.

MGM Scheme

The Scheme is a funded Scheme of the defined benefit type, providing retirement benefits based on final salary. The Scheme closed to future accrual from 31 May 2009, though the link to final pay at retirement was retained.

The Group has engaged its actuary's assistance in measuring the defined benefit asset for the purposes of IAS19 revised for the period ended 26 December 2013.

The valuation used for IAS19 disclosures has been based on a full assessment of the liabilities of the Scheme as at 5 April 2012. The impact of the adoption of IAS19 revised is detailed in Note 26. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur, but outside the Income Statement, through Other Comprehensive Income.

In 2012 an allowance of £0.4m was made for the estimated cost of equalising member benefits correctly. This was recognised as a past service cost in the Statement of Comprehensive Income, and increased the Scheme liabilities.

The Company made contributions of £1.6m during 2013 (2012: £1.6m).

Adelphi-Carlton Limited Contributory Pension Plan

The Adelphi-Carlton Limited Contributory Pension Plan is closed to new entrants and therefore the current service cost is £nil. The trustees of the Adelphi-Carlton Limited Contributory Pension Plan have not agreed that any surplus on the plan can be refunded to the Company. Accordingly the surplus has not been recognised. The Scheme has a surplus of £0.4m as at 26 December 2013 (2012: £0.3m).

Actuaries for Adelphi-Carlton Limited carried out the last actuarial valuation of the scheme as at 1 April 2007. Based on this assessment, the actuarial value of the assets of the scheme was more than sufficient to cover 100% of the benefits that had accrued to members. In view of this, a suspension of Company contributions was in force from 1 April 2001 to 26 December 2013. Total contributions for the 52 weeks ended 27 December 2012 and 52 weeks ended 26 December 2013 were £nil and £nil, respectively.

Notes to the Consolidated Financial Statements

continued

19. Employee Benefits continued

The net surplus/(deficit) in the pension scheme is:

	26 December 2013 £m	27 December 2012 £m
MGM Pension Scheme	5.3	4.4
Net surplus	5.3	4.4

MGM Pension Scheme

Profile of the Scheme

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

	26 December 2013 £m	27 December 2012 £m
Analysis of defined benefit obligation by membership category		
Total value of current employees' benefits	2.3	2.1
Deferred members' benefits	9.6	9.3
Pensioner member benefits	16.9	16.7
Total defined benefit obligation	28.8	28.1

The scheme duration is an indicator of the weighted average time until benefit payments are made. For the Scheme as a whole, the duration is around 15 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 25 years), deferred members (duration of 19 years) and current pensioners (duration of ten years).

Funding Requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 5 April 2012 and showed a deficit of £0.4m.

The Company is paying deficit contributions of £1.6m per annum which, along with investment returns from return-seeking assets, is expected to make good this shortfall by February 2015. The next funding valuation is due no later than 5 April 2015 at which progress towards full-funding will be reviewed. A contribution of £1.6m is expected to be paid by the Company during the 53 week period ending 1 January 2015.

Risks Associated with the Scheme

The Scheme exposes the Group to a number of risks, the most significant of which are:

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (diversified growth funds) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Inflation risk	A significant proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

A contingent liability exists in relation to the equalisation of Guaranteed Minimum Pension ("GMP"). The UK Government intends to implement legislation which could result in an increase in the value of GMP for males. This would increase the defined benefit obligation of the plan. At this stage, it is not possible to quantify the impact of this change.

The amounts recognised on the Balance Sheet are set out below:

	26 December 2013 £m	27 December 2012 £m	29 December 2011 £m
Present value of funded defined benefit obligations	(28.8)	(28.1)	(28.4)
Fair value of plan assets	34.1	32.5	30.4
Surplus in scheme	5.3	4.4	2.0

When the members' benefits have been fully paid, the rules of the scheme permit any surplus to revert to the Employer (the Group). Therefore the surplus on the scheme has been recognised as an asset.

19. Employee Benefits continued

Movements in present value of defined benefit obligation:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
At beginning of period	(28.1)	(28.4)
Interest cost	(1.2)	(1.3)
Actuarial (loss)/gain	(0.6)	0.8
Benefits paid	1.1	1.2
Past service cost (member benefits equalisation)	-	(0.4)
At end of period	(28.8)	(28.1)

Movements in fair value of plan assets:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
At start of period	32.5	30.4
Expected return on plan assets	1.4	1.5
Actuarial (loss)/gains	(0.1)	0.4
Contributions by employer	1.6	1.6
Administration costs incurred	(0.2)	(0.2)
Benefits paid	(1.1)	(1.2)
At end of period	34.1	32.5

(Expense)/income recognised in the consolidated statement of comprehensive income:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Operating cost		
Administration expenses	(0.2)	(0.2)
Past service cost (member benefit equalisation)	-	(0.4)
Net finance costs		
Defined benefit pension scheme net finance income	0.2	0.2
Other comprehensive income		
Re-measurement of the defined benefit asset	(0.7)	1.2
Total recognised in profit and loss and other comprehensive income	(0.7)	0.8

The (expense)/income is recognised in the following line items in the consolidated statement of comprehensive income:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Administrative expenses	(0.2)	(0.6)
Finance income	0.2	0.2
Total	-	(0.4)

Analysis of amounts recognised in Other Comprehensive Income:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Actuarial (losses)/gains recognised in the period	(0.7)	1.2

Notes to the Consolidated Financial Statements

continued

19. Employee Benefits continued

The Scheme assets are invested in the following asset classes (all assets have a quoted market value in an active market):

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m	52 week period ended 29 December 2011 £m
Equities	–	5.0	14.0
Property	–	–	0.4
Index linked bonds	13.5	8.3	7.7
Corporate bonds	3.3	3.3	6.8
Absolute return funds	17.1	15.7	–
Other	0.2	0.2	1.5
	34.1	32.5	30.4

Cineworld Cinemas Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the accounting date.

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Expected return on scheme assets	1.4	1.5
Actuarial gains	(0.1)	0.4
Actual return on plan assets	1.3	1.9

The principal actuarial assumptions used to calculate the liabilities under IAS 19 are set out below:

	52 week period ended 26 December 2013 %	52 week period ended 27 December 2012 %	52 week period ended 29 December 2011 %
RPI inflation	3.4	3.0	3.4
CPI inflation	2.4	2.3	2.4
Rate of general long-term increase in salaries	4.4	4.0	4.4
Rate of increase to pensions in payment	2.1–3.4	2.0–3.3	2.0–3.4
Discount rate for scheme liabilities	4.4	4.5	4.8

The financial assumptions reflect the nature and term of the Scheme's liabilities.

Main demographic assumptions	52 week period ended 26 December 2013	52 week period ended 27 December 2012	52 week period ended 29 December 2011
Mortality table adopted	S1PXA base table with future improvements in line with CMI 2013 core projections with long-term improvement rate of 1% per annum	S1PXA base table with future improvements in line with CMI 2011 core projections with long-term improvement rate of 1% per annum	S1PXA tables future mortality improvements in line with 80% of the long cohort projections for males and 60% for females, subject to a minimum rate of improvement of 1.25% per annum
Life expectancy for male currently aged 65	22.0	22.2	22.2
Life expectancy for female currently aged 65	24.2	22.4	24.5
Cash commutation	Members assumed to exchange 31% of their pension for a cash lump sum at retirement	Members assumed to exchange 31% of their pension for a cash lump sum at retirement	Members assumed to exchange 25% of their pension for a cash lump sum at retirement

The mortality assumptions are based on the recent actual mortality experience of Scheme members, and allow for expected future improvement in mortality rates.

19. Employee Benefits continued

History of Plans

The history of the plans for the current and prior periods is as follows:

Balance Sheet

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m	52 week period ended 29 December 2011 £m	53 week period ended 30 December 2010 £m	52 week period ended 31 December 2009 £m
Present value of defined benefit obligation	(28.8)	(28.1)	(28.4)	(28.3)	(26.6)
Fair value of plan assets	34.1	32.5	30.4	28.3	25.9
Surplus/(deficit)	5.3	4.4	2.0	–	(0.7)

Experience Adjustments

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m	52 week period ended 29 December 2011 £m	53 week period ended 30 December 2010 £m	52 week period ended 31 December 2009 £m
Experience (loss)/gain on plan assets	(0.1)	0.4	0.3	0.7	2.5
Experience (loss)/gain on plan liabilities	(0.1)	1.0	–	0.2	2.7

Sensitivity to Key Assumptions

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows:

	Defined Benefit Obligation £m
Present value of Defined Benefit Obligation ("DBO")	(28.8)
DBO following a 0.25% decrease in the discount rate	(29.9)
DBO following a 0.25% increase in the discount rate	(27.9)
DBO following a 0.25% decrease in the inflation assumption	(28.2)
DBO following a 0.25% increase in the inflation assumption	(29.3)
DBO following a Life Expectancy increase by one year	(29.8)

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

The Group expects to contribute approximately £1.6m to its defined benefit plans in the next financial period.

Defined Contribution Plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £0.6m (2012: £0.4m).

Share-Based Payments

As at 26 December 2013 there were three types of share option and share schemes: the Cineworld Group 2007 Sharesave Scheme, the Cineworld Group 2007 Performance Share Plan and the Cineworld Group plc Company Share Option Plan.

Grants were made under the Sharesave Scheme in 2012.

The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options.

Period Ended 27 December 2012

Awards over 38,699 shares lapsed in 2012.

A charge of £86,000 was recorded in the income statement for the period in respect of the 2012 Sharesave Scheme grant.

Period Ended 26 December 2013

Awards over 76,745 shares lapsed in 2013.

A charge of £100,000 was recorded in the income statement for the period in respect of the 2012 Sharesave Scheme grant.

19. Employee Benefits continued

The Cineworld Group Performance Share Plan ("PSP")

Period Ended 27 December 2012

Under the PSP, awards of conditional shares or nil cost options can be made that vest or become exercisable after three years subject to continued employment and generally the achievement of specified performance conditions as follows:

- 30% of the shares under the award will vest if the average annual growth in earnings per share ("EPS") (calculated by comparing the EPS for the financial year ended 29 December 2011 and the EPS for the financial year ending 1 January 2015) is not less than 3.2%;
- 100% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 29 December 2011 and the EPS for the financial year ending 1 January 2015) is at least 9.2%; and
- Where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 29 December 2011 and the EPS for the financial year ending 1 January 2015) is between the two limits above, the Award shall vest on a straight-line basis between 30% and 100%.

Grants were made under the PSP scheme on 26 March 2012 and 15 June 2012. Under these grants, awards over 947,681 shares were made in total. Awards over 719,588 shares were made with the performance conditions set out above. Further awards over 228,093 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

EPS for the 2012 grant was defined as adjusted pro-forma diluted earnings per share as calculated in Note 5 to the financial statements.

Period Ended 26 December 2013

Further grants were made under the PSP scheme on 15 March 2013. Under these grants, awards over 551,900 shares were made in total. Awards over 317,228 shares were made with similar performance conditions as the 2012 grants, but with reference to the financial years 27 December 2012 to 24 December 2015 and 30% vesting will occur at UK RPI +3% and 100% at UK RPI +8%. Further awards over 234,672 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

EPS for the 2013 grant was defined as adjusted pro-forma diluted earnings per share as calculated in Note 5 to the financial statements.

Awards over 46,776 shares lapsed during 2013.

A charge of £1,207,508 was recorded in the income statement in respect of the 2010, 2011, 2012 and 2013 PSP schemes.

The Company Share Option Plan ("CSOP")

Period Ended 27 December 2012

Grants under the CSOP were made on 26 March 2012. Under these grants awards over 70,410 shares were made in total. Awards over 9,388 shares were made with the same conditions as the 2012 PSP grant. Awards over 61,022 shares were made with no performance conditions attached.

EPS for the 2012 grant was defined as adjusted pro-forma diluted earnings per share as calculated in Note 5 to the financial statements.

A charge of £26,000 was recorded in the income statement in respect of the 2010, 2011 and 2012 CSOP schemes.

Period Ended 26 December 2013

Further grants were made under the CSOP on 15 March 2013. Under these grants awards over 25,109 shares were made in total. Awards over 3,587 shares were made with the same conditions as the 2013 PSP grant. Awards over 21,522 were made with no performance conditions attached.

EPS for the 2013 grant was defined as adjusted pro-forma diluted earnings per share as calculated in Note 5 to the financial statements.

Awards over 1,965 shares lapsed during 2013.

A charge of £29,000 was recorded in the income statement in respect of the 2010, 2011, 2012 and 2013 CSOP schemes.

The number and weighted average exercise prices of share options in equity settled schemes are as follows:

	Weighted average exercise price 2013 (£) Equity settled	Number of options 2013 Equity settled	Weighted average exercise price 2012 (£) Equity settled	Number of options 2012 Equity settled
Outstanding at the beginning of the year	0.68	2,256,626	0.33	1,093,643
Exercised in shares during the year	0.44	(272,811)	0.17	(420,576)
Granted during the year	0.13	577,009	0.79	1,707,972
Lapsed during the year	1.09	(125,488)	0.81	(124,413)
Outstanding at the end of the year	0.56	2,435,336	0.68	2,256,626
Exercisable at the end of the year	1.98	15,090	–	–

19. Employee Benefits continued

The average share price during 2013 was £3.34 (2012: £2.26).

Assumptions relating to grants of share options in 2012 were:

Scheme name	Date of grant	Share price at grant (£)	Exercise price (£)	Expected volatility (%)	Expected life (years)	Dividend yield (%)	Risk free rate (%)	Fair value (£)
PSP	26 March 2012	2.13	nil	44	3.0	5.3	0.90	1.82
	15 June 2012	2.15	nil	44	3.0	5.3	0.90	1.82
CSOP	26 March 2012	2.13	2.13	44	3–10 years	5.3	0.90	0.46

Assumptions relating to grants of share options in 2013 were:

Scheme name	Date of grant	Share price at grant (£)	Exercise price (£)	Expected volatility (%)	Expected life (years)	Dividend yield (%)	Risk free rate (%)	Fair value (£)
PSP	15 March 2013	2.80	nil	42	3.0	4.7	0.51	2.43
CSOP	15 March 2013	2.80	2.79	42	3–10 years	4.7	0.51	0.58

The total expenses recognised for the period arising from share-based payments are as follows:

	52 week period ended 26 December 2013 £m	52 week period ended 27 December 2012 £m
Share-based payments expenses	1.3	0.9

20. Provisions

	Property provisions £m	Other provisions £m	Total provisions £m
Balance at 27 December 2012	11.4	–	11.4
Non-current	11.1	–	11.1
Current	0.3	–	0.3
Total	11.4	–	11.4
Balance at 27 December 2012	11.4	–	11.4
Provisions made during the period	–	0.4	0.4
Utilised against rent during the period	(1.1)	–	(1.1)
Unwound against interest during the period	0.8	–	0.8
Balance at 26 December 2013	11.1	0.4	11.5
Current	0.7	0.4	1.1
Non-current	10.4	–	10.4
Total	11.1	0.4	11.5

Property provisions relate to onerous leases, dilapidations and other property liabilities. The majority of the property provision relates to onerous leases, which is made on the acquisition of a cinema as part of a business, being the unavoidable costs of the lease obligations in excess of the economic benefits expected to be received from operating it. The unavoidable costs of the lease reflect the lease net cost of exiting from the contract and is measured as the lower of the net cost of continuing to operate the lease and any penalties or other costs from exiting it, measured on a discounted basis. The remaining provision will be utilised over the period to the next rent review date or the remaining lease life depending on the term of the lease. This is between one and thirty years (see further analysis below). The discount rate used in the period was 8.33% (2012: 8.4%).

	26 December 2013 £m	27 December 2012 £m
Expected timing for utilisation of property provisions		
Analysed as:		
Within one year	0.7	0.3
Between one and two years	0.4	0.5
In the second to fifth years	1.8	1.5
Over five years	8.2	9.1
	11.1	11.4

20. Provisions continued

Sensitivity to Changes in Assumptions Relating to Property Provisions

The level of provision is dependent upon judgements used in arriving at the discount rate applied to cash flow projections. The impact on the property provisions by applying different assumptions to the discount rate would be as follows:

	<i>£m</i>
Property provisions if discount rate was increased by 1%	(0.5)
Property provisions if discount rate was decreased by 1%	0.5

21. Capital and Reserves

Share Capital

	26 December 2013	27 December 2012
	£m	£m
Cineworld Group plc		
<i>Allotted, called up and fully paid</i>		
149,892,079 (2012: 149,619,268) ordinary shares of £0.01 each	1.5	1.5

During the year a total of 272,811 ordinary shares of nominal value £0.01 were issued. 210,475 (2012: 343,205) ordinary shares were part of the Cineworld Group 2007 Performance Share Plan, 53,080 (2012: nil) ordinary shares were part of the Cineworld Group plc Company Share Option Plan and 9,256 (2012: 77,371) were part of the Cineworld Group 2007 Sharesave Scheme. Total consideration of £121,000 (2012: £16,469,000) was received. This is after deducting transaction costs.

Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging Reserve

The hedging reserve comprises the liability in relation to the interest rate swaps entered into, to hedge against variable interest payments on £55.0m (2012: £60.0m) of the total £123.5m (2012: £124.0m) of bank debt. As hedge accounting has been adopted the gains/losses are recorded through equity until such time as the cash flows being hedged occur, when they are recycled to the income statement.

Dividends

The following dividends were recognised during the period:

	2013	2012
	£m	£m
Interim	6.1	5.4
Final (for the preceding period)	12.0	10.6
	18.1	16.0

An interim dividend of 4.1p per share was paid on 4 October 2013 to ordinary shareholders (2012: 3.8p). The Board has proposed a final dividend of 6.4p per share, which will result in total cash payable of approximately £17.0m on 3 July 2014. The final dividend has been bonus-adjusted to reflect the rights issue on 14 February 2014 (2012: 8.0p per share, total final dividend £12.0m). In accordance with IAS10 this had not been recognised as a liability at 26 December 2013.

22. Financial Instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has in place a risk management programme and regular reports are made to the Audit Committee, which is tasked with general oversight.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

22. Financial Instruments continued

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of certain risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

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

The Group's credit risk is primarily attributable to its trade receivables. However, due to the nature of the Group's business, trade receivables are not significant which limits the related credit risk. The Group's trade receivables are disclosed in Note 15. Of the total balance of £6.2m (2012: £4.5m) due 75% (2012: 77%) are within credit terms. A further 8% (2012: 4%) outside credit terms cleared after the period end, and before signing of the financial statements. The bad debt provision as at 2013 is £11,000 (2012: £11,000), with a bad debt expense in the period of £nil (2012: £nil). Based on past experience the Group believes that no impairment allowance is necessary in respect of the trade receivables that are past due. In 2013 the amount of trade receivables past due but unimpaired is £1.0m (2012: £1.0m). The credit risk on liquid funds and derivative financial instruments is also limited because the counterparties are banks with high credit-ratings.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. The amounts disclosed in the table are contractual undiscounted cash flows, including interest payments calculated using interest rates in force at each balance sheet date, so will not always reconcile with the amounts disclosed on the balance sheet.

26 December 2013

	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Non-derivative financial liabilities							
Unsecured bank loans	122.7	(129.5)	(3.9)	(3.9)	(7.6)	(114.1)	–
Finance lease liabilities	6.7	(11.2)	(0.4)	(0.3)	(0.6)	(2.0)	(7.9)
Trade and other payables	21.1	(21.1)	(21.1)	–	–	–	–
Derivative financial liabilities							
Interest rate swap 1	0.95	(1.3)	(0.1)	(0.6)	(0.5)	(0.1)	–
Interest rate swap 2	0.95	(1.3)	(0.1)	(0.6)	(0.5)	(0.1)	–
	152.4	(164.4)	(25.6)	(5.4)	(9.2)	(116.3)	(7.9)

The bank loan consists of a term loan and a revolving facility. During 2013 the original term loan of £70m was extended by £30m to £100m. £2.5m of the term loan is repayable every six months. As at the period end the balance of the term loan is £85m (2012: £60m) and £38.5m (2012: £64m) of the revolving facility was drawn down. The bank loan is unsecured and subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges.

As part of the combination with CCI, the Company entered into a new five-year facility to part finance such combination and repay the existing facility. An element of the new facility was drawn to part settle the acquisition cash consideration of £272m and €14.5m. The residual of the facility has been drawn to repay the existing facilities of the combined Group and to fund general working capital requirements going forward. The new facility provides funding of £400m of which £275m is term loan and £125m is a revolving credit facility. £160m (€192m) of the new facility is available in Euros, reflecting the composition of the combined Group. This new financing arrangement became effective on 10 January 2014, but the new facility was not drawn and the existing facility was not repaid until 27 February 2014. As with the previous facility, the new facility is subject to floating interest rate charges. In line with the terms of the new facility agreement, management are currently in the process of implementing appropriate hedging arrangements to mitigate the risk of a material impact arising from interest rate fluctuations.

27 December 2012

	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Non-derivative financial liabilities							
Unsecured bank loans	127.3	(136.7)	(4.6)	(4.6)	(8.9)	(118.6)	–
Finance lease liabilities	7.0	(12.0)	(0.4)	(0.4)	(0.8)	(1.9)	(8.5)
Trade and other payables	29.8	(29.8)	(29.8)	–	–	–	–
Derivative financial liabilities							
Interest rate swap 1	1.75	(1.9)	(0.4)	(0.3)	(0.6)	(0.6)	–
Interest rate swap 2	1.75	(1.9)	(0.4)	(0.3)	(0.6)	(0.6)	–
	167.6	(182.3)	(35.6)	(5.6)	(10.9)	(121.7)	(8.5)

Notes to the Consolidated Financial Statements

continued

22. Financial Instruments continued

Cash Flow Hedges

The following table indicates the periods in which the discounted cash flows associated with derivatives that are cash flow hedges are expected to occur.

26 December 2013

	Carrying amount £m	Expected cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Interest rate swaps:							
Swap 1	(0.95)	(0.95)	(0.05)	(0.4)	(0.4)	(0.1)	–
Swap 2	(0.95)	(0.95)	(0.05)	(0.4)	(0.4)	(0.1)	–
	(1.9)	(1.9)	(0.1)	(0.8)	(0.8)	(0.2)	–

27 December 2012

	Carrying amount £m	Expected cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Interest rate swaps:							
Swap 1	(1.75)	(1.75)	(0.1)	(0.55)	(0.55)	(0.55)	–
Swap 2	(1.75)	(1.75)	(0.1)	(0.55)	(0.55)	(0.55)	–
	(3.5)	(3.5)	(0.2)	(1.1)	(1.1)	(1.1)	–

It is expected that the expected cash flows will impact profit and loss when the cash flows occur.

Market Risk

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

Foreign Currency Risk

The majority of the Group's operations are in the United Kingdom and hence for these operations there is no exposure to foreign currency risk other than in respect of certain purchases that may be denominated in currencies other than Sterling. In addition there is an operation in Ireland where non-Sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in Euro rates. However, the exposure is limited as Euro operations are not significant. A 10% increase/(decrease) in the value of €1 against Sterling would increase/decrease the profit before tax for 2013 by approximately £6,500 (2012: £7,400). A 10% increase/(decrease) in the value of €1 against Sterling would increase/decrease equity in 2013 by approximately £39,000 (2012: £34,000).

Interest Rate Risk

The Group's policy is to manage its cost of borrowing by securing fixed interest rates on a portion of its term loan.

Whilst fixed-rate interest-bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling.

In addition, the fair value risk inherent in fixed-rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process.

The Group uses interest rate swaps agreed with other parties to hedge a portion of its bank loans that have fixed interest rates. Interest rate swaps are measured at fair value, which have been calculated by discounting the expected future cash flows at prevailing interest rates.

At the period end the Group had two (2012 period end: two) interest rate swaps which hedged 65% (2012: 100%) of the Group's variable rate unsecured term loan. The revolver loan, which was £38.5m (2012: £64m) at the end of the period, is not hedged. As a result, there is no impact on the income statement relating to the hedged bank debt as a result of any changes in interest rates.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2013	2012
Fixed rates instruments		
Financial liabilities (interest rate swap)	(1.9)	(3.5)
Financial liabilities (unsecured bank loans – hedged portion)	(55.0)	(60.0)
	(56.9)	(63.5)
Variable rate instruments		
Financial liabilities (unsecured bank loans – unhedged portion)	(68.5)	(64.0)

22. Financial Instruments continued

£55m (2012: £60m) of the variable rate financial liability is hedged via the interest rate swap with the balance attracting a variable interest rate. In 2013 the balance is the additional £30m term loan and the revolving facility. In 2012 the balance is the revolving facility.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group accounts for fixed-rate derivative financial instruments (interest rate swaps) at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged. Hedge accounting was adopted from the year ended 27 December 2007 on the swap taken out in May 2007.

A change of 100 basis points in interest rates would have increased equity by £1.2m (2012: £1m) or decreased equity by £1.2m (2012: £1m) for each swap and would have increased or decreased profit or loss by £nil (2012: £nil).

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

Effect in GBP thousands	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
26 December 2013				
Variable rate instruments	(1,205)	1,205	(1,205)	1,205
Interest rate swap	589	(589)	589	(589)
Cash flow sensitivity (net)	(616)	616	(616)	616
27 December 2012				
Variable rate instruments	(1,029)	1,029	(1,029)	1,029
Interest rate swap	621	(621)	621	(621)
Cash flow sensitivity (net)	(408)	408	(408)	408

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

Short-term debtors, creditors and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

	Carrying amount 26 December 2013 £m	Fair value 26 December 2013 £m	Carrying amount 27 December 2012 £m	Fair value 27 December 2012 £m
Unsecured bank loans	122.7	123.5	127.3	120.8
Finance lease liabilities	6.7	6.7	7.0	7.0
Interest rate swaps	1.9	1.9	3.5	3.5
	131.3	132.1	137.8	131.3

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying amount of unsecured bank loans is stated net of debt issuance costs and the fair value is stated gross of debt issuance costs and is calculated using the market interest rates.

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 26 December 2013 and 27 December 2012. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements
continued

22. Financial Instruments continued

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
26 December 2013				
Derivative financial instruments	–	1.9	–	1.9
27 December 2012				
Derivative financial instruments	–	3.5	–	3.5

There have been no transfers between levels in 2013. No other financial instruments are held at fair value.

Capital Management

The capital structure of the Group consists of the following items:

	2013 £m	2012 £m
Cash and cash equivalents	19.0	10.9
Bank loans	122.7	127.3
Equity attributable to equity holders of the parent	235.8	220.1
	377.5	358.3

The Board of Directors constantly monitors the ongoing capital requirements of the business and has reviewed the current gearing ratio, being the ratio of bank debt to equity and considers it appropriate for the Group's current circumstances. Ratios used in the monitoring of debt capital include the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges.

The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, to provide returns for shareholders and to optimise the capital structure to reduce the cost of capital. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

23. Operating Leases

Non-cancellable operating lease rentals commitments are as follows:

	Land and buildings £m	Other £m	26 December 2013 £m	Land and buildings £m	Other £m	27 December 2012 £m
Less than one year	52.1	0.1	52.2	52.2	0.2	52.4
Between one and five years	215.8	0.5	216.3	210.4	0.7	211.1
More than five years	851.0	–	851.0	883.6	–	883.6
	1,118.9	0.6	1,119.5	1,146.2	0.9	1,147.1

The total future minimum sublease payments expected to be received are £6.1m (2012: £6.5m).

24. Capital Commitments

Capital commitments at the end of the financial period for which no provision has been made:

	26 December 2013 £m	27 December 2012 £m
Contracted	10.3	7.5

Capital commitments at the end of the current and preceding financial period relate to new sites.

25. Related Parties

The compensation of the Directors is as follows:

	Salary and fees including bonus £000	Compensation for loss of office £000	Pension contributions £000	Total £000
52 weeks ended 26 December 2013				
Total compensation for Directors	1,570	–	150	1,720
	Salary and fees including bonus £000	Compensation for loss of office £000	Pension contributions £000	Total £000
52 weeks ended 27 December 2012				
Total compensation for Directors	1,548	–	144	1,692

25. Related Parties continued

Share-based compensation benefit charges for Directors was £0.5m in 2013 (2012: £0.2m). Details of the highest paid Director can be found in the Directors' Remuneration Report on page 55.

Other Related Party Transactions

Digital Cinema Media Limited ("DCM") is a joint venture between the Group and Odeon Cinemas Holdings Limited set up on 10 July 2008. Revenue receivable from DCM in the 52 week period ending 26 December 2013 totalled £14.2m (2012: £14.4m) and as at 26 December 2013 £nil (2012: £0.2m) was due from DCM in respect of receivables. In addition the Group has a working capital loan outstanding from DCM of £0.5m (2012: £0.5m).

26. Changes in Accounting Policy

The Group has adopted the amendments to IAS 19 "Employee Benefits" during the period which have been applied retrospectively and has resulted in the restatement of some comparative information.

Under IAS 19 revised, the Group determines the net interest income for the period on the net defined benefit asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit asset at the end of the period, taking into account any changes in the net defined benefit asset during the period as a result of contributions and payments. Consequently, the net interest income on the net defined benefit asset now comprises: interest on the defined benefit obligation and interest income on plan assets. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Pension administrative expenses previously netted off against the return on defined benefit pension plan assets have been reclassified to Administrative expenses.

The impact of the adoption of these amendments is not considered significant in either of the periods presented. Specifically, net finance income on the defined benefit pension scheme for the 52 week period to 26 December 2013 has decreased by £220,000 to £209,000. The impact on the 52 week period to 27 December 2012 is a £229,000 decrease in net pension return to £187,000.

Pension administrative expenses for the 52 week period to 26 December 2013 were £193,000. Pension administrative expenses reclassified from net finance income to administrative expenses for the 52 week period to 27 December 2012 were £194,000.

The net impact on the 52 week period to 27 December 2012 is a decrease of £35,000 which is made up of an increase of £194,000 due to pension administration costs being reclassified offset by the decrease in net finance income of £229,000.

There is no impact of the adoption of IAS 19 revised on the Statement of Financial Position. The remeasurement of the defined benefit asset in Other Comprehensive Income has been reduced by £229,000 in 2012 and by £220,000 in 2013.

27. Post Balance Sheet Events

On 10 January 2014, Cineworld Group plc was pleased to announce the combination with the cinema business of Cinema City International N.V. ("CCI"), a leading cinema business in seven countries across Central and Eastern Europe ("CEE") and Israel ("Cinema City"), by means of an acquisition of the shares in Cinema City Holding N.V. ("CCH" a subsidiary of CCI). The transaction was based on an enterprise value of CCH (on a debt free/cash free basis) of £503m. The combination with Cinema City completed on 27 February 2014 and has created the second largest cinema business in Europe (by number of screens). The enlarged Group now has 201 sites and 1,852 fully digital screens.

Consideration for the transaction was settled with cash and shares. Cash consideration of £272m and €14.5m was part funded by an 8 for 25 Rights Issue which completed on 14 February 2014, raising net funds of £105m with the residual cash consideration being funded within the Group's new debt facility. Cineworld Group plc issued to CCI shares in Cineworld Group plc initially valued on 10 January 2014 at £231m representing 24.9% of the post-rights issue share capital.

As part of the combination Cineworld Group plc restructured its debt financing, an element of which was drawn to part settle the cash consideration of £272m and €14.5m. The residual of the facility has been drawn to refinance the existing facilities of the combined Group and to fund general working capital requirements going forward. The new facility provides funding of £400m of which £275m is term loan and £125m is a revolving credit facility. £160m (€192m) of the new facility is available in Euros, reflecting the composition of the combined Group. This financing arrangement becomes effective from 27 February 2014.

On completion of the combination, Mooky Greidinger (former Chief Executive Officer of CCI) and Israel Greidinger (former Chief Financial Officer of CCI) joined the Board of Cineworld Group plc as Chief Executive Officer and Chief Operating Officer respectively. At the same time, Moshe (Mooky) Greidinger and Israel Griedinger stepped down from their positions on the Board of CCI. Given the investment in Cineworld Group plc held by CCI and the relationship between Mooky Greidinger and Israel Greidinger and CCI, a Relationship Agreement has been put in place to govern the key operational arrangements between the related parties.

Company Balance Sheet

at 26 December 2013

	26 December 2013 £000	26 December 2013 £000	27 December 2012 £000	27 December 2012 £000
Fixed assets				
Investments	30	134,731		133,394
Current assets				
Debtors	31	191,841	118,082	
Cash at bank		1	-	
		191,842	118,082	
Creditors: amount falling due within one year	32	(90,763)	(31,404)	
Net current assets		101,079		86,678
Net assets		235,810		220,072
Capital and reserves				
Called up share capital	33	1,499		1,496
Share premium account	33	188,190		188,072
Profit and loss account	33	46,121		30,504
Shareholders' funds – equity		235,810		220,072

These financial statements were approved by the Board of Directors on 6 March 2014 and were signed on its behalf by:

Anthony Bloom
Chairman

Philip Bowcock
Chief Financial Officer

Company Reconciliation of Movements in Shareholders' Funds

for the Period Ended 26 December 2013

	Note	52 week period ended 26 December 2013 £000	52 week period ended 27 December 2012 £000
Profit for the period		32,583	26,709
Dividends paid during the period	33	(18,132)	(15,990)
Movements due to share-based compensation	33	1,166	635
Equity instruments issued		121	16,384
Net increase in shareholders' funds		15,738	27,738
Opening shareholders' funds		220,072	192,334
Closing shareholders' funds		235,810	220,072

Notes to the Company

Financial Statements

28. Accounting Policies

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

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report on pages 10 to 17 and the Risks and Uncertainties section on pages 20 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 10 to 17. In addition Note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Going Concern

As highlighted in Note 17 to the financial statements, the Group meets its day-to-day working capital requirements through its bank facilities which consist of a five-year facility of £170m, which comprises of a £70m term loan and £100m revolving facility. As at the period end, £60m of the term loan plus £64m of the revolving facility were drawn down. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance in the foreseeable future.

The current bank facility is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including compliance with the bank facility covenants. The Directors therefore continue to adopt the going concern basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its cash flows are included within the consolidated financial statements of Cineworld Group plc.

The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Cineworld Group where the Group controls 100% of the voting rights.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

Impairment

The Group evaluates its investments for financial impairment where events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, an impairment in value is recorded.

Deferred Taxation

The charge for taxation based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of Financial Instruments Issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

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

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

Share-Based Payment Transactions

The share options programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an addition to fixed asset investments with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an evaluation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

28. Accounting Policies continued

Shares appreciation rights are also granted by the Company to employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured based on an option valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date and any changes in fair value recognised in profit and loss spread equally over the vesting period.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to or reimbursed by the subsidiary are recognised as a reduction in the cost of investment in subsidiary.

Own Shares Held by Employee Benefit Trust ("EBT")

Transactions of the Group-sponsored EBT are included in the Group financial information. In particular, the trust's purchase of shares in the Company are debited directly to equity.

29. Staff Numbers and Costs

The Company pays no employees. Salaries of the Directors of the Company, including Non-Executive Directors, as well as the Company Secretary are recharged to the Company from its subsidiary Cineworld Cinemas Ltd. Total salaries paid to Non-Executive Directors were £314,000 (2012: £358,000). See pages 47 to 62 for further details of Directors' emoluments.

30. Fixed Asset Investments

Company	Shares in Group undertakings £000
Balance at 27 December 2012	133,394
Additions	1,337
Balance at 26 December 2013	134,731
Net book value	
At 27 December 2012	133,394
At 26 December 2013	134,731

For details of £1,337,000 addition to investment see Note 33.

Notes to the Company Financial Statements
continued

30. Fixed Asset Investments continued

	Country of incorporation	Principal activity	Class	% of shares held
Subsidiary undertakings				
<i>Directly Held</i>				
Augustus 1 Limited	England and Wales	Holding company	Ordinary	100
<i>Indirectly Held</i>				
Augustus 2 Limited	England and Wales	Holding company	Ordinary	100
Cineworld Holdings Limited	England and Wales	Holding company	Ordinary	100
Cine-UK Limited	England and Wales	Cinema operation	Ordinary	100
Cineworld Cinemas Holdings Limited	England and Wales	Holding company	Ordinary	100
Cineworld Cinemas Limited	England and Wales	Holding company and cinema operation	Ordinary	100
Cineworld Finance Limited	England and Wales	Dormant	Ordinary	100
Cineworld Estates Limited	England and Wales	Cinema property leasing	Ordinary	100
Cineworld South East Cinemas Limited	England and Wales	Holding company	Ordinary	100
Cineworld Exhibition Limited	England and Wales	Dormant	Ordinary	100
Gallery Holdings Limited	England and Wales	Holding company	Ordinary	100
Gallery Cinemas Limited	England and Wales	Dormant	Ordinary	100
Slough Movie Centre Limited	England and Wales	Dormant	Ordinary	100
Adelphi-Carlton Limited	Eire	Cinema operation	Ordinary	100
Cineworld Cinemas Properties Limited	England and Wales	Property company	Ordinary	100
Cineworld Elite Picture Theatre (Nottingham) Limited	England and Wales	Non-trading	Ordinary	99.1
Classic Cinemas Limited	England and Wales	Retail services company	Ordinary	100
Computicket Limited	England and Wales	Dormant	Ordinary	100
Digital Cinema Media Limited	England and Wales	Screen advertising	Ordinary	50
Picturehouse Cinemas Limited (formerly City Screen Limited)	England and Wales	Cinema operations	Ordinary	100
City Screen (Aberdeen) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (Bath) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (Brighton) Limited	England and Wales	Cinema operations	Ordinary	100
CS (Brixton) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (Cambridge) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (Clapham) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen Developments Limited	England and Wales	Cinema operations	Ordinary	100
CS (Exeter) Limited	England and Wales	Cinema operations	Ordinary	100
CS (Greenwich) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (Liverpool) Limited	England and Wales	Cinema operations	Ordinary	100
CS (Norwich) Limited	England and Wales	Cinema operations	Ordinary	100
Newman Online Limited	England and Wales	Software development and provider	Ordinary	100
City Screen (Oxford) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (Southampton) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (SOA) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (Stratford) Limited	England and Wales	Cinema operations	Ordinary	100
Picturehouse Bookings Limited	England and Wales	Ticket booking operations	Ordinary	100
City Screen (Virtual) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen (York) Limited	England and Wales	Cinema operations	Ordinary	100
Picturehouse Entertainment Limited	England and Wales	Film distribution	Ordinary	100
City Screen (3D) Limited	England and Wales	Cinema operations	Ordinary	100
City Screen No. 2 Limited	England and Wales	Cinema operations	Ordinary	100

31. Debtors

	26 December 2013 £000	27 December 2012 £000
Amounts due from subsidiary undertakings	191,841	118,082

32. Creditors: Amounts Falling Due Within One Year

	26 December 2013 £000	27 December 2012 £000
Amounts due to subsidiary undertakings	84,305	31,404
Accruals	6,458	–
Total	90,763	31,404

33. Share Capital and Reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 27 December 2012	1,496	188,072	30,504	220,072
Profit for the period	–	–	32,583	32,583
Dividends paid during the period	–	–	(18,132)	(18,132)
Movements due to share-based compensation	–	–	1,166	1,166
Equity instruments issued	3	118	–	121
At 26 December 2013	1,499	188,190	46,121	235,810

For details of share issue see Note 21.

Share premium is stated net of share issue costs.

Equity instruments granted of £1,166,000 represents the £1,337,000 fair value of share options granted to employees of subsidiary undertakings less £171,000 in respect of cash dividends paid to option holders during the year. There is a corresponding increase in investments, see Note 30.

This element of the profit and loss reserve is not distributable.

34. Share-Based Payments

See Note 19 of the Group financial statements.

Shareholder Information

as at 26 December 2013

Directors

A H Bloom	(Non-Executive Director and Chairman)
S Wiener	(Chief Executive Officer)
P Bowcock	(Chief Financial Officer)
D Maloney	(Non-Executive Director and Senior Independent Director)
M King	(Non-Executive Director)
R Senat	(Non-Executive Director)
P Williams	(Non-Executive Director)

Head Office

Power Road Studios
114 Power Road
London W4 5PY

Telephone Number

020 8987 5000

Website

www.cineworld.co.uk
www.cineworldplc.com
www.picturehouses.co.uk

Place of Incorporation

England and Wales

Company Number

Registered Number: 5212407

Registered Office

Power Road Studios
114 Power Road
Chiswick
London W4 5PY

Final Dividend – 2013

Announcement	6 March 2014
Ex Dividend	4 June 2014
Record Date	6 June 2014
Payment Date	3 July 2014

Auditor

KPMG Audit Plc
15 Canada Square
London E14 5GL

Joint Brokers

JP Morgan Cazenove
20 Moorgate
London EC2R 6DA

Investec Bank plc

2 Gresham Street
London EC2V 7QP

Legal Advisers to the Company

Olswang LLP
90 High Holborn
London WC1V 6XX

Slaughter and May

One Bunhill Row
London EC1Y 8YY

Notes

Notes

Cineworld
Group plc



**Picture
house**

Cineworld Group plc
Power Road Studios
114 Power Road
Chiswick
London W4 5PY
020 8987 5000

www.cineworld.co.uk
www.cineworldplc.com
www.picturehouses.co.uk