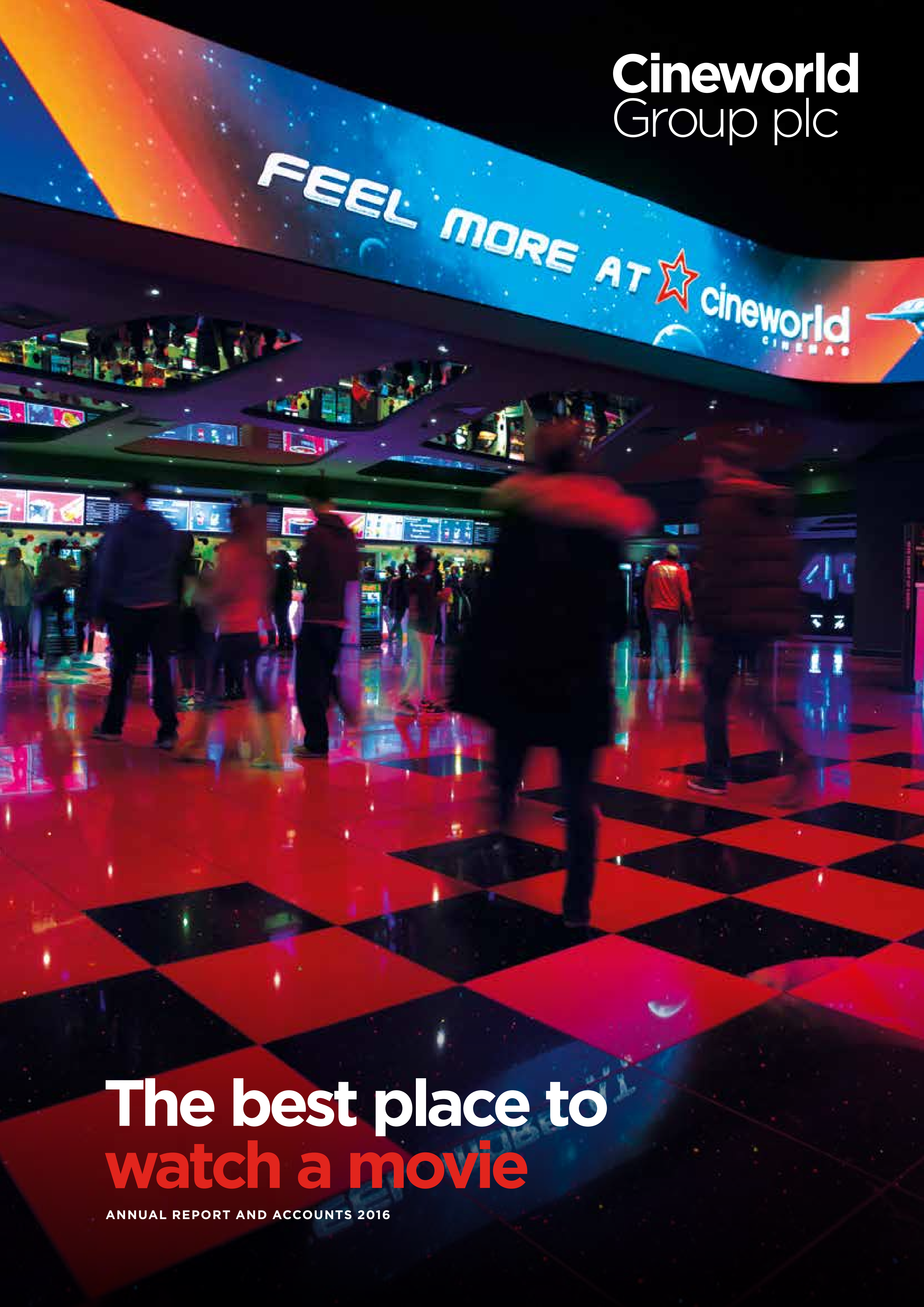
Cineworld Group plc



The best place to watch a movie

ANNUAL REPORT AND ACCOUNTS 2016

We are a business with a simple strategy

Our Vision...

To be the best place to watch a movie

Our Strategy is to:

1. **Deliver a great cinema experience for all cinemagoers, every time.**
2. **Continue to expand our estate and look for profitable opportunities to grow.**
3. **Ensure that we enhance our existing estate so we deliver a consistent level of quality across the Group.**
4. **Be leaders in the industry by offering customers the latest audio and visual technology.**
5. **Drive value for shareholders by delivering our growth plans in an efficient and effective way.**

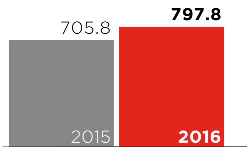
For more information visit:
www.cineworldplc.com/investors

Highlights 2016

Key Financial Highlights

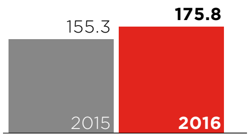
GROUP REVENUE (£m)

+13.0%



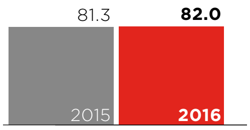
EBITDA[1] (£m)

+13.2%



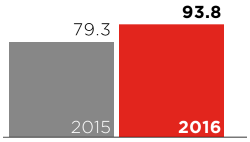
PROFIT AFTER TAX[5] (£m)

+0.9%



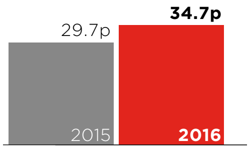
ADJUSTED PROFIT AFTER TAX[4] (£m)

+18.3%



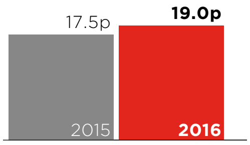
ADJUSTED DILUTED EPS[4] (p)

+16.8%

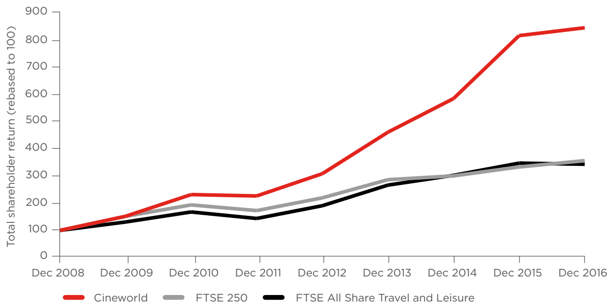


DIVIDEND PER SHARE (p)

+8.6%



TOTAL SHAREHOLDER RETURN



Other Financial Highlights

- Group revenue growth of 13.0% on a statutory basis and 8.7% on a constant currency basis[2];
  - Solid UK and Ireland revenue growth of 6.0%;
  - Strong ROW[3] revenue growth of 26.6% on a statutory basis and 13.3% on a constant currency basis with record performances in Poland, Romania, Hungary and Czech Republic;
- EBITDA double digit growth of 13.2%, 8.4% on a constant currency basis;
- Adjusted profit before tax[4] increased by 12.5% to £111.4m;
- Statutory profit before tax decreased 1.5% to £98.2m;
- Diluted EPS remained constant at 30.4p;
- Final dividend increased by 8.6% to 19.0p;
- Net cash generated from operating activities of £150.1m; and
- Net debt increased to £282.3m due to the acquisition of five Empire cinemas compared to £245.2m at 31 December 2015 with EBITDA to net debt ratio remaining at 1.6 times.

Operational Highlights

- Reached the milestone of over 100 million customers coming through our doors to watch a movie;
- Acquisition of five Empire cinemas, 64 screens, including the iconic Empire Leicester Square;
- Eight new site openings, four in the UK and four in the ROW, adding 78 screens, bringing the total number of screens to 2,115 at 31 December 2016;
- Nine major refurbishments completed in 2016, six in the UK and three in the ROW;
- Leading technological innovation with five new IMAX screens and 13 new 4DX screens, including the first 4DX screen in London; and
- CEO, Moshe Greidinger awarded the Global Achievement Award in Exhibition at Cinemacon 2016.

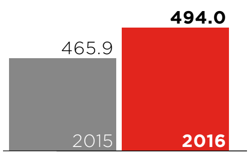
1 EBITDA is defined as profit before interest, tax, depreciation and amortisation, onerous leases and other non-recurring charges, impairments and reversals of impairments, transaction and reorganisation costs, profit on disposals of assets and the settlement of the defined benefit pension liability.
2 To provide information on a comparable basis, where % change vs. prior year information includes performance generated in currencies other than sterling, the % is presented on a constant currency basis. Constant currency movements have been calculated by applying the 2016 average exchange rates to 2015 performance.
3 ROW is defined as Rest of the World and includes Poland, Israel, Romania, Hungary, Czech Republic, Bulgaria and Slovakia.
4 Adjusted profit before tax is calculated by adding back amortisation of intangible assets (excluding acquired movie distribution rights), and certain non-recurring, non-cash items and foreign exchange as set out in Note 5. Adjusted profit before tax is an internal measure used by management, as they believe it better reflects the underlying performance of the Group and therefore a more meaningful comparison of performance from period to period. Adjusted profit after tax is arrived at by applying an effective tax rate to taxable adjustments and deducting the total from adjusted profit before tax.
5 Statutory profit after tax was impacted by the following items: a one-off cost of £4.8m in relation to the buy-out of the defined benefit pension scheme, removing all risks in relation to the scheme; adverse currency movements of £6.1m compared to an exchange rate gain of £7.7m in the prior year due to the translation of the Euro Term loan at the Balance Sheet date; and no one-off gains, such as the gain on the disposal of Cambridge for £6.4m in 2015.

At a Glance

We are an international cinema chain operating in nine different territories with 226 sites and 2,115 screens. We are focused on providing our customers with the best possible cinema experience, offering a variety of movies, as well as different formats using the latest technologies. Our vision is always to be "The Best Place to Watch a Movie".

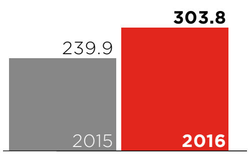
UK&I REVENUE (£m)

+6.0%



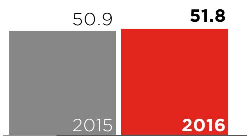
ROW REVENUE (£m)

+26.6%



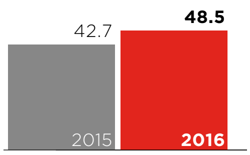
UK&I ADMISSIONS (£m)

+1.8%

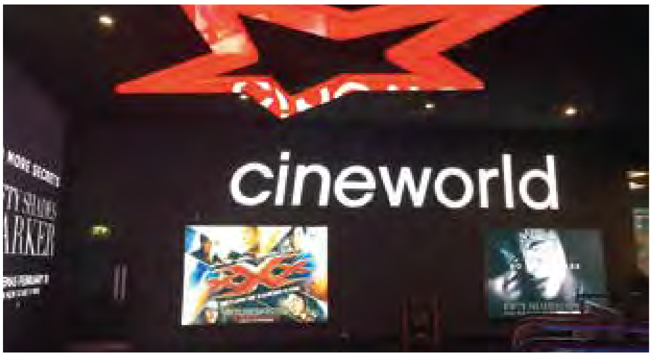


ROW ADMISSIONS (£m)

+13.6%



Our brands: UK and Ireland



Cineworld CINEMAS **971 Screens | 96 Sites**

Cineworld is one of the UK's leading cinema chains by admissions and box office revenues. The cinemas are modern, well designed multiplexes offering great customer service with high quality technology, stadium seating, and online ticketing services. The sites are situated mostly in leisure and retail parks. Cineworld shows a broad range of films to a large number of customers with a wide demographic and offers the highly successful "Unlimited" card which allows customers access to an unlimited number of films for a monthly subscription. Refurbishment of older sites, investment in new technologies and diversification of retail offerings are a key focus for Cineworld. During 2016 six sites were refurbished, four new cinema sites were opened and five Empire sites were acquired, including the iconic Empire Leicester Square. Cineworld is the only exhibitor in the UK to offer the highly successful 4DX experience, which includes motion seats, and several environmental effects such as water splash, wind, smell and more. These are built into an increasing number of movies to make the audience feel they are part of the action. At the end of 2016, Cineworld operated nine 4DX screens including the first 4DX in London which opened in December in Wandsworth. Cineworld also has 20 IMAX screens and its own Superscreen format. Two sites have VIP auditoriums which include a full movie and dining experience. Cineworld currently has 24 Starbucks coffee outlets within its circuit.

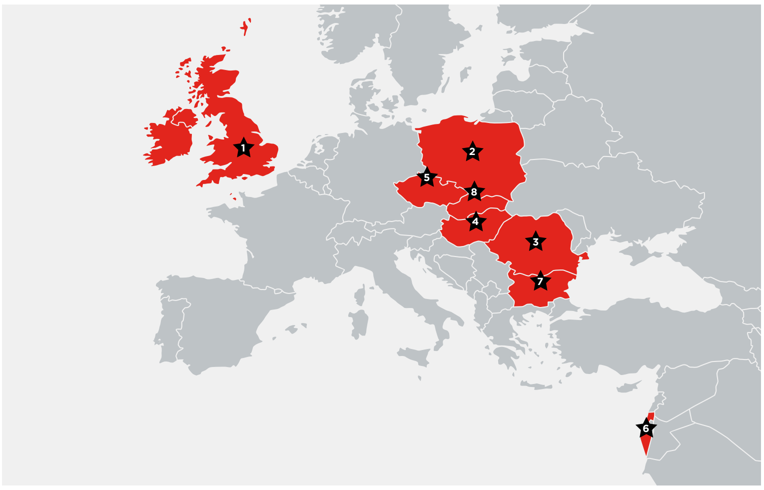
Picture house **71 Screens | 22 Sites**

Picturehouse is an arthouse chain which has a cosier atmosphere. It offers freshly-cooked food, bars and special events, which provides an alternative experience to the multiplexes. The sites generally have five screens or fewer and provide unique, local and intimate film viewing in cinemas that are both of high quality and of architectural merit. The flagship cinema is Picturehouse Central, located in Piccadilly which was fully renovated two years ago. It reopened as one of the most beautiful and special cinemas in London's West End, and is equipped with the most advanced technology. It also has two unique restaurants and an exclusive Members Bar. Picturehouse operates in 13 towns and cities, with eight located in London 'villages', and focuses on cinemagoers looking for art house movies and events side by side with mainstream commercial movies. Picturehouse has its own membership scheme which includes a range of benefits such as discounts on tickets and concession items, access to exclusive previews and special events, and more. The Picturehouse team works closely with independent movie creators and hosts movie festivals, and many other events.

Theatre Operations

UK, Ireland, Central and Eastern Europe and Israel
In 2016, there were over 100 million customer admissions across all our cinemas.

COUNTRY	NO. OF CINEMAS	SCREENS
1. UK & Ireland	118	1,042
2. Poland	33	354
3. Romania	24	223
4. Hungary	19	163
5. Czech Republic	13	115
6. Israel	10	124
7. Bulgaria	6	65
8. Slovakia	3	29
Total	**226**	**2,115**



Our Brands: Rest of the World

CINEMA CITY **949 Screens | 98 Sites**

Cinema City operates in six Central and Eastern European territories, and is either the number one or two chain in each of the markets in which it operates. The cinemas are modern, well-designed multiplexes offering a high quality cinema experience, showing a variety of movies, and providing great customer service. In each of the markets, Cinema City work closely with the local communities to provide its customers with a great tailored viewing experience for both international and local productions. The cinemas have large screens (among the highest screen/hall ratio in the world), significant stadium seating and market leading technologies such as IMAX, 4DX and VIP auditoriums. In order to maintain Cinema City's position as the leading chain, both in number of screens and the quality of the experience, constant renovation of the circuit takes place, and new sites are developed. While Cinema City opened new cinemas in a number of the territories, Romania was the most important market for expansion in 2016 with three new cinema sites opened. In 2017 there are two sites planned to be opened in Poland, one in Romania and one in Czech Republic.

yes PLANET **124 Screens | 10 Sites**

Yes Planet and Rav-Chen are the two brands which the Group operates in Israel. Yes Planet is the market leader, operating cinemas which, include IMAX, 4DX and VIP screens. The Rav-Chen cinemas are a smaller version of the multiplexes. As in the other territories, all the cinemas in Israel provide a high level of quality and service. The styles and designs of the cinemas are modern and all have stadium seating, large screens and the latest digital technology. The cinemas show a range of popular films from both international and local producers. During 2016 a state-of-the art 18 screen cinema was opened in Beer Sheva with IMAX, 4DX, and VIP screens, and another modern 12 screen multiplex site is due to be opened in Zichron during 2017.

Chairman's Statement

Anthony Bloom
Chairman (right)

Moshe (Mooky) Greidinger
Chief Executive Officer (left)

Overview

I am pleased to report that 2016 was another record year for the Cineworld Group (the "Group") and its shareholders. We achieved an important milestone – over 100 million people came through our doors to watch a movie. I would have found this inconceivable when we started the Company with one multiplex in Stevenage in 1996!

Group EBITDA for the year increased by 13.2% to £175.8m (2015: £155.3m), on revenue which improved by 13.0% to £797.8m (2015: £705.8m). Statutory profit after tax increased by 0.9% to £82.0m (2015: £81.3m).

We achieved this strong growth in EBITDA as a result of the full impact of our new cinemas which opened in 2015, the completed refurbishments of a number of our important cinemas, the acquisition of five Empire cinemas and the ongoing operating efficiencies which are constantly sought and implemented across the Group. All of these factors resulted in increased admissions, particularly in the ROW territories. Operating in nine different countries provides geographic diversification and a range of opportunities in both mature and growth markets.

The Group's Balance Sheet remains strong. Although there was a slight rise in net debt to £282.3m (due to the Empire acquisition and impact of foreign exchange movements on the Euro Term loans), the EBITDA to net debt ratio at the year end remained at 1.6 times. This Balance Sheet strength, together with the gratifying operating performance of the Group enabled the Board to declare an increased full year dividend of 19.0p per share, which represents 8.6% growth. The Group has increased its dividend in seven out of the 10 years since it was listed, an achievement of which I am particularly proud.

In 2016 we successfully completed the acquisition of five Empire cinemas, including the iconic Empire Leicester Square. Pleasingly we were able to fulfil our long-held objective of obtaining a prestigious West End site. Together the five Empire sites added 64 additional screens to our circuit. Along with expansion, renovation and modernisation of the existing circuit is of equal importance to us, ensuring that we have high quality, well-designed, modern cinemas across the whole estate. During 2016 we completed nine major refurbishments and the improvement in operating performance at those sites is already evident.

Shareholders will be pleased to know that we lead the way in offering the latest technology. We are the only operators of 4DX in the UK, a format proving increasingly popular with our customers. The first one opened in London at our Wandsworth site in December, and as part of the planned refurbishment of the Empire Leicester Square we intend to introduce 4DX. At the end of 2016 we had 27 4DX screens, 33 IMAX screens and six of our own Superscreen formats.

"

In 2016, over 100 million people came through our doors to watch a movie – a fantastic milestone for the Group."

Anthony Bloom
Chairman

The wellbeing of our staff is fundamental to the efficient operation of the business. Without them we would not be able operate 2,115 screens in 226 sites, as we did at the end of 2016. This is not a trivial task – we show over 10,000 movies every day, every week across nine different territories. The logistics involved are formidable and rely on highly motivated and dedicated staff. Accordingly, internal promotion and succession planning is a key part of our people strategy.

We are currently scheduled to open a further 441 screens over the next four years – 264 of which are in the ROW territories and 177 in the UK. This expansion will be financed from internally generated funds and will provide excellent growth potential in the future.

In summary, we went from strength to strength in 2016 and I believe we will continue to do so in 2017 and provide significant value to our shareholders.

Board

There were no changes to the Board during 2016; however on 11 January 2017, after the year end three changes took place.

Martina King, Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Committee, stepped down following six years of service to focus on her other business interests. I would like to thank Martina for the energy and rigour that she brought to the Board during a period which has seen the Group expand considerably, both in the UK and internationally. Martina made a significant contribution to our affairs, and I wish her every success in her other ventures.

Nisan Cohen was appointed as CFO and joined the Board as an Executive Director. Nisan is a member of the Institute of Certified Public Accountants in Israel and has been part of the Cineworld Group, and formerly the Cinema City Group for 16 years. As Vice President of Finance, he led the integration of the finance teams in the Group across nine territories after the combination between Cineworld and Cinema City International N.V. Lately, he served as Deputy CFO, working closely with the then interim CFO, Dean Moore. I have had the pleasure of working with Nisan since the combination with Cinema City in 2014 and have no doubt that his extensive experience, both commercial and financial, will continue to be an asset to the Group.

Dean Moore, the previous interim CFO, was appointed to the Board as an independent Non-Executive Director, Chair of the Remuneration Committee and a member of the Audit Committee. Dean brings over 20 years of experience as a plc executive Director. The Board is satisfied that Dean meets the requisite criteria to be considered as independent, notwithstanding his brief ten month interim employment with the Group, during which his mandate was to focus primarily on the CFO succession planning process.

I look forward to continuing to work with Nisan and Dean in their new roles.

As a Board we take corporate governance standards extremely seriously and we always strive to attain the highest standards possible. We periodically review areas such as gender, diversity, health and safety and the environment and where appropriate improve our practices in those areas.

On behalf of myself and the Board I would like to express my sincere appreciation to the Group's executive management and all its employees for their continued hard work, competence, professionalism and their gratifying achievements during 2016.

Outlook

As we go into 2017, I look forward with confidence. There is a strong film release programme planned for the year. We have an excellent estate which will continue to grow (with a further 13 cinemas due to open this year), and number of major refurbishments planned. We have a strong Balance Sheet and can undertake our strategic objectives without financial strain. We are at the forefront of providing the latest technology to our customers and most importantly of all we have an excellent management team with extensive experience which is focused on ensuring Cineworld is always "The Best Place to Watch a Movie".

Anthony Bloom
Chairman
9 March 2017

Chief Executive Officer's Statement

> "We want to provide our customers with choice – the choice of which movie to watch, the choice of how to watch a movie and the choice of retail offerings whilst always receiving great customer service."
>
> **Moshe (Mooky) Greidinger**
> Chief Executive Officer

Our Strategy

During 2016, we have made great progress in delivering our strategy and vision to be "The Best Place to Watch a Movie". We served over 100 million customers who came through our doors, and provided them with the choice of which movie to watch, the choice of format and the choice of an expanded range of retail offerings - all with great customer service.

Our strategy is to:

- Above all deliver a great cinema experience for all cinemagoers, every time;
- Expand our estate and look for profitable opportunities to grow – through consistent cash generation and our debt facility we have the financial strength to take advantage of opportunities which present themselves;
- Enhance our existing estate and new sites, ensuring we deliver a consistently high quality offering across the Group – our refurbishment and construction programme is at the heart of achieving this;
- Be leaders in the industry by offering customers the latest audio and visual technology – expanding the premium formats such as IMAX, 3D, 4DX, Superscreen and VIP auditoriums and ensuring we invest in the latest innovative technology; and
- Drive value for shareholders by delivering our growth plans in an efficient and effective way.

Our main achievements in 2016 are summarised below.

Customer Experience

Our cinemas now offer up to six different formats of how to watch movies; regular screens, 3D, 4DX, IMAX, Superscreen and VIP auditoriums. Through both our expansion and refurbishment programme, we are focused on ensuring as many of our sites as possible have a range of these choices for our customers.

As well as developing our exhibition offerings and capacity, we continue to pay particular attention to our retail products and services. Our on-site concessions aim to be best in class, providing a variety of food, drink and snack options. During 2016, the Group has increased the number of Starbucks coffee outlets in our cinemas in the UK, taking the total number to 24 at 31 December 2016 with further outlets planned for 2017. We have expanded the number of VIP auditoriums where customers experience a premium offering from the moment they walk through the door. A VIP ticket includes access to a private lounge ahead of the movie screening where customers can enjoy unlimited buffet food, popcorn and soft drinks before watching the movie in a dedicated auditorium with luxurious reclining seats. Three new VIP sites were opened during the year in Glasgow Renfrew Street (UK), Beer Sheva (Israel) and Bucharest Titan (Romania). At 31 December 2016 we had nine VIP auditoriums in the Group.

Our membership schemes, the most significant being the Cineworld Unlimited programme, continue to provide our customers with a range of benefits, and are one of the pillars of our strategy for growing revenues and admissions. The schemes also bring operational benefits by encouraging repeat visits, often at off-peak times. The Unlimited programme was launched in Poland at the end of 2015 and has performed in line with expectations during 2016.

We also focused attention on our wider communities – the Group undertakes a range of activities and initiatives with charities, schools, and community groups. As an example, part of our schools' programme, included holding over 400 education screenings on weekday mornings with a total of over 32,000 students attending from 450 different schools across the UK. Similar activities are also undertaken in each of our ROW territories. In 2016 for the first time we were a partner with BBC's Children In Need fundraising initiative where we raised over £400,000.

Cinema Expansion

Following the record number of 18 openings in 2015, we opened a further eight cinemas during 2016, four in the UK, (Yate, Loughborough, Dalton Park and Harlow) and four in the ROW, (Beer Sheva - Israel, Timisoara Nepi, Bucharest Titan and Piatra Neamt - Romania). We have a further 441 screens scheduled to open in the next four years, 132 which are scheduled to open in 2017. New sites will be opened in both our growth markets in the ROW as well as in the more mature markets of the UK and Israel. Our growth markets still hold significant potential for the Group, as the culture of going to the cinema becomes more established and attendance increases with the rising standard of living.

During the year we announced the acquisition of the five Empire sites which has enabled the Group to increase its London presence, an area of the UK where we have previously been underrepresented. The Hemel Hempstead cinema was recently refurbished and is in line with our "new generation" style sites. In the near future we plan to also refurbish the Basildon and Poole sites. As the Bromley site is smaller, with four screens, we feel it is more appropriate to form part of the Picturehouse circuit.

As we proactively focus on the management of our estate this may occasionally include closing specific sites where lease terms expire and it is not commercially beneficial or feasible to renew the lease. During 2016 we closed five sites, three in the UK, (Staples Corner, Hammersmith and Liverpool), one in Hungary, (Mammut), and one in Romania, (Arad GTC).

Refurbishments

Our refurbishment programme was a key focus for 2016, with nine major refurbishments completed, six in the UK, (Stevenage, Glasgow Renfrew Street, Crawley, Cardiff, Wandsworth and Birmingham Broad Street) and three in the ROW (Polus and Au Park - Slovakia and Campona - Hungary). As previously highlighted, the UK estate is generally older than in the ROW and we will continue to renovate the estate further in 2017 to ensure all our cinemas are of the highest quality and equipped with the latest technology.

Digital Film and Technological Innovation

We continued to expand the IMAX and 4DX formats across a selection of our sites. IMAX and 4DX are both extremely popular, especially for major releases such as "Star Wars: Rogue One" and "Fantastic Beasts and Where To Find Them". In 2017 "Fast and Furious 8", "Pirates of the Caribbean: Dead Men Tell No Tales", "Transformers: The Last Knight" and "Guardians of the Galaxy Vol. 2" are expected to do well in both the IMAX and 4DX formats. We opened two IMAX screens during the year in Timisoara Nepi (Romania) and Beer Sheva (Israel) and also acquired three as part of the Empire acquisition in Basildon, Hemel Hempstead and Leicester Square. By the end of 2016, the Group was operating 33 IMAX screens in total and 27 4DX screens.

Towards the end of 2016 new mobile applications were soft-launched to our customers across both Android and iOS platforms. The key features, as well as a new look and feel, were the ability to sign-up for Unlimited membership, and easier navigation to find tickets for performances across all of our formats.

Our People

Once again, 2016 saw considerable investment in people initiatives across the Group as we recognise that motivated and engaged people are pivotal to delivering our vision to be the "Best Place to Watch a Movie".

Nurturing internal talent is a key part of our people strategy, and we are proud that over the last 12 months over 50% of cinema management positions have been filled by internal applicants. This success rate is underpinned by our regular training programmes and talent development reviews, which link directly to our learning and development offering.

We are also proud that many amongst our current Senior Management team have worked their way up into those positions after having started as trainees.

Another key part of our people strategy is our fair wage policy – we are amongst the highest payers in the industry and we pay more than our statutory obligations, across all age groups and in all territories.

Value for Shareholders

The cash generative nature of our business underpins our business model. Our priorities for the use of our cash have remained consistent; to invest in the business to support organic growth in revenue and earnings, for selective merger and acquisition opportunities and to grow the dividend. During 2016 we have been able to reward shareholders with growth in both the dividend and adjusted diluted earnings per share, 8.6% and 16.8% respectively. The total full year dividend declared for 2016 is 19.0p (2015:17.5p).

Future Outlook

As a management team we will continue to devote time and energy to assessing new site opportunities and potential acquisitions, identifying key sites for renovation and ensuring we provide the latest innovative technology to our customers.

Looking forward, we are well positioned to continue delivering on our strategy in 2017. We have an excellent estate which is growing and constantly being upgraded where necessary to ensure the cinemas remain contemporary and of a high quality. We have a dedicated team who are focused on providing the best customer service and we are investing in the latest technology to maintain our position as leaders in the industry. In addition, there is an exciting film slate for 2017, which includes a number of sequels such as "Star Wars: Episode VIII", "Despicable Me 3", "Justice League", "Paddington 2", "Fast and Furious 8", "Pirates of the Caribbean: Dead Men Tell No Tales", "Transformers: The Last Knight" as well as new titles such as "Beauty and the Beast", "Wonder Woman", "Dunkirk", "Coco" and many more.

Whilst we remain cautious, we do not believe the expected exit of the UK from the European Union will have a significant impact on the underlying trading performance of the Group going forward based on the nature of our business which has a proven consumer appeal throughout all economic cycles.

As I have said before, teamwork is the secret of our success and the key to our future. Without our people we would not able to be "The Best Place to Watch a Movie". I would like to take this opportunity to thank the whole Cineworld team for their continued hard work and dedication during 2016 and I look forward to working alongside them in 2017.

Moshe Greidinger
Chief Executive Officer
9 March 2017

Market Overview

The geographic spread of the Group provides us with diversification and opportunities across both mature and growth markets.

Characteristics of the Cinema Market
The Group operates in nine territories and, as measured by number of screens, is either the number one or two operator in each. The nine territories are a blend of mature and growth markets which provides the Group with varying opportunities, including expansion and modernisation.

Mature markets such as the UK and Israel tend to be characterised by higher admissions per capita, higher average ticket prices and a lower population per screen ratio. Growth markets have the opposite characteristics and provide great investment potential for the Group. Romania is an example of such a growth market where the Group invested significantly during 2015 and 2016 and will continue to do so in 2017.

Structure of the Market and Competitive Landscape
There are four significant cinema chains in Europe, the Middle East and Africa, with over 1,000 screens. The cinema industry globally has recently seen an increase in acquisition activity, with AMC Entertainment acquiring Odeon during 2016 and subsequently they also recently announced the proposed acquisition of the Nordic Cinema Group. Outside of the top four chains, the rest of the market is represented by smaller multiplex operators, which only operate in one or two territories, and independent operators which are specific to local markets.

European Cinema Industry(1)

RANK	COMPANY	NO. OF SCREENS
1.	AMC Entertainment	2,261
2.	**Cineworld**	**2,201**
3.	Vue Cinemas	1,841
4.	Les Cinemas Gaumont Pathe	1,043
5.	CJCGV	761
6.	Nordic Cinema Group	666
7.	CGR	466
8.	Ster-Kinekor	460
9.	UGC	459
10.	Kinepolis	446

(1) Source: Dodana – information compiled across 2016

External Factors
The cinema industry is dependent upon the customer choosing to spend disposable income on watching a movie. Value for money remains an important factor and cinema has tended to be a less expensive form of entertainment in the wider leisure market in which the Group competes. Historical trends and patterns show that cinema attendance is most closely related to the quality of the movies rather than the gross domestic product (GDP) of a country.

Although there continue to be developments in the online video sector, superior experiences offered by technologies such as IMAX and 4DX are ensuring that watching a movie in the cinema is a unique experience which cannot be replicated at home or on a portable electronic device. Going to the cinema has also become more that just watching a movie, with the expansion of the retail offerings including coffee shops and bars.

The customer experience has also been assisted by developments in technology, such as the ability to book online and through mobile applications. In addition, the digitalisation of cinemas has resulted in both a greater range of films being offered, and the streaming of live events such as opera, theatre and ballet.

Market Performance
The industry is largely dependent on the quality of films and therefore the appeal of such films to the cinemagoing public. Box office revenue is driven by admissions and average ticket price. Admissions depend on the number, timing and popularity of films. The average ticket price is driven by film mix, format of the film i.e. IMAX, 3D, Superscreen or 4DX, the demographics of admissions and local economic factors such as local levels of disposable income and competition.

Following the strong film slate of 2015 with a number of global blockbusters including "Spectre", "Star Wars: The Force Awakens" and "Jurassic World", 2016 demonstrated that there was still an undiminished appetite for cinema attendance. The top performing movies for 2016 globally were "Captain America: Civil War" with global revenues of $1,153.3m, "Rogue One: A Star Wars Story" which managed to gross revenues of $1,034.0m in the last two weeks of December, "Finding Dory" with global revenues of $1,028.1m and "Zootopia", which generated $1,023.8m (Source: Boxofficemojo.com). However, in certain territories, especially Poland and the Czech Republic, local films proved to be extremely popular and accounted for a greater percentage of annual admissions. In 2016 the top three films in Poland were all local movies.

COUNTRY	TOP 3 FILMS FOR THE TERRITORY	ORIGIN
UK & Ireland	1. Star Wars: Rogue One	US
	2. Fantastic Beasts and Where To Find Them	UK/US
	3. Bridget Jones's Baby	UK
Poland	1. Pitbull. Niebezpieczne kobiety	Poland
	2. Planeta singli	Poland
	3. Pitbull. Nowe porządki	Poland
Romania	1. Suicide Squad	US
	2. The Jungle Book	UK/US
	3. Doctor Strange	US
Israel	1. The Secret Life of Pets	US
	2. Zootopia	US
	3. Trolls	US
Czech Republic	1. Deadpool	US
	2. The Revenant	US
	3. Lida Bacrova	Czech
Slovakia	1. Finding Dory	US
	2. The Secret Life of Pets	US
	3. Deadpool	US
Bulgaria	1. Ice Age: Collision Course	US
	2. Zootopia	US
	3. Star Wars: Rogue One	US

Property Market and Development
The rate of new cinema openings is dependent upon local market conditions. Planning laws, the economic environment, and the ability of developers to finance their projects are factors which impact on cinema location. These characteristics differ by territory. In more mature markets (such as the UK and Israel), the rate of new cinema openings has been slower in recent years, partly due to the limited number and long lead time of new retail and leisure developments. Despite this, the Group has been successful in opening 16 new sites over the past two years in the mature UK and Israel markets. As the estate is generally older in the mature markets, refurbishment of existing cinemas, in particular in the UK, is vitally important and accordingly six major refurbishments were completed in the UK during 2016 by the Group. The opposite can be seen in developing markets (such as Romania) where the number of development opportunities tends to be greater. As a Group, we have opened 12 new sites in less mature markets over the last two years. Where there are site closures, especially of older sites in the UK, this also provides further opportunities for new investments.

Other Income
Retail and screen advertising revenues are significant additional sources of income for cinema chains. Popcorn and soft drinks remain the most popular retail items. There is, however, a growing demand for cinemas to offer a wider range of products, including healthier variants of traditional offerings. There is also an increase in supplementary products including branded coffee outlets such as Starbucks in the UK.

Screen advertising revenue varies depending on the type of films screened, the number of minutes and value of advertising sold, the volume of attendees who view the film, and the placement of advertisements close to the start of the film. The strength of the film slate in 2015 and the success of major films in the current year had a positive impact on the screen advertising revenues in 2016, especially in the Group's ROW territories.

Distribution income is generated in certain territories in the ROW. The revenue is generated by acquiring rights to a specific title, or acting as a local country distributor for a main Hollywood studio. Where rights are directly acquired, the revenue is earned through royalties from cinema exhibition and also from Video on Demand, DVDs and TV screenings.

Future Market Trends
Although streaming and downloading of films at home is increasingly popular, a multiplex cinema provides a unique experience which cannot be replicated at home. A trip to the cinema is a social occasion and watching a movie on a large screen with superb sound is attractive to all age groups. Cinema auditoriums are also increasingly being used for purposes other than just exhibiting feature movies, such as the streaming of live events, for example, opera and ballet and for corporate events.

The cinema industry continues to believe that the interests of the film industry and the customer are generally best served by the existence of the cinematic window, the period between the release of a film in a cinema and on any other platform. There is no expectation that the current cinema window will significantly change in the near future.

Business Model

We create value for shareholders through our focus on continually aiming to enhance the experience for our customers. We share the value we generate by reinvesting in the business and expanding our offer to customers, rewarding our employees and paying dividends to our shareholders.

Our primary customers are the cinemagoing public who rely on us to provide the best entertainment experience. We aim to give our customers, not just the choice of cinema, but also the choice of how to watch movies. In many cinemas, we have up to six different offerings of how to watch movies: regular screens, 3D, 4DX, IMAX, Superscreen and VIP theatres.

We provide the films our customers want to see in the most appropriate venues and locations, using the best technology, with the right retail offerings and great customer service. Our ticket price represents the various offerings of how to watch a movie. Our major source of revenue is driven by admissions, and our ability to maximise this income is dependent on the quality of the film slate and on the experience we can offer. Our admissions also have a direct effect on screen advertising revenues, and on retail sales, primarily of food and drink.

Our business model is underpinned by the following:

People and Culture
Our people underpin the whole of our operations as they are the face of our cinemas. They are focused on ensuring that our customers enjoy the best possible experience during their visit. A well-established training and development programme is used to maintain standards as well as support the Group focus on internal succession.

Financial Strength
By continuing to achieve healthy margins and maintaining a strong Balance Sheet we can continue to invest in our business, expanding and modernising the estate. Our continued investment in technology is a pivotal part of evolving the viewer experience we offer, but it also plays a role in ensuring we have flexibility in the use of our auditoriums.

Trusted Commercial Relationships
Delivering a high quality film slate is one of the key external drivers of our business. Whilst we do not have control over what is produced, our close and long-standing relationships with the film distributors are fundamental to providing the best and most varied selection for our customers at the right time. Our brands are important to our commercial partners, helping to deepen our relationships with the film distributors, retail suppliers, advertisers and landlords.

Risk Management and Governance
Monitoring and maintaining an effective system of risk management and internal control ensures that the Group's assets are safeguarded and that material financial errors and irregularities are prevented or detected with a minimum delay.

Outputs

Customer Experience
Our customers experience is fundamental to our success. By delivering our vision to be "The Best Place to Watch a Movie", we are ensuring that our customers have a positive experience and increase the likelihood of their repeat visits.

Motivated Team
The investment we make and the way we operate is key to maintaining a happy and motivated workforce. For more on our people refer to Resources and Relationships on page 18.

Group Financial Performance and KPIs
The Group's financial results and our progress against our KPIs are the key measurable outcomes of what we achieve. These are outlined in detail in our KPIs on page 12 and the Financial Review on page 28.

Shareholder Returns
To be able to reward our shareholders we remain focused on driving revenues, increasing earnings and prudently managing our cash position, to ultimately provide returns to shareholders.

Our Vision: To be the best place to watch a movie

Our Purpose: To provide the films our customers want to see in the most appropriate venues and locations, using the best technology with the right retail offerings and great customer service

Our Market & Brands

- UK & Ireland
  Cineworld, Picture House
- Rest of World
  Cinema City, Yes Planet

Our Portfolio of Locations

- High Street
- Shopping Centres
- Retail & Leisure Parks
- Stand Alone

Our Operations

- Cinema Operations
- Property & Construction
- Group Support Functions
- Film buying, programming and distribution

Our Offering

- Box Office
  4DX, 3D IMAX, VIP, Unlimited, Superscreen
- Distribution
- Advertising
- Retail
  Starbucks, Candy King, Baskin Robbins

Outputs →

- Customer Experience
- Motivated Teams
- Group Financial Performance and KPI Delivery
- Shareholder Returns

People & Culture

Financial Strength

Trusted Commercial Relationships

Risk Management & Governance

Profit Reinvestment

Profit Reinvestment

Strategy and Key Performance Indicators ("KPIs")

In order to implement and measure the Group's strategic performance, we monitor the following Key Performance Indicators in addition to the Group's overall financial performance.

1.
Delivering a great cinema experience for all cinemagoers, every time.

Our people are the face of our business. They are key to delivering a great customer experience to all of our customers. It is therefore important to us that we recruit high quality employees and invest in them.

We want to ensure our customers have choice – this includes the movies they can watch, how they watch the movies, the type of venue they watch a movie in and a variety of retail offerings provided to cater for all demographics.

What we achieved in 2016

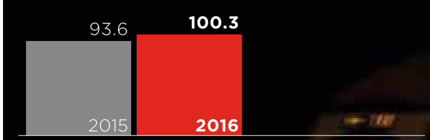
Achieved record customer admissions, reaching the fantastic milestone of over 100m admissions across the Group.

Employee engagement levels increased to 75% from 70% in 2015 with an outstanding response rate of 98%.

Our "BeMore" programme, which supports our top talent displaying potential and fulfils our internal succession requirements, saw the graduation of 24 junior managers.

ADMISSIONS
(£m)

+7.2%



2.
Expanding our estate and looking for profitable opportunities to grow.

When selecting new sites for development we consider the location, accessibility, competition, and other local economic factors.

What we achieved in 2016

Completed the acquisition of five Empire sites including the iconic Empire Leicester Square which increases our London presence. The five cinemas comprised:

- Basildon – 18 screens
- Bromley – 4 screens
- Hemel Hempstead – 17 screens
- Leicester Square – 9 screens
- Poole – 16 screens

Built on the previous record number of 18 openings in 2015 with an additional eight openings, four in the UK&I and four in the ROW.

UK&I

- Yate – 6 screens
- Loughborough – 8 screens
- Dalton Park – 7 screens
- Harlow – 6 screens

ROW

- Timisoara Nepi (Romania) – 13 screens
- Beer Sheva (Israel) – 18 screens
- Bucharest Tital (Romania) – 14 screens
- Piatra Neamt – 6 screens

We have a pipeline of 441 new screens which are contracted to come on-stream over the next four years.

NO. OF NEW SITES:

13

2015: 18

TOTAL NO. OF SCREENS

2,115

2015: 2,011

3.
Ensuring that we enhance our existing estate so we deliver a consistent level of quality across the Group.

Providing our customers with high quality cinemas throughout the estate is of upmost importance. As the UK estate is generally older than in the ROW, refurbishments are key to ensuring the cinemas remain contemporary and include the latest technology, stadium seating, and retail offerings.

What we achieved in 2016

A record nine major refurbishments were completed, six in the UK and three in the ROW.

UK&I

- Stevenage
- Glasgow Renfrew Street
- Crawley
- Cardiff
- Wandsworth
- Birmingham Broad Street

ROW

- Polus (Slovakia)
- Au Park (Slovakia)
- Compania (Hungary)

NUMBER OF REFURBISHMENTS COMPLETED

9

2015: 3

4.
Being leaders in the industry by offering our customers the latest audio and visual technology.

We want to continue the roll-out of the latest technology across the Group, by continuing to strengthen our partnership and relationships with IMAX and 4DX.

What we achieved in 2016

The first 4DX was opened in London at our Wandsworth site in December.

There were thirteen 4DX screens opened across the Group in total during 2016, bringing the total number of 4DX screens to 27 as at 31 December 2016.

Two new IMAX screens were opened, in addition to the three IMAX screens acquired from Empire. We are now currently the largest IMAX exhibitor in the UK and have a total of 33 screens across the Group as at 31 December 2016.

NUMBER OF PREMIUM FORMATS

4DX

27

2015: 14

IMAX

33

2015: 28

5.
Driving shareholder value by delivering our growth plans in an efficient and effective way.

To be able to reward our shareholders we remain focused on driving revenues, increasing earnings and prudently managing our cash position.

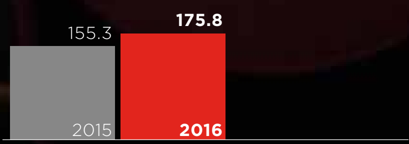
What we achieved in 2016

Delivered growth in underlying profitability, with an increase in EBITDA, adjusted EPS and dividends.

Continued to focus on driving efficiencies across the Group for example by the extension of the shared service centre in Poland. Having successfully established the customer service call centre in 2015, during 2016 our tier 1 IT and UK purchasing functions were transitioned to Poland to unlock further efficiencies across the Group.

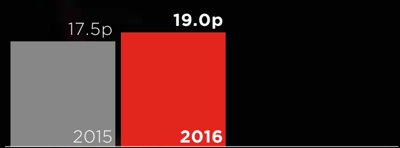
EBITDA
(£m)

+13.2%



DIVIDEND PER SHARE
(p)

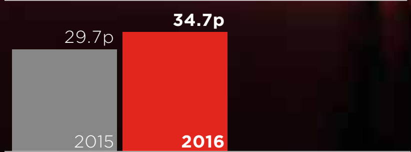
+8.6%



AVERAGE TICKET PRICE
(£m)

ADJUSTED DILUTED EPS
(p)

+16.8%



RETAIL SPEND PER PERSON
(£m)

The best customer experience

Cinema just keeps getting better

We are transforming our customers' experiences through continued investment in refurbishments, new technologies and customer service.

▲ VIP

A premium cinema experience which includes access to a private lounge ahead of the movie screening where customers can enjoy unlimited buffet food, popcorn and soft drinks before watching the movie in a dedicated auditorium with luxurious reclining seats.

9

LOCATIONS	SCREENS
1 Israel	3
2 Poland	2
3 UK & Ireland	2
4 Hungary	1
5 Romania	1

IMAX ▼

The ultimate in 'big screen' experience, IMAX is the most immersive cinematic experience.

33

LOCATIONS	SCREENS
1 UK & Ireland	20
2 Poland	5
3 Israel	3
4 Romania	2
5 Bulgaria	1
6 Czech Republic	1
7 Hungary	1

▲ 4DX

Customers travel from far and wide to enjoy the hugely-exhilarating multi-sensory 4DX experience.

27

LOCATIONS	SCREENS
1 UK & Ireland	9
2 Poland	5
3 Israel	4
4 Romania	3
5 Hungary	1
6 Czech Republic	2
7 Bulgaria	2
8 Slovakia	1

Foyer Experience
Customers are wowed entering our fully digital foyers with huge LED screens that make the trailers come alive.

Starbucks
Cineworld opened its 24th Starbucks at Cineworld Wandsworth.

Superscreen
Our in-house big screen experience has jaw-dropping Dolby Atmos sound and comfortable designer Italian seats.

IMAX Laser
Crystal clear laser projection from IMAX provides the sharpest on-screen experience.

Number of screens
2,115

Number of cinemas
226

LOCATIONS	CINEMAS	SCREENS
1 UK & Ireland	118	1,042
2 Poland	33	354
3 Romania	24	223
4 Hungary	19	163
5 Czech Republic	13	115
6 Israel	10	124
7 Bulgaria	6	65
8 Slovakia	3	29

Employee engagement

Investing in our people

Our teams are trained to enhance the excitement of going to the movies by making the experience as effortless as possible.

TRAINING COURSES ▶

We offer a range of courses, including our BeReady, BeMore and BeGreat programmes which are tailored for employees at varying levels of their career.

APPRENTICE PROGRAMME

We now have 64 apprentices in our programme, providing opportunities for young people to learn straight from school as well as offering an exciting career into the cinema industry.

64

NEW EMPLOYEES ▶

Staff retention is at an all time high.

Cineworld Group events in 2016

Company Conference

Over 300 management team members, suppliers and partners attend our annual conference, held in 2016 at both Cineworld Wembley and the famous Wembley Stadium.

Children in Need ▶

Cineworld teams raised over £400,000 in support of BBC's Children in Need – the first time Cineworld has supported such a major national campaign. Multiple events were hosted across cinemas and all box office income from our Movies for Juniors programme was donated during Children in Need week.

Awards

The highlight of the year is the awards dinner at the company conference, with the Department of the year award in 2016 won by the Learning and Development team.

▼

▲

Training Programmes

Our BeMore training programme ensures that we prepare the managers of tomorrow; as we continue to grow our estate we invest in the people who will be the future General Managers of our cinemas.

Resources and Relationships

Our business model and strategy are underpinned by key resources and relationships.

Introduction
Our key relationships for the Group are with our customers, our people, our commercial partners and our wider communities. How we behave and interact with each of these parties reflects on our reputation, which is a key asset underpinning the successful delivery of our strategy.

Our Group policy on ethics seeks to guide the behaviour of our people by specifying 12 principles which establish common values through which we do business. We strive to ensure that we act in appropriate ways to maintain and enhance our reputation. The Group seeks to act with honesty and integrity in its dealings with customers, employees, shareholders, regulators, suppliers and our wider community.

Health and safety is of major importance to us when considering the day-to-day health, safety and welfare of our customers, employees and contractors. With over 100 million customer visits a year and over 9,000 employees, the Group seeks to maintain the highest standards in the effective management of our health and safety obligations, and our duty of care to our customers and staff.

Each year, every cinema in the Group is subject to health and safety assessments (including aspects of fire, food and occupational) self-assessments and audits. Results are compared year-on-year and any significant issues are followed up with the assistance of specialist external consultants where needed. Overall, the results have shown that standards remain high. All incidents are logged, investigated and action taken, where appropriate, to ensure that the chances of a reoccurrence are reduced as far as reasonably possible.

Our Customers

Our customers are fundamental to our success. We focus on ensuring that they have a positive experience every time to increase the likelihood of repeat visits. We aim to deliver a broad range of films, in high quality venues with retail offerings to suit our customers' tastes all of which contribute to achieving our vision.

We also have initiatives which aim to extend the relationship with the customer beyond a single visit. In the UK, and from the end of 2015 in Poland, we have our Unlimited subscription service which is a fixed monthly (or annual) subscription enabling customers to watch as many 2D films as they wish. We also have a number of other membership schemes across the UK and other territories which offer discounts and allow us to interact frequently with our customer base.

Event cinema screenings bring a wider range of content to our customers, enabling our audiences to see live shows taking place around the world. Operating in this way supports such productions, making them more commercially viable, accessible to more people and, in turn, brings more people to the cinema and, frequently, a different type of customer.

As many of our customers still associate going to the cinema as a treat or special occasion, they expect traditional cinema snacks as part of their experience. However, we offer a range of products to our customers, and we work closely with our partners to provide healthier alternatives where appropriate. We ensure that we provide good nutrition and allergen advice to enable our customers to make informed choices, with the latter now being available on our website. At our Picturehouse circuit, the food and drink proposition is more akin to that found in restaurants and closely tailored to the audience profile to which it caters. A wide range of snacks and meals are available, many of which include ingredients sourced from local producers and suppliers.

The Group actively promotes a philosophy of access for all by offering accessible cinemas for the handicapped that show a wide range of films and event cinema. Employees receive disability awareness training and specific advice on welcoming disabled customers. Many of our cinemas offer audio-descriptive, autism-friendly and subtitled performances, and in some territories, the Group allows customers with disabilities to be accompanied by a carer, free of charge. All new cinemas are designed to exceed current statutory requirements and to provide buildings which are technically advanced, accessible and safe. When cinemas undergo major refurbishment as part of an ongoing programme of improvements and renovations, the opportunity is taken to enhance access within cinemas where practicable to do so.

The Group actively encourages our future film-going audience by specifically tailoring film schedules to attract families and young people. Where necessary, these performances are dubbed into the native language to ensure that all customers can enjoy the full cinema experience. Concessionary rates are offered for senior citizens and students at certain times of the day. Throughout the Group, all national regulators' film classification guidelines are followed, unless the local regulators require otherwise. In some of our territories, there are no classification guidelines, and in such cases we provide information to customers about films so they can make informed choices about the type of film being shown. We also ensure that all trailers are complementary in terms of suitability to the main feature.

Our People

Once again, 2016 saw considerable investment in people initiatives across the Group as we recognise that motivated and engaged teams are pivotal to delivering our vision to be the 'Best Place to Watch a Movie'.

Nurturing talent is a key part of our people strategy and, in support of our growth strategy, we are proud that over the last 12 months more than 50% of cinema management positions were filled by internal applicants. This success rate is underpinned by our regularly held talent development reviews which directly link to our learning and development offering. The talent review process allows us to identify high performing and high potential talent from across the estate and invest in their development so they can achieve their full potential. Much of our learning and development focus in 2016 has been on developing content for our various and extensive programmes.

There are three core parts to our learning and development offering:

- **BeReady** - trains people who are 'New to Role' to enable them to feel part of our family and to develop their competence and confidence, whilst they learn on the job.
- **BeGreat** - supports people with their performance and capability; employees are up-skilled in the technical and soft skill aspects of their role. All training is delivered in a workshop format, where learnings are embedded and transferred back into the workplace.
- **BeMore** – supports the top talent displaying potential and fulfils our internal succession requirements. 2016 saw the graduation of 24 junior managers who took part in our 12 month residential management 'BeMore' programme. Since graduation, 17 of these managers have either progressed to a higher management position or moved into a new, larger complexity cinema. This year's programme also offers an opportunity to complete a qualification (accredited by the Institute of Leadership and Management "ILM"). Additionally, we extended the opportunity of completing an optional NVQ qualification to our Team Members and Supervisors on our 'BeMore' programme. We have around 250 Team Members and Supervisors being supported in the programme in order to prepare them for their next role and a number are now completing an NVQ in Customer Service or an NVQ in Team Leading.

Resources and Relationships continued

We also have a 24 month apprenticeship programme, attendance in which has trebled during 2016. We now have 64 apprentices in our programme, providing opportunities for young people to learn straight from school by offering an exciting career path into the cinema industry. Many apprentices go on to become Cinema Supervisors.

We are also very proud of our online Learning Management System 'CineLearn' – CineLearn has grown to become the foundation of our learning and development offering, with over 4500 employees now having access to the platform, which supports their personal and professional development. The system is now being accessed 90 times per day across the estate, demonstrating the ease and accessibility of the platform as well as the culture of learning within the Group.

Another key part of our people strategy is our fair wage policy, across all age groups and in all territories. In addition, we update and improve bonus schemes, rewarding people across a range of measures from Group performance to personal performance, to driving sales and more. We also offer an extensive range of benefits including unlimited free cinema tickets, guest tickets, discounts on food and drinks, bike to work schemes, childcare vouchers and many other benefits which suit our people's needs.

We are enormously proud of our employee engagement scores. For the fourth consecutive year, engagement levels have increased and in 2016 we achieved an engagement score of 75% (up from 70% in 2015) and a truly outstanding participation rate of 98%. These scores have been achieved by continuing to listen to our people through our surveys then implementing initiatives which are important to them and their needs, such as increased levels of pay, succession planning and promotions, and learning and development opportunities.

Diversity and Human Rights
The Group 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.

Gender Breakdown of Cineworld People

	BOARD OF DIRECTORS	SENIOR MANAGERS(1)	TOTAL EMPLOYEES
Male	6	6	5,094
Female	3	3	4,852

(1) Senior managers are those people who report directly to an Executive Director. Data is based on the average headcount for 2016.

Our Commercial Relationships
We work hard at developing good relationships with a range of film studios and distributors, both major and independent. Our focus on driving cinema admissions and on providing our customers with a wide range of movies 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 with industry bodies, including the Film Content Protection Agency (FCPA), to combat film piracy. During 2016 the Group were awarded a total of 22 awards out of a possible 32 awards from the FCPA, demonstrating our dedication to the UK's theatrical protection programme.

The Group is committed to protecting the intellectual property rights of films and Event Cinema. Policies and procedures are constantly reviewed and developed to ensure cinema management are able to effectively monitor and prevent film piracy. Night-vision technology is utilised and there is an increased vigilance around high profile titles which are particularly vulnerable.

The Group will continue to work closely with relevant industry and law enforcement organisations in order to help reduce and prevent film piracy.

We build relationships with developers, landlords and local 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 and 4DX, 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, Baskin Robbins, Candy King, Starbucks and Pepsi 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.

The Group also works as a venue partner for numerous film festivals. While many are well known and high profile, in certain territories the Group sponsors festivals showcasing local film producers' work and runs short film competitions for students encouraging the development of future talent. This involvement once again helps to promote the Group's brands through the wider film industry.

Our Communities
Our work with charities, schools, and community groups across all our territories is very important to us. We are involved with a wide range of activities including working with distributors on charity screenings, providing free shows for organisations and working closely with local schools and organisations.

In 2016, for the first time, Cineworld partnered with the BBC's Children In Need initiative, where as a team we raised over £400,000. Our Picturehouse cinemas work very closely with their charity of choice, Plan International UK, and host regular awareness-raising and fundraising activities in venues, including free preview screenings and interactive activities for audiences. In 2016, Picturehouse Cinemas also donated 10p from every bottle of water sold in their cinemas to Plan International UK.

For 2017, Picturehouse Cinemas have now changed bottled water supplier to Life Water. Life donated a significant amount of their proceeds to charity and the plastic bottles used by it are amongst the most environmentally-friendly in the market.

Our schools' programme saw us working with a variety of partners to deliver a wide range of educational screenings for primary and secondary schools, including the Holocaust Memorial Day Trust, London International Film Festival, World Book Day and the National Literacy Trust.

We worked with our distributors to create special schools promotions and programmes for films such as Macbeth, Suffragette and The Stanford Prison Experiment. We ran talks and screenings for Black History Month, Anti Bullying Week, Science and Engineering Week, Refugee Week, Roald Dahl's Centenary, World Book Day and Holocaust Memorial Day.

Across the last academic year, our key achievements included:
- We held over 400 education screenings on weekday mornings with a total of over 32,000 students attending from 450 different schools across the UK.
- We showed 942 Saturday morning Kids' Club screenings, with an audience of circa 55,000.
- We showed 1,246 weekday morning Toddler Time screenings, with an audience of circa 27,500.
- We held 224 Autism Friendly screenings with a total of circa 3,764 total admissions.
- Dementia Friendly Screenings - Picturehouse launched this strand at Hackney and Liverpool, with 11 screenings taking place and a total of 380 admissions.

We seek 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 multisite business, the Group is conscious of its total energy consumption and amount of waste materials generated and is actively working on reducing both. The Group's mandatory greenhouse gas report can be found in the Directors' Report on pages 76 to 77.

Our cinema websites enable e-tickets to be purchased and used, avoiding the need to print tickets. In new and refurbished cinemas, poster cases are now digital reducing the need to deliver, install, and ultimately throw away large paper posters. All these efforts help to reduce our use of resources and carbon footprint.

Principal Risks and Uncertainties

Operating as a cinema chain across nine different territories presents a number of risks and uncertainties that continue to be the focus of the Board's ongoing attention.

Cineworld's approach to risk management and internal control is designed to manage risk at all levels, of the business, recognising that although we can take mitigating actions on all risks the mitigation is not guaranteed to address the full impact of any risk. Therefore, where possible, the Group has implements appropriate mitigation strategies to reduce the overall risk exposure in line with the Board's risk appetite.

During the year the Group further strengthened the components of the Risk Management Framework through its programme of ongoing monitoring and reporting. This ensured that the risk profile remained up-to-date and accurately reflected the Group's risk exposure.

The Board undertook a formal annual review of risk appetite, ensuring that the view it has established for each of the principal risks reflects its current perspective and its willingness to accept risk in pursuit of the strategic objectives of the Group. Full details of the Group approach to risk management are set out on page 45.

In addition, the Directors' viability assessment has taken into consideration the potential impact of the principal risks in the business model, future performance, solvency and liquidity over the period, including principal mitigating actions such as reducing capital expenditure. More details about the viability assessment may be found on pages 49 to 50.

The Board has undertaken a robust assessment of the principal risks facing the Group during the year, including those that would threaten its business model, future performance, solvency and liquidity. The time-frame horizon for consideration of the principal risks is aligned to the three year period used when considering the future viability of the Group (please see the Group's viability statement on page 38).

The specific impact of Brexit on our principal risks has been considered by the Board and Senior Management. Whilst we remain vigilant, we do not believe the result of the EU referendum will have a significant impact on the underlying trading performance of the Group going forward based on our business, which has a proven consumer appeal through all economic cycles.

Principal Risks Summary	Strategic Relevance	Risk Trend
1. Technology and Data	1 / 2 / 3 / 4 / 5	◀▶
2. Availability and Performance of Film Content	1 / 4 / 5	◀▶
3. Expansion and Growth of Our Cinema Estate	2 / 3 / 4 / 5	◀▶
4. Viewer Experience and Competition	1 / 3 / 4 / 5	◀▶
5. Revenue from Retail/ Concession Offerings	1 / 5	◀▶
6. Cinema Operations	1 / 5	◀▶
7. Regulatory Breach	1 / 2 / 3 / 5	◀▶
8. Strategy and Performance	1 / 2 / 3 / 4 / 5	◀▶
9. Retention and Attraction of Senior Management and Key Employees	1 / 2 / 3 / 4 / 5	◀▶
10. Governance and Internal Control	1 / 2 / 3 / 4 / 5	◀▶
11. Terrorism and Civil Unrest	1 / 5	◀▶

Key
▲ Increase
▼ Decrease
◀▶ No significant change

The Group's principal risks are set out on the following pages together with:
- a description of the risk and its potential impact;
- examples of the current controls and mitigation;
- a summary of developments in the year;
- an indication of the direction of travel of the risk exposure; and
- an indication of the link to the Group's strategic objectives as set out on pages 12 and 13.

1 Technology and Data Control

Owner: Deputy CEO

Risk Trend ◀▶

Strategic Relevance: 1 / 2 / 3 / 4 / 5

Description and Impact
The Group continues to grow its reliance on IT systems and data. From online ticket sales to managing financial information and everything in between, the Group is reliant on its IT systems remaining operational and secure. Therefore, any critical system interruption for a sustained period could have a significant impact on the Group's performance. In addition, any breach (cyber or otherwise) of data protection rules or security measures surrounding the storage of confidential and proprietary information (including movie content) could result in unauthorised access, loss or disclosure of this information. This could lead to claims, regulatory penalties, disruption of operations of the Group and ultimately reputational damage.

Controls and Mitigation Activity
The Group IT function monitors, manages and optimises our systems, including ensuring their resilience through regular back-ups and the implementation of security measures. Additional external experts are employed where necessary to oversee, and help manage, major projects involving the upgrading or replacement of key systems. The Group continually reviews its approach to information security, specifically controlling the sensitive data it holds through restricted access.

Commentary and Rationale for Trend
The continual increase in global criminal cyber activity and the ongoing implementation of a number of new IT systems in the Group has necessitated that the Board specifically focus on this area continues to remain high. An enhancement in the resilience of Group systems has occurred during the year. All IT systems and Data have now been transitioned to an outsourced data centre that is then backed up by a secondary centre at a different location.

2 Availability and Performance of Film Content

Owner: CCO

Risk Trend ◀▶

Strategic Relevance: 1 / 4 / 5

Description and Impact
Underpinning the overall success of the Group is the quality of the film slate, the timeliness of release and the appeal of such films to our customers. Where the film studios do not produce sufficiently attractive films, or films underperform, this has a direct impact on cinema attendance and, therefore, the principal box office revenue for the Group may decline.

Controls and Mitigation Activity
We work closely with film distributors to acquaint ourselves, as early as possible, with the upcoming film slate in order to forecast likely film performance. Although access to the latest film slate is reliant on our relationship with the film distributors, the Cineworld Group strategy is to show a wide range of films over and above the traditional Hollywood blockbusters. This allows us to reduce the exposure to reduced attendance by meeting specific local area demand for type and content of films shown. The operating flexibility of having digital projection technology available in all our cinemas has enhanced the capacity utilisation of the Group, as digital film content can be easily moved to and from auditoriums to maximise admissions.

Commentary and Rationale for Trend
In part due to significant global sporting events, there were fewer blockbusters released in 2016 compared to 2015. However, the level of admissions demonstrated there remains an undiminished appetite for cinema attendance, especially for family titles in the ROW territories. In addition, locally produced movies continue to be popular, with the top three films in Poland for 2016 all being produced locally. (For further information see Market Overview on page 8 and 9). There is a strong film release programme for 2017 and, therefore, we expect these to drive continued growth in admissions.

Principal Risks and Uncertainties continued

3 Expansion and Growth of Our Cinema Estate

Owner: CEO

Risk Trend ◀▶

Strategic Relevance: 2 / 3 / 4 / 5

Description and Impact
Growth in the estate is dependent on the development of new sites or the acquisition of existing cinemas. Planning laws, the economic environment, availability of capital for developers and location choice are some of the factors that may impact the Group's development and growth plans.

Controls and Mitigation Activity
The Group devotes a considerable amount of time to assessing new site opportunities and this, along with further acquisitions, is a key part of our future growth strategy. We also maintain good relationships with potential key development partners. This allows us to be aware of the availability of space in new developments and to ensure factors such as local planning laws and demographic changes are understood and monitored. Board approval is obtained for all new sites and significant refurbishments.

Commentary and Rationale for Trend
The Group grew the state as a further eight new cinemas (four in the UK and four in ROW) opened during the year. A further 441 screens are scheduled to open across the next four years, with 132 scheduled to open in 2017. (For further details see CEO's statement on pages 6 and 7).

4 Viewer Experience and Competition

Owner: COO

Risk Trend ◀▶

Strategic Relevance: 1 / 3 / 4 / 5

Description and Impact
Although cinema admissions are predominantly driven by the quality and availability of films, ensuring that the Group continually enhances the viewer experience is crucial. Any decrease in the quality of the services we offer, from the ease of booking, the technology we use, to a friendly farewell on departure, could result in loss of customers to competitors and/or other leisure/entertainment attractions. Furthermore, the development of existing and new technology (such as 3D television and internet streaming) has also introduced competitive forces as they offer alternative ways to view films.

Controls and Mitigation Activity
Our strategy is focused on continually improving the quality of services we offer to customers. This includes increasing the efficiency of online booking, removing clutter from the foyers, investing in technical innovation and premium offerings (4DX and other large screen formats), upgrading seating options (further roll-out of the VIP offering) and improving retail offers. Customer interaction with the Group outside of the cinema environment is also important. We have enhanced subscription and membership programmes to offer added value through offers and information.

Commentary and Rationale for Trend
As many as six different formats (regular screens, 3D, 4DX, IMAX, Superscreen and VIP auditoriums) are available, to give our customers the widest viewing choice.

We reinforced our market-leading position in technology by introducing 4DX into a further 13 sites and IMAX into a further five sites (for further details see CEO's statement on pages 6 and 7).

5 Revenue from Retail/Concession Offerings

Owner: CCO

Risk Trend ◀▶

Strategic Relevance: 1 / 5

Description and Impact
Retail/concession sales generally fluctuate in line with admissions and the type of film on show. 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. In addition, the price of items such as energy and foodstuffs has a direct impact on costs. The ability of the Group to understand and react quickly to the changing customer need is a key part to maintaining and increasing revenue.

Controls and Mitigation Activity
A key strategy for the Group is to maintain a strong relationship with the principal retail suppliers. We run targeted promotions, as well as bring in different ranges of products to meet changing customer demand. The introduction of franchising models for some of the key suppliers has also been an important way of enhancing the range of offerings.

Commentary and Rationale for Trend
The retail spend per customer increased with a 5.1% rise in 2016. The retail offering continued to expand and diversify with a further seven Starbucks outlets opened during the year, taking the total circuit to 24 at 31 December 2016, with a number of further openings scheduled for 2017. The second UK VIP site was opened in the UK (Glasgow Renfrew Street) and there are plans to open additional sites where there is the appropriate market opportunity (for further details see CEO's statement on pages 6 and 7 and Financial Review on pages 28 to 32).

6 Cinema Operations

Owner: COO

Risk Trend ◀▶

Strategic Relevance: 1 / 5

Description and Impact
Operating cinemas well is pivotal to the overall success of the Group. Key to this is to ensure that management understand the local market (film scheduling, pricing and retail offerings), effectively manage their employees, maintain service standards, and are able to react to incidents should they occur. A reduction in performance in any area can have a direct effect on the overall viewer experience, reputation of the cinemas and ultimately the Group's financial performance.

Controls and Mitigation Activity
Cinema management continually monitor their staffing requirements, making adjustments to scheduling based on customer demand, forecasts and film scheduling. On a monthly basis, detailed operational and financial reviews are undertaken by cinema management teams to ensure performance matches expected targets.

Commentary and Rationale for Trend
There is continual improvement in the operational and financial performance of the Cinemas in the Group driven by a combination of ongoing process evolution and underpinned by continual investment in learning and development programmes (please see Resources and Relationships on pages 18 to 21). A key focus in the later part of 2016 was, and continues to be, the alignment of operational processes and procedures of the five cinemas acquired from Empire with those of Cineworld.

Principal Risks and Uncertainties continued

7 Regulatory Breach

Owner: Deputy CEO

Risk Trend ◀▶

Strategic Relevance: 1 / 2 / 3 / 5

Description and Impact
The Group's business and operations are affected by regulations covering such matters as planning, the environment, health and safety (cinemas and construction sites), licensing, food and drink retailing, data protection and the minimum wage. Failure to ensure ongoing compliance with regulation/legislation could result in fines and/or suspension of activity.

Controls and Mitigation Activity
Management operates an ongoing cinema compliance programme, supplemented by independent compliance assurance reviews by external advisers where appropriate. Group support functions use a combination of ongoing staff development as well as updates from professional advisers to ensure management are aware of the latest regulations in key areas.

Commentary and Rationale for Trend
The results of our cinema compliance programmes, health and safety assessments, and wider assurance activity continue to indicate no significant increase in risk exposure, with standards of compliance in all areas remaining high (for further details see Resources and Relationships on pages 18 to 21).

8 Strategy and Performance

Owner: Deputy CEO

Risk Trend ◀▶

Strategic Relevance: 1 / 2 / 3 / 4 / 5

Description and Impact
Delivery of our long-term objectives requires the effective setting, communicating, monitoring and executing of a clear strategy.

Controls and Mitigation Activity
A structure is in place to support effective strategy development, as well as ongoing reporting and monitoring of business performance on a daily, weekly, monthly, quarterly and annual basis. Monitoring Senior Management performance against their agreed personal objectives is an ongoing exercise.

There are various communication strategies (e-mails, meetings and conferences) used to ensure the strategic goals of the Group are clearly understood and executed by Senior Management.

Commentary and Rationale for Trend
The 2016 annual management conference provided the platform to reconfirm the Group's strategy with Senior Management and ensure a clear understanding of execution requirements. There have been changes at a Senior Executive level with Nisan Cohen (CFO), Renana Teperberg (CCO) and Matt Eyre (COO) all now holding Group-wide roles and joining the CEO and Deputy CEO for an expanded Executive Management Team. They are supported by Senior Vice Presidents who lead on specific functional areas and support them in monitoring current business performance and looking at future strategic direction.

9 Retention and Attraction of Senior Management and Key Employees

Owner: Deputy CEO

Risk Trend ◀▶

Strategic Relevance: 1 / 2 / 3 / 4 / 5

Description and Impact
The Group's performance and its ability to mitigate significant risks within its control depends on its employees and senior management teams. Therefore, reliance is placed on the Group's ability to recruit, develop and retain Senior Management and other key employees. If the Group loses key people this could have an impact on its ability to deliver business objectives.

Controls and Mitigation Activity
To ensure the long-term success of the Group, it uses a variety of techniques to attract, retain and motivate its staff, with particular attention to those in key roles. These techniques include the regular review of remuneration packages, share incentive schemes, training, regular communication with staff and an annual performance review process. As an overall approach internal promotion is preferred where possible.

Commentary and Rationale for Trend
Nurturing talent across the Group is a key part of our strategy and, in support of that, internal succession plays a key part with more than 50% of cinema management positions filled by internal applicants. This success rate is underpinned by regularly-held talent development reviews which directly link to the learning and development programmes (please see Resources and Relationships on pages 18 to 21).

10 Governance and Internal Control

Owner: CFO

Risk Trend ◀▶

Strategic Relevance: 1 / 2 / 3 / 4 / 5

Description and Impact

Maintaining corporate governance standards and an effective and efficient risk management and internal control system proportionate to the needs of the Group is a key part of short and long-term success. Any failure and/or weakness in this area (financial and non-financial) could have an impact on the efficient and effective operations of the Group.

Controls and Mitigation Activity

The Group uses various mechanisms to support the implementation and effectiveness of controls. These include:

- Implementation of the Group Risk Management Framework;
- Ongoing self-assessment process for monitoring cinema compliance and financial control standards;
- Work of Internal Auditors;
- Regular consultation and advice from external advisers;
- A risk based cinema compliance and financial control audit programme;
- The delivery of targeted risk based internal audit reviews; and
- The use of technology for live forensic monitoring.

Commentary and Rationale for Trend

Continued evolution of the Group's risk management programme, and the delivery of supporting assurance activity, is providing ongoing improvements to the overall system of internal control (please see Corporate Governance report pages 46 to 47). The creation of a new role within the Group of Head of Risk and Assurance in August 2016 is a further step by the Group to ensure ongoing compliance with its governance standards, risk management assessment and internal controls.

11 Terrorism and Civil Unrest

Owner: CEO

Risk Trend ◀▶

Strategic Relevance: 1 / 5

Description and Impact

Cinema businesses could be affected by civil unrest or terrorist acts/threats, resulting in the public avoiding going to the cinemas. This could be due to incidents in the locations in which the Group operates that increase general unease. The Group may be subject to an increased risk of boycott, targeted civil unrest or terrorist action/threat as a result of operating in and being linked to certain countries or types of film. This could adversely impact the financial performance of the Group.

Controls and Mitigation Activity

We receive communications from relevant government authorities and law enforcement agencies which keep us informed and allow us, when needed, to monitor any potential impact external events could have on the security of our cinema estate. Business continuity and disaster recovery plans are in place to ensure that management can react appropriately should an incident occur at a Group site. Appropriate insurance is in place to mitigate the financial consequences.

Commentary and Rationale for Trend

Incidents of terrorism across the globe means the Group continues to focus on this as part of its ongoing cinema operations.

Financial Review

Performance Overview

	YEAR ENDED 31 DECEMBER 2016			YEAR ENDED 31 DECEMBER 2015		
	UK & IRELAND	REST OF THE WORLD	**TOTAL GROUP**	TOTAL GROUP	STATUTORY MOVEMENT	CONSTANT CURRENCY MOVEMENT
Admissions	51.8m	48.5m	**100.3m**	93.6m	7.2%	7.2%
	£M	£M	**£M**	£M		
Box office	324.0	176.9	**500.9**	451.6	10.9%	7.0%
Retail	117.5	73.3	**190.8**	162.7	17.3%	12.6%
Other income	52.5	53.6	**106.1**	91.5	16.0%	9.8%
Total revenue	**494.0**	**303.8**	**797.8**	**705.8**	**13.0%**	**8.7%**

Cineworld Group plc results are presented for the year ended 31 December 2016 and reflect the trading and financial position of the UK and Ireland and the Rest of the World ('ROW') operating segments (the 'Group'). The five Empire cinemas acquired from Cinema Holdings Limited became part of the Group on 11 August 2016 and their results since acquisition have been included within the UK and Ireland segment.

Unless explicitly referenced, all percentage movements which are given reflect performance on a constant currency basis to allow a year-on-year assessment of the performance of the business without the impact of fluctuations in exchange rates over time. Constant currency movements have been calculated by applying the 2016 average exchange rates to 2015 performance.

Total revenue for the year ended 31 December 2016 was £797.8m, an increase of 13.0% on a statutory basis, and 8.7% on a constant currency basis. Overall admissions increased by 7.2%, whilst average ticket pricing remained broadly flat on a constant currency basis at £4.99, giving an overall increase in total box office revenues of 7.0%. Spend per person increased by 5.1% to £1.90 resulting in retail revenue growth of 12.6%. Other revenues increased by 9.8%.

The principal income for the Group is box office revenue. Box office revenue is a function of the number of admissions and the ticket price per admission, less VAT. In addition, the Group operates membership schemes which provide customers with access to screening in exchange for subscriptions fees, and this revenue is also reported as part of box office. Admissions (one of our key performance indicators), depend on the number, timing and popularity of the films we are able to show in our cinemas.

Admissions are also a key driver for the two other main revenues for the Group. These are retail revenue, the sale of food and drink for consumption within our cinemas and screen advertising income, from advertisements shown on our screens prior to feature presentations.

UK and Ireland

	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015	STATUTORY MOVEMENT	CONSTANT CURRENCY MOVEMENT
Admissions	51.8m	50.9m	1.8%	1.8%
	£M	£M		
Box office	324.0	311.9	3.9%	3.9%
Retail	117.5	107.2	9.6%	9.6%
Other income	52.5	46.8	12.2%	12.2%
Total revenue	**494.0**	**465.9**	**6.0%**	**6.0%**

The results for the UK and Ireland include the two cinema chain brands in the UK, Cineworld and Picturehouse, and for the first time also include the five Empire cinemas acquired on 11 August 2016.

Box Office
Box office revenue represented 65.6% (2015: 66.9%) of total revenues for the UK and Ireland. Admissions in the year increased by 1.8% and combined with an increase in the average ticket price of 2.1% this resulted in revenue growth of 3.9%. This is a pleasing result as admissions in the UK and Ireland cinema industry as a whole were down 2.1% during the same period (Source: UK Cinema Association).

The overall box office performance was underpinned by a solid film slate in 2016, despite 2015 being a strong comparative. In 2016, in the UK overall, the top three films grossed £149.4m ("Star Wars: Rogue One" - £50.7m, "Fantastic Beasts and Where To Find Them" - £50.6m and "Bridget Jones's Baby" - £48.1m) compared to the top three films in 2015 which grossed £245.4m ("Spectre" – £93.8m, "Star Wars: The Force Awakens" – £87.3m and "Jurassic World" – £64.3m).

The average ticket price achieved in the UK and Ireland grew by 2.0% to £6.25 (2015: £6.13). The increase in average ticket price was in part due to price rises during the period, but is mainly reflective of the continued expansion and popularity of premium offerings. The most popular IMAX and 4DX films during the year were "Star Wars: Rogue One", "Fantastic Beasts and Where To Find Them" and "Star Wars: The Force Awakens".

Retail
Food and drink sales are the second most important source of revenue and represented 23.8% (2015: 23.1%) of total revenues for the UK and Ireland. Total retail revenues in the UK and Ireland were £117.5m (2015: £107.2m) increasing by 9.6%.

Net retail spend per admission increased by 7.6% in the year to £2.27 (2015: £2.11). This was partly due to the film mix, but predominantly reflects the expansion of our cinemas' retail offerings, strong promotions, growth in the Unlimited customer base and operational improvements. In addition, a further seven Starbucks outlets were opened during the year taking the total to 24 at 31 December 2016, with a number of further openings scheduled for 2017. The second VIP site offering food, drink and snacks as part of the entry price was opened in Glasgow Renfrew Street and there are plans to open additional sites where there is the appropriate market opportunity.

Other Income
Other Income includes all revenue streams other than box office and retail and represents 10.6% (2015: 10.0%) of total revenue. It increased to £52.5m (2015: £46.8m) and grew by 12.2%.

The largest single element of Other Income is screen advertising revenue. Screen advertising revenue is earned through our shareholding in Digital Cinema Media Limited ("DCM"), our joint venture screen advertising business. DCM's primary function is to sell advertising time on cinema screens on behalf of the UK cinema industry. It also engages in related promotional work between advertisers and cinemas. Screen advertising revenue varies depending on the type of films screened, the number of minutes and value of advertising sold, the number of attendees who view the film and the placement of advertisements in relation to the start of the film. As a result of the nature of the film slate and the admissions levels in 2016 the advertising revenues were broadly in line with 2015. Also included within Other Income is the online booking fee. The trend towards booking online continues which is supported by our investment in online and mobile booking facilities. Revenue from event hire has also continued to increase during the year.

Rest of the World ("ROW")

	YEAR ENDED 31 DECEMBER 2016	YEAR ENDED 31 DECEMBER 2015	STATUTORY MOVEMENT	CONSTANT CURRENCY MOVEMENT
Admissions	48.5m	42.7m	13.6%	13.6%
	£M	£M		
Box office	176.9	139.7	26.6%	13.2%
Retail	73.3	55.5	32.1%	17.9%
Other Income	53.6	44.7	19.9%	7.6%
Total revenue	**303.8**	**239.9**	**26.6%**	**13.3%**

The results for the ROW include the cinema chain brands - Cinema City in the Central and Eastern Europe territories and Yes Planet and Rav-Chen in Israel. The information is presented on a constant currency basis to provide information on a comparable basis unless otherwise stated.

Box Office
Box office revenue represented 58.2% (2015: 58.2%) of total revenues for the ROW. Admissions in the year increased by 13.6%, while average ticket prices remained broadly flat on a constant currency basis at £3.65, resulting in an overall increase in box office revenues of 13.2%. Double digit admissions growth was seen in four of the ROW territories, Romania, Czech Republic, Poland and Hungary. These levels of growth are partly due to improvements in the local economies but largely due to significant expansion, with 33 new screens opened during the year in Romania, in addition to the 44 screens opened there in 2015 and the 15 screens opened in Poland in 2015. Growth was achieved in all other territories apart from in Bulgaria where there was a marginal decrease.

The average ticket price was impacted primarily by the nature of the film slate in 2016, which included a number of family movies. In the ROW, family films with generally lower ticket prices, account for a higher proportion of total admissions and, with the strong family film slate in 2016 this had an impact on the overall average ticket price achieved and offset increases from the continued expansion of premium offerings where a further seven 4DX screens and two IMAX screens were opened. In addition, locally produced movies continued to be popular particularly in Poland and Czech Republic, with the top three movies in Poland for the year all being produced locally.

Retail
Food and drink sales are the second most important source of revenue and represent 24.1% (2015: 23.1%) of total revenues for the ROW. Total retail revenues were £73.3m (2015: £55.5m) increasing by 17.9%.

Retail spend per admission increased by 3.9% to £1.51 (2015: £1.30) during the year with the greatest increases achieved in Romania and the Czech Republic, which saw increases of 11.1% and 7.2% respectively. The increase was predominantly driven by the film mix but also the expansion of offerings, with two new VIP sites, one in Beer Sheva (Israel) and Bucharest Titan (Romania), as well as ongoing operational improvements.

Other income
Other income includes distribution, advertising and other revenues and represents 17.7% (2015: 18.7%) of the total revenues. Forum Film is the Group's film distribution business for ROW. Forum Film operates across the ROW region and distributes films on behalf of major Hollywood studios as well as owning the distribution rights to certain independent movies. New Age Media is the Group's advertising and sponsorship arm for the ROW. The main driver for the overall increase in other income was the advertising revenue which performed very strongly in 2016, predominantly as a result of the increase in admissions. The distribution revenues decreased year-on-year largely due to the strong comparative in 2015, when Forum Film had the distribution rights for three blockbusters, "Spectre", "Hunger Games: Mockingjay Part 2" and "Star Wars: The Force Awakens".

Financial Review continued

Financial Performance

	YEAR ENDED 31 DECEMBER 2016			YEAR ENDED 31 DECEMBER 2015
	UK & IRELAND	ROW	**TOTAL GROUP**	TOTAL GROUP
Admissions	51.8m	48.5m	**100.3m**	93.6m
	£M	£M	**£M**	£M
Box office	324.0	176.9	**500.9**	451.6
Retail	117.5	73.3	**190.8**	162.7
Other Income	52.5	53.6	**106.1**	91.5
Total revenue	**494.0**	**303.8**	**797.8**	705.8
EBITDA(1)	**97.1**	**78.7**	**175.8**	155.3
Operating profit	**60.2**	**52.6**	**112.8**	103.1
Financial income	2.4	0.6	**3.0**	8.7
Financial expense	(15.8)	(1.8)	**(17.6)**	(12.1)
Net financing costs	**(13.4)**	**(1.2)**	**(14.6)**	(3.4)
Share from joint venture	–	–	**–**	–
Profit on ordinary activities before tax	**46.8**	**51.4**	**98.2**	99.7
Tax on profit on ordinary activities	(10.1)	(6.1)	**(16.2)**	(18.4)
Profit for the year attributable to equity holders of the Group	**36.7**	**45.3**	**82.0**	81.3

The following commentary focuses on Group profitability, cash flow and the Balance Sheet except where stated.

EBITDA and Operating Profit
Overall, the Group's EBITDA increased by 13.2% to £175.8m (2015: £155.3m). EBITDA margin remained consistent with the prior year at 22.0%.

EBITDA generated by the UK and Ireland increased by 1.5% during the year to £97.1m (2015: £95.7m). The EBITDA margin of 19.7% represented a 0.8 percentage point decline from 2015, largely as a result of the cessation of VPF income during the year and the slight decrease in admissions on a like-for-like basis, which is consistent with the overall UK market. EBITDA generated by the ROW increased by 32.0% to £78.7m (2015: £59.6m). The EBITDA margin of 25.9% represented a 1.1 percentage point improvement from 2015, predominantly driven from the increase in admissions, increase in spend per person as well as a savings across a number of direct cost lines.

As the Group operates in nine territories, it is exposed to exchange rate fluctuations. Wherever possible, cash income and expenditure are settled in local currency to mitigate exchange losses. However, there are translation exchange differences arising when presenting the year-on-year performance of the ROW in the reporting currency of the Group.

During 2016, the EU referendum in the UK had a significant impact on the value of the British pound, causing it to depreciate against other foreign currencies. Whilst this had a positive benefit to the Group when translating the results of the overseas operations it had a negative impact on translation of the Euro Term loan at 31 December 2016. During the year EBITDA of £175.8m was £8.1m higher than it would have been had it been translated by applying the exchange rates at the start of the year, and £8.2m higher based on the average rate for the comparable 2015 period.

Operating profit of £112.8m was 9.4% higher than the prior year (2015: £103.1m). Operating profit included a number of non-recurring and non-trade related items that have a net negative impact of £4.4m (2015: £2.8m). These primarily related to:

- The one-off cost related to the MGM defined benefit pension scheme buy-out of £4.8m (2015: nil);
- Transaction and reorganisation net costs of £1.5m (2015: £1.9m), £0.8m of costs related to the integration and relocation of head office functions and redundancy costs, £0.5m of costs incurred on the acquisition of five Empire cinemas, £1.0m incurred on the early termination of contracts and a credit of £0.8m for VAT recovered on previously incurred transactions;
- A net credit of £1.5m (2015: £1.7m) of which £1.7m primarily was the release of specific onerous lease provisions due to improvements in future trading assumptions, a further release of £1.0m due to the closure of a site with an onerous lease provision in place, a gain on property provisions of £0.1m and the write-off of £1.3m lease-related assets no longer considered recoverable,
- A net credit in relation to impairments of £0.4m (2015: cost of £9.0m) - £1.7m related to the write-back of capital expenditure for sites previously impaired which are now performing and £1.3m related to the write off of capital expenditure for sites which were not performing satisfactorily, and
- There are no one off gains or losses from disposals during the year (2015: £6.4m).

The total depreciation and amortisation charge (included in administrative expenses) in the year totalled £58.6m (2015: £49.4m). Of this, £28.9m related to depreciation and amortisation in the UK and Ireland (2015: £25.6m) and £29.7m related to depreciation and amortisation in the ROW (2015: £23.8m). The increase year-on-year is predominantly due to the additional number of sites in the Group.

(1) The Group defines EBITDA as reported in the Consolidated Statement of Profit and Loss as Operating profit before depreciation and amortisation, onerous leases and other non-recurring charges, impairments and reversals of impairments, transaction and reorganisation costs, profit on disposals of assets and the settlement of the defined benefit pension liability. EBITDA is considered an accurate and consistent measure of the Groups trading performance, and items adjusted to arrive at EBITDA are considered to be outside the Groups ongoing trading activities.

Finance Costs
The Group entered into a five-year facility in January 2014 which was used to part-finance the combination with Cinema City, repay the pre-combination facilities of both Cineworld and Cinema City and fund the general working capital requirements of the Group. The facility included term loans of £165.0m and €132.0m and revolving credit facilities of £75.0m and €60.0m.

On 29 July 2015 the Group signed an amendment and extension to its existing banking facility which was effective immediately upon signing and extends the facility to June 2020. As a result, the term loans were reduced from £157.5m and €126.0m to £130.0m and €63.0m. In August 2016 the Group extended the single currency revolving credit facility of £190.0m to £215.0m to partly fund the empire acquisition.

The facility remains subject to the existing two covenants: the ratio of EBITDA (as defined in Note 1) to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. A margin, determined by the results of the covenant tests at a given date is added to LIBOR or EURIBOR. The margins currently applicable to Group are 1.40% on the term loans and 1.15% on the revolving credit facility.

The Group has hedging arrangements in place to mitigate the potential risk of a material impact arising from interest rate fluctuations. At 31 December 2016, the Group had seven (2015: six) interest rate swaps, four GBP denominated swaps which hedged 82% (2015: 59%) of the Group's variable rate GBP unsecured term loan and, three Euro denominated swaps hedging 100% (2015:100%) of the Euro denominated unsecured loan.

Net financing costs totalled £14.6m during the year (2015: £3.4m) which is a net increase of £11.2m. The main reason for the increase is the net movement of exchange rates during the year which gave rise to a loss on the translation of the Euro Term loan at the Balance Sheet date of £6.1m (2015:foreign exchange gain of £7.7m).

Finance income of £3.0m (2015: £8.7m) included a gain of £1.9m (2015: £nil) primarily from hedging arrangements which have ceased during the year, £0.7m (2015: £0.3m) related to interest income and £0.4m (2015: £0.4m) related to finance income on assets held by defined benefit pension schemes.

Finance expense of £17.6m (2015: £12.1m) included £7.8m in respect of interest on bank loans and overdrafts (2015: £9.3m), with the decrease being the result of the reduction of the term loans and £6.7m primarily due to foreign currency losses on the Euro Term loan (2015:gain £8.0m). Other net finance costs of £3.1m (2015: £2.8m) included amortisation of prepaid finance costs of £1.4m (2015: £1.3m) and £1.7m (2015: £1.2m) in respect of the unwind of discount and interest charges on property-related leases.

Taxation
The overall tax charge during the year was £16.2m giving an overall effective tax rate of 16.5% (2015:18.5%).The reduction from the prior year largely results from the Group's geographical mix of profits. The corporation tax charge in respect of the current year was £12.4m (2015: £11.2m) and the deferred tax charge was £3.8m (2015: £7.2m), resulting in a current year effective tax rate of 18.1% (2015: 18.5%). The deferred tax charge principally related to temporary differences on the movements of fixed assets. In the medium-term future we expect our effective tax rate to remain at a similar level.

The Group takes a responsible attitude to tax, recognising that it affects all of our stakeholders. The Group seeks at all times to comply with the law in each of the jurisdictions in which we operate, and to build open and transparent relationships with those jurisdictions' tax authorities. The Group's tax strategy is aligned with commercial activities of the business, and within our overall governance structure the governance of tax and tax risk is given a high priority by the Board.

Earnings
Profit on ordinary activities after tax for the year was £82.0m, (2015: £81.3m). The profit after tax has remained broadly flat as a result of the one off items in the year; the loss incurred on the Euro Term loan of £6.1m compared to a gain of £7.7m in 2015, the one-off cost of £4.8m relating to the buy-out of the MGM defined benefit pension scheme and no significant one-off gains in the year, such as the Cineworld Cambridge disposal in the prior year for £6.4m.

Basic earnings per share amounted to 30.8p (2015: 30.7p). Eliminating the one-off, non-trade related items described above (totalling £4.4m within operating profit), amortisation of intangibles of £4.6m, exceptional finance credits of £1.9m and net foreign exchange losses of £6.1m, adjusted diluted earnings per share were 34.7p (2015: 29.7p).

Acquisition of Empire cinemas
On 28 July 2016 the Group announced the acquisition of five cinemas from Cinema Holdings Limited by means of an acquisition of 100% of the shares. The acquisition was completed on 11 August 2016, at which point the consideration equated to £94.5m which would be settled equally in cash, and in Cineworld Group plc ordinary shares in addition to the transfer of the trade and assets of the Group's Haymarket cinema to Cinema Holdings Limited. The shares will be issued in five instalments during a 12 month period, based on an issue price reflecting 20 days' average trading price prior to the date of each issuance. The first issue of shares took place on 18 November 2016.

The fair value of net assets acquired with the five Empire cinemas totalled £33.9m. We have attributed the fair value to the acquired assets and liabilities and as a result the acquired net assets were increased by £2.4m. The residual goodwill of £60.6m represents a number of factors including the strategic location of the sites acquired, the established benefit of the sites being established sites, the value the acquired sites can add to Cineworld's existing brand and products as well as synergies expected to be realised post-acquisition.

Financial Review continued

Balance Sheet
Overall, net assets have increased by £128.7m, to £663.4m since 31 December 2015. This is due to the acquisition of the five Empire cinemas, £57.5m, movements in non-current assets of £99.5m, which predominantly relates to the foreign currency gains on translation of £86.3m and the opening of new sites, refurbishments completed during the year and movements in other net liabilities of £29.3m.

MGM Pension Scheme Buy-out
On 15 December 2016 the MGM defined benefit pension scheme was bought out by Aviva Annuity UK Limited, with all risks in relation to the scheme passing to Aviva Annuity UK Limited as of the buy-out date. This transition was treated as a settlement occurring on 15 December 2016 (the inception date). Following this transaction, all members of the Scheme have had their benefits secured with Aviva Annuity UK Limited. The past service liabilities at 31 December 2016 are therefore shown as nil (2015: net asset of £10.5m).

Cash Flow and Net Debt
The Group continued to be cash generative at the operating level. Total net cash generated from operations in the year was £150.1m (2015: £165.9m). Net cash spent on investing activities during the year was £130.3m (2015: £80.3m), £47.0m for the acquisition of the five Empire cinemas, £83.7m on the development of new sites, refurbishments and technology and £0.7m related to interest received.

Net debt increased by £37.1m to £282.3m at 31 December 2016 (2015: £245.2m). The main movements were due to the net drawdown on the revolving credit facility of £28.0m during the year, offset by repayments during the year on the term loans (net of foreign exchange movements) of £6.4m, an additional finance lease liability of £8.2m and fair value gains in respect of financial instruments of £0.5m. Net debt at the year-end represented 1.6 times the rolling 12 month EBITDA figure for the Group.

Dividends
The Directors are recommending to shareholders for approval a final dividend in respect of the year ended 31 December 2016 of 13.8p per share, which taken together with the interim dividend of 5.2p per share paid in September 2016 equates to a total dividend in respect of 2016 of 19.0p per share (2015: 17.5p per share). The record date for the dividend is 26 May 2017 and the payment date is 22 June 2017.

Post Balance Sheet Events
On 7 February 2017 the Group disposed of it 100% interest in Picturehouse Entertainment Limited for £2.3m. No significant impact is expected on the Group's Statement of Profit or Loss or Statement of Financial Position.

By order of the Board

Nisan Cohen
Chief Financial Officer
9 March 2017

The Strategic Report is set out on Pages 1 to 32.

By order of the Board

Moshe Greidinger
Chief Executive Officer
9 March 2017

Israel Greidinger
Deputy Chief Executive Officer

Directors' Biographies

As at 31 December 2016

Anthony Bloom
Chairman
Age 77

Date appointed as Chairman:
October 2004

Tenure on Board:
12 years 2 months

Independent:
No

Committee memberships:
No formal memberships, but has attended all meetings by invitation

Relevant skills, qualifications, and experience:

- Extensive Board-level and Chairman experience in a range of companies, sectors and jurisdictions
- Bachelor of Commerce and Bachelor of Law, University of Witwatersrand, South Africa (cum laude)
- Master of Law, Harvard Law School
- Sloan Fellow, Graduate School of Business, Stanford University
- Doctor of Law (H.C.), University of Witwatersrand, awarded in recognition of his contribution towards establishment of a non-racial society in South Africa

Previous Directorships

- Chairman and Chief Executive of The Premier Group Limited (South Africa)
- Director of Barclays Bank (South Africa)
- Director of South African Breweries
- Director of Liberty Holdings (South Africa)
- Director of RIT Capital Partners PLC
- Deputy Chairman of Sketchley PLC

Principal external appointments:

- Non-Executive Director of London Symphony Orchestra
- Non-Executive Director of TechnoServe, Inc.

Israel Greidinger
Deputy Chief Executive Officer
Age 55

Date appointed to Board:
February 2014

Tenure on Board:
2 years 10 months

Independent:
No

Committee memberships:
None

Relevant skills, qualifications, and experience:

- Over 20 years' senior executive experience in the cinema industry in central and eastern Europe, and Israel
- 1994–2014 Cinema City International N.V. ("CCI"), appointed Chief Financial Officer 1995
- 1985–1992 Managing Director of C.A.T.S. Limited (Computerised Automatic Ticket Sales)
- 1992 to 1994 President and Chief Executive Officer of Pacer C.A.T.S. Inc

Principal external appointments:

- Director of Israel Theatres Limited since 1994

Israel is the brother of Moshe Greidinger.

Moshe (Mooky) Greidinger
Chief Executive Officer
Age 64

Date appointed to Board:
February 2014

Tenure on Board:
2 years 10 months

Independent:
No

Committee memberships:
None

Relevant skills, qualifications, and experience:

- Over 40 years' senior executive experience in the cinema industry in central and eastern Europe, and Israel
- 1994–2014 Cinema City International N.V. ("CCI")
- Cinema City Group, various executive positions since 1984
- "Exhibitor of the Year Award" at ShoWest in Las Vegas in 2004
- "International Exhibitor of the Year Award" at CineEurope, in Amsterdam in 2011, with special recognition for having developed new markets in central and eastern Europe
- "Global Achievement in Exhibition Award" at CinemaCon in Las Vegas in 2016

Principal external appointments:

- Director of Israel Theatres Limited since 1983
- Co-Chairman of the Cinema Owners Association in Israel since August 1996
- Head of the Board of Trustees of the Hebrew Reali School of Haifa

Moshe is the brother of Israel Greidinger.

Directors' Biographies continued
As at 31 December 2016

Alicja Kornasiewicz
Non-Executive Director
Age 65

Date appointed to Board:
May 2015

Tenure on Board:
1 year 7 months

Independent:
Yes

Committee memberships:
- Audit Committee

Relevant skills, qualifications, and experience:
- Extensive central and eastern Europe financial and political experience
- 2011–2012 Chairwoman of the Supervisory Board of Bank Pekao S.A.
- 2010–2011 President of the Management Board of Bank Pekao S.A.
- 2000–2010 Executive management roles at UniCredit Bank
- 1997–2000 Secretary of State for the Ministry of the State Treasury of the Republic of Poland

Principal external appointments:
- Managing Director and Head of CEE for Morgan Stanley & Co, International PLC since 2012

Scott S. Rosenblum
Non-Executive Director
Age 67

Date appointed to Board:
February 2014

Tenure on Board:
2 years 10 months

Independent:
No

Committee memberships:
- Nomination Committee

Relevant skills, qualifications, and experience:
- Extensive experience of management of an international law firm, and of corporate governance and disclosure matters
- Extensive experience and expertise in areas of general corporate and securities law, corporate finance, mergers and acquisitions, and joint ventures
- 2004–2014 member of the Supervisory Board of Cinema City International N.V. ("CCI"), appointed Chairman of the Supervisory Board of CCI in 2011. Also Chairman of the CCI Remuneration Committee and the CCI Appointment Committee from November 2006 and was a member of the CCI Audit Committee
- Licensed as a lawyer and admitted to the New York Bar Association

Principal external appointments:
- Partner, Executive Committee and Co-Chairman of Corporate Department in the law firm of Kramer Levin Naftalis & Frankel LLP, New York since 1991, and Managing Partner 1994–2000
- Serves, and has served, as a director and advisor to the boards of various public and private companies

Arni Samuelsson
Non-Executive Director
Age 74

Date appointed to Board:
February 2014

Tenure on Board:
2 years 10 months

Independent:
Yes

Committee memberships:
- Nomination Committee

Relevant skills, qualifications, and experience:
- Over 40 years of cinema exhibition and film distribution experience, principally through SAMfélagið (Samfilm) – a cinema exhibitor and film distributor in Iceland, of which he has been joint owner and Chief Executive Officer since it was formed in 1975
- 1972–1982 Director and owner of Vikurbaer, a supermarket business in Keflavik

Principal external appointments:
- Chief Executive Officer of Samfilm EHF (SAMfélagið's distribution arm) since 1975
- Chief Executive Officer of SAMcinema (SAMfélagið's cinema arm) since 1975

Eric (Rick) Senat
Non-Executive Director and Senior Independent Director
Age 67

Date appointed to Board:
July 2010

Tenure on Board:
6 years 5 months

Independent:
Yes

Committee memberships:
- Nomination Committee (Chairman)
- Remuneration Committee

Relevant skills, qualifications, and experience:
- Over 40 years' experience in the film industry
- 1976–2001 Warner Bros, becoming Senior Vice President for Business Affairs in Europe. Closely associated with the "Harry Potter" films, "Greystoke", "Batman", "Superman" and many others
- 2001 – 2007 Director of Hammer Film Productions
- 1999 – 2003 Deputy Chair of the British Film Institute
- Solicitor and Bachelor of Law, University College London

Principal external appointments:
- Non-Executive Chairman of the London Film Museum since 2009
- Non-Executive Chairman of Mad Dog Casting Limited since 2016

Julie Southern
Non-Executive Director
Age 57

Date appointed to Board:
May 2015

Tenure on Board:
1 year 7 months

Independent:
Yes

Committee memberships:
- Audit Committee (Chair)
- Remuneration Committee

Relevant skills, qualifications, and experience:
- Experience as a Chief Financial Officer and Chief Commercial Officer, driving strategy, revenue and commercial planning, and working across multiple industry sectors and sizes of organisations
- 2010–2013 Chief Commercial Officer of Virgin Atlantic Airways
- 2000–2010 Chief Financial Officer of Virgin Atlantic Airways
- 1996–2000 Group Financial Director of Porsche Cars GB Ltd
- 1988–1995 Finance Director of H J Chapman & Co
- Chartered Accountant (ICAEW) and graduate of Cambridge University (Economics B.S)

Principal external appointments:
- Non-Executive Director and Chair of the Audit Committee at Rentokil-Initial Plc since 2014
- Non-Executive Director and Chair of the Audit Committee at DFS Furniture Plc since 2015
- Non-Executive Director at NXP Semiconductors N.V. since 2013
- Non-Executive Director and Chair of Remuneration Committee of Stagecoach Group Plc since 2016

Directors' Biographies continued

As at 31 December 2016

Changes since the year-end

Appointment

Nisan Cohen
Chief Financial Officer
Age 44

Date appointed to Board:
January 2017

Independent:
No

Committee memberships:
None

Relevant skills, qualifications, and experience:

- Part of the Cineworld Group for sixteen years. Previously, as Vice President of Finance, he led the integration of the finance teams in the Group across nine countries after the combination of Cineworld with Cinema City International N.V. More recently he served as Deputy Chief Financial Officer
- Member of The Institute of Certified Public Accountants in Israel

Appointment

Dean Moore
Non-Executive Director
Age 59

Date appointed to Board:
January 2017

Independent:
Yes

Committee memberships:

- Remuneration Committee (Chairman)
- Audit Committee

Relevant skills, qualifications, and experience:

- Chief Financial Officer of N Brown Group plc (2004-2015)
- Chief Financial Officer of T&S Stores plc
- Chief Financial Officer of Graham Group plc (1996 to 1999)
- Chartered Accountant

Martina King stepped down from the Board on 11 January 2017.

Martina King
Non-Executive Director
Age 55

Date appointed to Board:
July 2010

Tenure on Board:
6 years 5 months

Independent:
Yes

Committee memberships:

- Audit Committee
- Remuneration Committee (Chair)

Relevant skills, qualifications, and experience:

- Extensive experience in company turnaround, management, marketing, online media, and data analytics.
- 2011–2012 Managing Director of Aurasma
- 2005–2014 Non-Executive Director Capita plc
- 1999–2004 Managing Director of Yahoo! UK and Europe
- 1993–1999 Managing Director of Capital Radio plc

Principal external appointments:

- CEO of Featurespace since 2012
- Non-Executive Director of Debenhams Plc since 2009

Corporate Governance Statement

"

I am pleased to present the Corporate Governance Statement for 2016, which has been a busy year for the Board and its Committees.

Introduction

Dear Shareholders

I am pleased to present the Corporate Governance Statement for 2016, which has been a busy year for the Board and its Committees.

As ever, the Board remains committed to ensuring that a high standard of corporate governance is continuously maintained throughout the Group, and that we meet all the standards expected of a FTSE 250 company. We believe that good governance is the bedrock of the Group's strategy, and is essential to the way the business operates on a daily basis.

During the year, significant initiatives undertaken include working on the appointment of the new Chief Financial Officer, reviewing the Company's Remuneration Policy (which is due to be voted on at our 2017 AGM), continuing to develop our system of risk management and internal control as part of the culture of the Group, and undertaking an external audit tender process at the beginning of the year.

We announced the appointment of the new Chief Financial Officer, Nisan Cohen, at the beginning of 2017. Nisan has been with the Group for over 15 years, latterly as Deputy Chief Financial Officer. It has always been important to Cineworld to develop internal talent at all levels, and Nisan's promotion to the Board is an endorsement of these principles. The Nomination Committee provided substantial support in this process.

In March 2016, we also announced the promotion of Renana Teperberg and Matthew Eyre to the roles of Chief Commercial Officer and Chief Operations Officer respectively. Renana and Matthew are long-standing members of the executive team, and their promotions underline again the Company's commitment to nurturing the internal pipeline of talent, and, in the case of Renana, the objective of cultivating and expanding opportunities for talented women to progress within Cineworld.

In addition, I am delighted to welcome Dean Moore to the Board. Dean was appointed as an Independent Non-Executive Director in January 2017, following the stepping down of Martina King. He also became Chairman of the Remuneration Committee and a member of the Audit Committee.

The Board is satisfied that Dean meets the requisite criteria to be considered independent, notwithstanding his brief interim employment of ten months from March 2016 by Cineworld, during which his mandate was to focus on the Chief Financial Officer succession planning process. I believe that Dean's extensive experience, both financial and commercial, will be a great asset to the Group, and his contribution will strengthen the rich combination of skills, culture and independence that already exists on our Board.

The Remuneration Committee had a full agenda this year, updating the Company's Remuneration Policy and developing a new Long Term Incentive Plan, both of which are due to be voted on at this year's AGM. As part of the process the views of the investment community were taken into account to ensure that future targets for our Executive Directors are stretching and appropriate. Details of the work of the Remuneration Committee in this area are set out in the Directors' Remuneration Report on pages 54 to 72.

The Audit Committee was also been fully occupied in 2016. In the early part of 2016 it oversaw an audit tender process, which resulted in the reappointment of KPMG as our External Auditor. Full details of the process and its outcome may be found on pages 51 to 52. The Committee has continued work on its key agenda items of oversight of the External Audit, and a robust evaluation of risk management policies. Information on these and other areas of focus for the Committee are outlined in the Audit Committee Report on pages 51 to 52.

The Board's evaluation this year was carried out by an external facilitator, as required by the Code. The process was constructive, and I am pleased to report that the evaluation supported the view that the Board and its Committees are operating efficiently and productively.

Lastly, I would like to extend my thanks to Martina King, who stepped down from the Board in January 2017. Martina's contribution over her six years on the Board was of significant value to the Group, the Board and me, in particular in her role as Remuneration Committee Chair.

Anthony Bloom
Chairman

Corporate Governance Statement continued

Directors' Statements

Compliance with the UK Corporate Governance Code

The principal governance rules applying to UK companies listed on the London Stock Exchange for the year covered by this statement are contained in the 2014 UK Corporate Governance Code (the "Code") published by the UK Financial Reporting Council in September 2014, and a copy is available on its website www.frc.org.uk. For the year ended 31 December 2016, the Board considers that the Company was compliant with the provisions of the Code.

Going Concern

The Directors consider that the Group has adequate resources to continue in operational existence for 12 months from the date of signing these accounts. Thus they continue to adopt the going concern basis in preparing the annual financial statements. In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on pages 1 to 32 and the Principal Risks and Uncertainties on pages 22 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, as well as the Group's objectives, policies and processes for managing capital, are described on pages 28 to 32. Financial risk management objectives, details of financial instruments and hedging activities, and exposure to credit risk and liquidity risk are described in Note 21 of the financial statements.

Viability

The Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the Principal Risks and Uncertainties set out on pages 22 to 27. Based on this assessment, and having considered the established controls for the risks, and the available mitigating actions, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to 2019. For more information on the viability assessment, please see pages 49 to 50 of the Audit Committee Report.

Robust Assessment of Principal Risks

The Directors consider they have undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. Please refer to pages 22 to 27 for further information on the Company's Principal Risks and Uncertainties, and their impact on the prospects of the Company.

Review of Internal Control and Risk Management

The Directors have carried out a review of internal control and risk management. Please refer to pages 45 to 47 for further information.

Fair, Balanced and Understandable

The Directors consider 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 position and performance, business model and strategy. Please refer to page 49.

Application of Code Principles

The information below explains how the Company has applied the main principles of the Code. The information required to be disclosed by the Disclosure and Transparency Rule ("DTR") 7.2.6 is set out in the Directors' Report on pages 73 to 77 and is incorporated into this statement by reference.

A. Leadership

A.1 The Role of the Board

The Board met formally seven times during the year (including a strategy day) and held other meetings on an ad hoc basis as required. There is a clear schedule of matters reserved for the Board, together with delegated authorities throughout the Group.

A.2 Division of Responsibilities

The roles of the Chairman and Chief Executive are clearly defined. The Chairman is responsible for the leadership and effectiveness of the Board and for overseeing the Board's setting of strategy. The Chief Executive Officer is responsible for leading the day-to-day management of the Group and the implementation of the strategy.

A.3 The Chairman

The Chairman sets the agendas for the meetings, manages the meeting timetable (in conjunction with the Company Secretary) and facilitates open and constructive dialogue during the meetings.

A.4 The Role of the Non-Executive Directors

The Chairman promotes an open and constructive environment in Board meetings and actively invites the Non-Executive Directors' views. The Non-Executive Directors provide objective, rigorous and constructive challenge to management and meet during the year in the absence of the Executive Directors.

B. Effectiveness

B.1 The Composition of the Board

The Nomination Committee is responsible for regularly reviewing the composition of the Board. In making appointments to the Board, the Nomination Committee considers the wide range of skills, knowledge, independence and experience required in order to maintain an effective Board.

B.2 Appointments to the Board

The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on pages 43 and 44.

B.3 Time Commitment

On appointment, Directors are notified of the time commitment expected from them and details are set out in their letter of appointment. External directorships of Executive Directors, which may impact existing time commitments, are discussed and cleared by the Chairman.

B.4 Development

All Directors receive induction training on joining the Board and, as part of the annual effectiveness evaluation, the development needs of each Director are checked.

B.5 Information and Support

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.

B.6 Board and Committee Performance Evaluation

The Board and its Committees have this year undertaken an external evaluation of their respective performances, in accordance with the Code. Details of the evaluation can be found on page 42.

B.7 Re-election of Directors

All Directors are subject to shareholder election or re-election at the Annual General Meeting.

C. Accountability

C.1 Financial and Business Reporting

The Strategic Report is set out on pages 1 to 32 and provides information about the performance of the Group, the business model, strategy and the principal risks and uncertainties relating to the Group's future prospects.

C.2 Risk Management and Internal Control

The Board decides the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised on page 49.

C.3 Audit Committee and Auditors

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal control and risk management framework, the work undertaken by the External Auditor, and the internal audit work of PwC and the Risk and Assurance Team. The Chair of the Audit Committee provides regular updates to the Board.

D. Remuneration

D.1 Level and Components of Remuneration

The Remuneration Committee sets levels of remuneration appropriately with a view to ensuring the long-term success of the Company, and structures remuneration so as to link it to both corporate and individual performance, thereby aligning management's interests with those of the shareholders. Benchmarking exercises are carried out as appropriate by external advisers to ensure remuneration levels are appropriate.

D.2 Procedure for Development of Remuneration Policy and Setting Remuneration Packages

Details of the work of the Remuneration Committee and the approach to setting the remuneration policy and packages can be found in the Directors' Remuneration Report on pages 54 to 72.

E. Relations with Shareholders

E.1 Shareholder Engagement and Dialogue

The Board takes an active role in engaging with shareholders. The Board particularly values opportunities to meet with shareholders and the Chairman ensures that the Board is kept informed of shareholder views.

E.2 Constructive Use of the Annual General Meeting

The AGM provides the Board with an important opportunity to meet with shareholders, who are invited to meet the members of the Board informally following the formal business of the meeting.

Corporate Governance Statement continued

Leadership

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 1 to 32.

The Board meets regularly at least six times a year and also once for a strategy day. Ad hoc meetings of the Board take place as required. 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; approval of site selection; 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. Regular briefings by the management team are given to the Board, to deepen the collective understanding of the business, leading in turn to more effective debate.

The Roles of the Chairman and Chief Executive Officer

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, Moshe Greidinger, 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, when appropriate, discusses matters with the Non-Executive Directors without the Executive Directors being present.

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.

Board Committees

In accordance with best practice, the Board has appointed three Committees, an Audit Committee, a Nomination Committee, and a Remuneration Committee, 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 Company's website (www.cineworldplc.com/about-us/corporate-governance).

Membership of the Audit, Nomination and Remuneration Committees

During the financial year, there were no changes to the membership of the Audit, Nomination and Remuneration Committees. Membership was as follows:

	Chair	Member	Member
Audit Committee	Julie Southern	Martina King	Alicja Kornasiewicz
Nomination Committee	Rick Senat	Scott Rosenblum	Arni Samuelsson
Remuneration Committee	Martina King	Rick Senat	Julie Southern

All the Committees remained compliant with the Governance Code as regards their membership during the year.

Changes to Membership of the Audit and Remuneration Committees since the Year End

On 11 January 2017, Martina King stepped down as a Director on the Board, including as Chair of the Remuneration Committee, and as a member of the Audit Committee. Dean Moore, who was appointed to the Board as an Independent Non-Executive Director on 11 January 2017, took over as Chair of the Remuneration Committee and also became a member of the Audit Committee.

Attendance at Meetings

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

	Board (including strategy day)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year	7	5	4	2
	Attended	Attended	Attended	Attended
Directors for the whole year				
Anthony Bloom	7/7[(1)]	5/5[(2)]	4/4[(2)]	2/2[(2)]
Israel Greidinger	7/7	N/A	N/A	N/A
Moshe Greidinger	7/7	N/A	N/A	N/A
Martina King	7/7	4/5	4/4[(1)]	N/A
Alicja Kornasiewicz	7/7	4/5	N/A	N/A
Scott Rosenblum	7/7	N/A	N/A	2/2
Arni Samuelsson	7/7	N/A	N/A	2/2
Rick Senat	7/7	N/A	4/4	2/2[(1)]
Julie Southern	7/7	5/5[(1)]	4/4	N/A

(1) Chairman of Board/Board Committee.
(2) Anthony Bloom, the Chairman of the Company, attended these meetings by invitation.

Corporate Governance Statement continued

Effectiveness

Directors and Directors' Independence

For the duration of the year, the Board was composed of nine members, five of whom were considered independent. Scott Rosenblum is not viewed as independent because of his previous business dealings with the Greidinger family and its interests. The names of the Directors at the year-end, together with their biographical details, are set out on pages 33 to 36.

The terms and conditions of appointment of the 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 54 to 72.

For a FTSE 250 company, the Code recommends that a majority of 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, Arni Samuelsson, Rick Senat, Julie Southern and Alicja Kornasiewicz were, for the year, Independent Non-Executive Directors.

Dean Moore, who was appointed a Non-Executive Director on 11 January 2017, following Martina King's stepping down from the Board at the same time, is considered by the Board to be independent. The Board is satisfied that Mr Moore meets the requisite criteria to be considered independent, notwithstanding his previous interim employment within the Group, given the nature of the role he performed in the ten-month period from March 2016, where his mandate was to focus on the Chief Financial Officer succession planning process.

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 maintained. All the Non-Executive Directors have access to independent legal advice subject to consulting with the Board and following the agreed procedure.

Rick Senat, the Senior Independent Director, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer, Deputy Chief Executive Officer or Chief Financial Officer has failed to resolve or for which contact is inappropriate.

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.

Performance Evaluation

The Board evaluation for 2016 was undertaken by an external facilitator, Edis-Bates Associates. As they have no other connections with the Company, they were therefore considered independent in accordance with the Code. The process, which was initiated in July 2016, was constructive and confirmed that the Board and its Committees are operating effectively.

Re-election and Election

All the Directors will be retiring and will be offering themselves for re-election or election at this year's AGM, reflecting current best practice under the Code. Biographical details of all the current Directors are set out on pages 33 to 36. In view of the performance evaluation, the Board is satisfied that each Director standing for re-election or election continues to show the necessary commitment and continues to be an effective member of the Board due to his or her skills, expertise and business acumen.

The Board believes that the re-election of Anthony Bloom as Chairman of the Board is in the best interests of shareholders. Anthony has a comprehensive understanding of the Company's business and operations and played a key role in the Company's combination with Cinema City in 2014. He also brings to the role extensive board-level and chairman experience in a range of companies, sectors and jurisdictions.

Chairman's Commitments

The Chairman performs a limited 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.

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It has been another busy period for the Nomination Committee in terms of succession planning, culminating in the announcement of the appointment of the new Chief Financial Officer.

Chairman	Rick Senat	
Committee members	Scott Rosenblum, Arni Samuelsson	
Number of meetings held in 2016		**2**

The Company Secretary acts as Secretary to the Committee.

Nomination Committee Report

Chairman's Introduction

Dear Shareholders

I am pleased to present our report on the Nomination Committee and its activities during the year.

It has been another busy year for the Committee in terms of Board succession planning, culminating in the announcement in January 2017 of the appointment of Nisan Cohen as the new Chief Financial Officer (CFO).

Working in conjunction with the Chair of the Audit Committee and the acting CFO at the time, Israel Greidinger, the Committee played a key role in the planning process for this nomination. Following a formal recruitment process, and with the assistance of executive search firm, Norman Broadbent, Dean Moore was recruited to act as interim CFO in March 2016. At the same time, internal candidate Nisan Cohen was promoted to the role of Deputy CFO.

As reported at the time, it was anticipated that Nisan would ultimately be appointed to the CFO position on a full-time basis, subject to his performance developing to the satisfaction of the Board.

Following a period of ten months, where Dean worked closely with Nisan on the development and strengthening of key skills and expertise in anticipation of a future promotion to the senior role, the Board considered and supported the promotion of Nisan to the role of CFO. Further details of the Committee's work in relation to the appointments of Dean Moore and Nisan Cohen are set out in the report below on page 44.

In January 2017, we also considered and recommended the appointment of Dean Moore as an independent Non-Executive Director, in place of Martina King, who stepped down from the Board at that time. Part of our ongoing work as a Committee is to review the effectiveness of the Board and its Committees, mindful of the contributing factors to effectiveness such as diversity, independence, and the right mix of skills and experience. Dean Moore brings with him a wealth of financial and commercial experience and skills, which the Committee believes will be of tremendous benefit to the Board and the Group.

Last year I was pleased to report that we had attained significant female representation on the Board, with a proportion of over 30% being female. This was indeed the case for 2016, too; however, following Martina King's departure in January 2017, and the appointments of Dean and Nisan, this proportion has decreased. This is a reflection of our policy to appoint the best candidate for each role, but we are mindful of current recommendations, and give due regard to these when considering both external appointments and internal talent development.

Rick Senat
Chairman of the Nomination Committee

Corporate Governance Statement continued

Composition

During the year, the Committee comprised three Non-Executive Directors (namely Scott Rosenblum, Arni Samuelsson and Rick Senat). While Rick Senat and Arni Samuelsson are considered to be independent, Scott Rosenblum is not. The majority of the Committee are independent as required by the Code.

The Role, Responsibilities and Activities of the Nomination Committee

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 it 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. The terms of reference of the Committee are available on the Company's website (www.cineworldplc.com/about-us/corporate-governance).

The Committee met for two scheduled meetings during the financial year and for other meetings as required on an adhoc basis. Due to the important role 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 or his successor is being discussed.

During the year, the Committee reviewed its own performance, reviewed the structure of the Board and the three Committees, and discussed succession and diversity issues.

Board Diversity

While the Committee considers diversity 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 considers, 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 sexes. During the year, there was over thirty percent female representation on the Board. However, this percentage has lowered following Martina King's stepping down in January 2017 and the appointments of Nisan Cohen and Dean Moore.

Recruitment Process for Board Directors

As part of the CFO succession planning process, the Nomination Committee, working in conjunction with the Audit Committee Chair, Julie Southern, and acting CFO at the time Israel Greidinger, engaged external search consultancy Norman Broadbent to assist with the search for a candidate to fill the role. Further to a formal selection and interview process, during which several candidates were short-listed, Dean Moore was appointed as interim CFO in March 2016. At the same time, it was announced that internal candidate, Nisan Cohen, would become Deputy CFO, and would work closely with Dean in preparation for a potential promotion to the role of CFO which, subject to the Board being satisfied with Nisan's development, would take place in around a year's time.

Following a ten-month period, it was announced on 11 January 2017 that Nisan Cohen had been appointed to the position of CFO and that he would join the Board as an Executive Director. It was also announced that Dean Moore had been appointed to the Board as an Independent Non-Executive Director, and would become Chair of the Remuneration Committee and a member of the Audit Committee. Given the process undertaken at the time of Dean's appointment as interim CFO, an external search consultancy was not engaged in connection with his appointment as an Independent Non-Executive Director.

The Board is satisfied that Mr Moore meets the requisite criteria to be considered independent, notwithstanding his previous interim employment within the Group, given the nature of the role he performed in the ten-month period from March 2016, where his mandate was to focus on the CFO succession planning process.

Norman Broadbent, the external search consultancy used for the search conducted in 2016, has no connections with the Group or any of its Directors, and was chosen following a consideration of a number of prospective search consultancies.

Accountability

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. The detailed work to ensure this, and to substantiate the fair, balanced and understandable statement, is undertaken by the Audit Committee.

Risk Management and Internal Control

The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management and internal control. These systems provide 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 approach has been developed using the principles of the Three Lines of Defence model (a simple but well-established governance and internal control model. Please see diagram below).

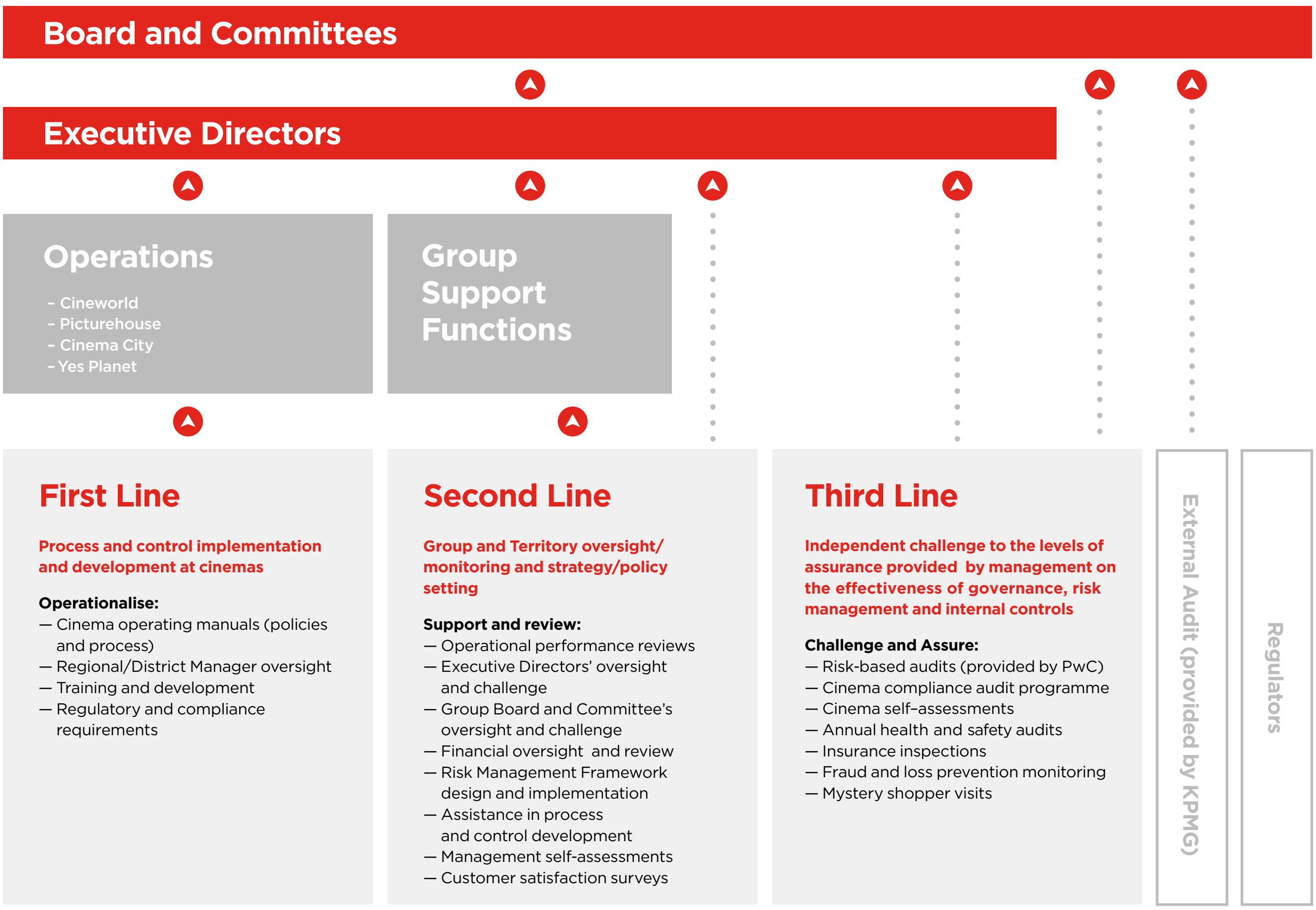
The Board confirms that, in accordance with the Code:

- there is an ongoing and robust process for identifying, evaluating and managing the principal risks faced by the Group (for more details please see Principal Risks and Uncertainties on pages 22 to 27);
- the systems have been in place for the year under review;
- the systems are regularly reviewed by the Executive Directors and the Board and are deemed to be effective with no significant weaknesses identified; and
- the systems comply with the FRC guidance on risk management, internal control and related financial business reporting.

During the year, the Board has directly, and through delegated authority to the executive management team and the Audit Committee, overseen and reviewed the performance and evolution of the approach to risk management and internal control.

As part of the continued focus on, and investment in, risk management and internal control, the Group recruited a Head of Risk and Assurance who took up the post in August 2016. The key responsibilities are to lead on:

- Risk Management
- Internal Audit
- Fraud Detection and Loss Prevention
- Insurance



Corporate Governance Statement continued

Risk Management

The Board, supported by the Audit Committee and the executive management team, has overall responsibility for implementing an effective risk management approach. The Group approach is governed by its Risk Management Framework that sets out the policy, oversight structure, accountability, monitoring and reporting of risk within the Group, and facilitates the following objectives for risk management:

- identify, measure, control and report on business risk that will undermine the achievement of the Group strategic objectives, both strategically and operationally, through appropriate analysis and assessment criteria;
- better allocate effort and resources for the management of key and emerging risks;
- drive business improvements and improved intelligence for key decision-making; and
- support and develop the Company's reputation as a well governed and trusted organisation.

The application of the key components of the Risk Management Framework have been:

Oversight Structure and Accountability – the implementation of a risk management oversight and accountability structure has ensured that risk consideration is undertaken from both a 'top-down' and 'bottom-up' perspective. The Group maintains a Group Strategic Risk Register as well as operational risk registers for Group support functions and cinema operations.

Ongoing Process – the approach taken is focused on risk identification (using cause and effect analysis), inherent and residual risk assessment, key controls identification, and the development and implementation of further mitigation strategies where required. As part of this process, risk appetite is considered for each of the principal risks, allowing the Board to clearly set out the nature and extent of the risk the Group is willing to accept in pursuit of the Group's strategic objectives.

Escalation, Monitoring and Reporting – a clear escalation policy is in place to ensure changes to risk exposure are notified up through the governance structure as required. Risk leads are identified for all risks and have the responsibility for ongoing monitoring of the effectiveness of current controls and the progress against the implementation of further mitigating actions.

There is a cycle of ongoing monitoring and reporting activities in place with risk information being presented to the Board, Audit Committee, and the executive management team.

Culture – to support embedding the application of the Risk Management Framework into the culture and behaviours of the Group, ongoing training and communication has been delivered by the Risk and Assurance team. Details of the Group's principal risks and how they are being managed or mitigated are provided on pages 22 to 27.

Internal Control

Whilst the Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it has delegated responsibility for the operation of the system of internal control to the executive management team. The detailed review of internal control has been delegated to the Audit Committee. Senior Management within each part of the Group are responsible for internal control and risk management within its own area and for ensuring compliance with the Group's policies and procedures.

The Audit Committee has oversight of the programme of assurance activities to allow for its ongoing review of the effectiveness of internal control. The delivery of this assurance programme in the first half of the year was led and delivered by PricewaterhouseCoopers LLP ("PwC") with the support of the in-house Internal Audit team and then from August was led by the new Head of Risk and Assurance with PwC providing specialist support where needed. Details of the activities that the Audit Committee has been involved in during 2016 are set out on pages 48 to 53.

Internal Audit – the Internal Audit Plan is a combination of Group-wide risk based reviews (providing assurance over the key controls relied upon for the principal risks) as well as additional specific reviews requested by management.

Cinema Compliance – the Cinema Compliance Plan is a combination of one and three day reviews that are delivered across the Group. Each cinema in the Group is risk-assessed based on financial, operational and management information to determine which cinemas would be included in the audit programme for the year.

In addition to the programme of on-site reviews conducted by the Risk and Assurance team, an annual self-assessment audit is undertaken by each cinema.

Fraud Detection and Loss Prevention – to support the Group in fraud detection and loss prevention, a software tool is used for ongoing analysis of our key data sources to swiftly identify any irregular transaction activity that could indicate instances of fraud, loss or failure of procedural compliance. In addition, a programme of anonymous site visits are undertaken to review the customer journey (from ticket purchase to cinema departure).

External Audit – the External Auditor provides 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 are reported to the Audit Committee.

Operational Controls – the Executive Directors, on a day-to-day basis, are involved in reviewing the key operations of the business through their interaction with Senior Management across the Group and their discussions on operational performance and delivery.

Financial Control – the Group has 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 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 as adopted by the EU or FRS 101, as appropriate, with reasonable assurance and that require reported data to be reviewed and reconciled, with appropriate monitoring internally and by the Audit Committee.

Ongoing financial performance is monitored through regular reporting to Executive Directors and monthly reporting to the Board. Capital investment and all revenue expenditure is regulated by a budgetary process and authorisation levels, with post-investment and period end reviews as required. 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.

Across all territories, a financial controls checklist is in place for all Finance Directors. On an annual basis they are required to undertake a self-assessment sign-off of these controls which is then followed up by Internal Audit reviews for compliance validation.

Other Assurance Activities – a programme of Health and Safety audits (delivered by our outsourced provider, NSF, for the UK) take place throughout the year across the Group. Customer surveys and mystery shopper visits also take place to ensure customers receive the optimum viewer experience.

Policies and Procedures – the Group has in place a range of governance-related policies which are regularly reviewed and communicated to employees. These include Whistleblowing, Gifts and Hospitality, and Health and Safety.

Corporate Governance Statement continued

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I am pleased to present this Report on the activities of the Audit Committee for the year.

Chair	Julie Southern
Committee members	Dean Moore, Alicja Kornasiewicz (Martina King left the Committee in January 2017 but served for the whole of the financial period)
Number of meetings held in 2016	**5**
The Company Secretary acts as Secretary to the Committee.	

Audit Committee Report

Chair's Introduction

Dear Shareholders

I am pleased to present this report on the activities of the Audit Committee for 2016. The report sets out details of the work undertaken by the Committee during the year to support the Board in its oversight and monitoring of the robustness and integrity of financial reporting, providing assurance on the effectiveness of the Group's risk management and internal control systems, and in the appointment and supervision of the external auditor.

As I reported last year, the Committee instigated an audit tender process in February 2016. The audit had not been tendered since the Group listed in 2007 and, following the completion of the integration with Cinema City, it was considered to be an appropriate time to proceed with the tender.

Led by the Committee, a tender document was distributed in February 2016 to four firms. Our assessment criteria included capability, understanding of key issues pertinent to the business, experience, independence , cultural fit, and an assessment of the overall audit approach and quality. After careful consideration and discussion, the Committee decided to recommend to the Board that KPMG should be reappointed.

During the year, the Committee continued to review the effectiveness of the Group's system of risk management and internal controls. As in 2015, the Group has been supported in the delivery of the internal audit programme by PwC, who have led on all aspects of the programme, including internal audit, cinema compliance, risk management and financial controls. In August, we were pleased to welcome Cineworld's new Head of Risk and Assurance. This entailed a change in approach so that PwC's role became that of a supporting co-source provider with their focus directed towards risk based internal audits and financial controls reviews. This strengthening of the in-house team was further bolstered by the appointment of a new Head of Tax, a Group role that will further enhance the structure of the international finance team.

Throughout the year and supported by the Risk and Assurance team, we have reviewed our Principal Risks, including a review of the potential impact on our business model, future performance, solvency and liquidity. We have also reviewed and assessed management's proposals in relation to the Going Concern and Viability Statements. More details of our work on these areas may be found on page 49.

A key focus for the Committee is the consideration of the significant risks, issues and areas of judgement in relation to the financial statements. We have worked closely with management and the External Auditor to ensure that we have a firm understanding of these issues, so that we can develop clear views on how they should be addressed. Areas of significance for 2016 include accounting for the acquisition of five Empire cinemas, the valuation of property, plant and equipment, and onerous lease provisions. Further details of our formal position on these areas may be found on page 50 to 51.

Our Committee evaluation was conducted by an external facilitator this year, in accordance with the Code, and I am pleased to note that the evaluation confirmed that the Committee is considered to be performing well, and providing strong support to the Board.

Lastly, I would like to take this opportunity to thank Martina King for her significant contribution to the Audit Committee over the years, and to welcome Dean Moore, who became a member of the Committee in January 2017. With his extensive experience and strong financial background, I am sure Dean will be a great asset.

Julie Southern
Chair of the Audit Committee

Composition

For the duration of the year, the Committee comprised three independent Non-Executive Directors (namely Julie Southern (Chair), Martina King, and Alicja Kornasiewicz). Julie is a Chartered Accountant and is considered by the Board to have recent and relevant financial experience. On 11 January 2017, Non-Executive Director Dean Moore took up a place on the Committee, following the stepping down of Martina King. Dean Moore is considered by the Board to have recent and relevant financial experience, and is also considered to be independent.

The Chairman, the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, other senior executives, other Directors, the Head of Risk and Assurance, the Internal Auditor, and the External Auditor may be invited to attend meetings, but are not members.

Roles and Responsibilities

The Committee has a clear set of responsibilities that are set out in its Terms of Reference, which are available on the Company's website (www.cineworldplc.com/about-us/corporate-governance). The Committee assists the Board in discharging its responsibility with regard to financial reporting, the control environment, the work of the External and Internal Auditors, and the Risk and Assurance Team, including:

- monitoring the financial reporting process;
- reviewing the integrity of the Annual and Interim Reports, including reviewing significant financial judgements therein;
- 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 the Internal and External Auditors' activities, their reports and their effectiveness;
- reviewing and monitoring the extent of the non-audit work undertaken by the External Auditor; and
- advising on the appointment of the External Auditor.

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

What the Committee did in 2016

The Audit Committee met five times during the year, during which time it:

- monitored the financial reporting process and reviewed the interim and annual financial statements (including the preliminary announcement) with particular reference to accounting policies, principal risks and uncertainties, together with significant estimates and financial reporting judgements and the disclosures made therein;
- considered the interim results and the Annual Report and Accounts in the context of the requirement that they are fair, balanced and understandable, by reviewing papers prepared by management with regard to this principle. This included reviewing the documents to ensure that the description of the business agrees with its own understanding, the risks reflect the issues that concern the Group, the discussion of performance properly reflects the relevant period and that there is a clear link between all the areas of disclosures;
- received and discussed (in the absence of management, where appropriate) reports from the External Auditor in respect of their review of the interim results, the audit plan for the year and the results of the annual audit. These reports included the scope for the interim review and annual audit, the approach to be adopted by the External Auditor to evaluate and conclude on key areas of the audit, their assessment of materiality, the terms of engagement and raising awareness to the Committee of the likely impact of future changes to regulation and accounting standards;
- monitored the performance of PwC as the Internal Auditor and, from August 2016, the work of the Risk and Assurance team, reviewed the effectiveness of the Group's internal financial controls together with its broader internal control and risk management framework, to ensure consistent and appropriate financial controls across the Group;
- monitored the implementation of the Group's internal audit plan for 2016, including further embedding the risk management framework, the risk based assurance plan for our financial control environment and our Group-wide cinema compliance programme;
- reviewed the results of non-financial audits (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, and as part of the external audit tender process in the early part of 2016, oversaw the Group's relations with the External Auditor, determined their independence and monitored the effectiveness of the audit process;
- discussed the requirements for a longer-term viability statement and the related assessment work to enable the Board to make such a statement;
- continued to monitor the ongoing requirements regarding audit tender; and
- reviewed the Committee's terms of reference.

Going Concern

In recommending the adoption of the going concern basis for preparing the financial statements, the Audit Committee considered the business activities, as well as the Group's principal risks and uncertainties, as set out on pages 22 to 27, the financial position of the Group, its cash flows, liquidity position, and borrowing facilities, as well as the Group's objectives, policies and processes for managing capital, as described on pages 28 to 32 and the financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk as set out in Note 21 of the financial statements.

Viability

Part of the Audit Committee's work in the year has been to discuss and consider the requirement under the Code for a longer-term viability statement, and the related assessment work needed in order to enable the Directors to make such a statement.

Following work overseen by the Audit Committee, in accordance with the Code, the Directors have assessed the viability of the Group over a period longer than one year, taking into account the Group's current position and the

Corporate Governance Statement continued

potential impact of the Principal Risks and Uncertainties set out on pages 22 to 27.

The Directors have determined that a three year period constitutes an appropriate period over which to provide its viability statement based on the Group's strategic forecast period which is driven by the visibility of the future film slate, the Group's property expansion and renovation plans, investment in technology and relationships with the film distributors.

The Group's business model and strategy are central to an understanding of its prospects, and details can be found on pages 1 to 32. The nature of the Group's activities is long-term, and the business model is open-ended. The Group's current overall strategy has been in place for several years, subject to the ongoing monitoring and development.

The Directors' viability assessment has taken into consideration the potential impacts of the principal risks in the business model, future performance, solvency and liquidity over the period, including principal mitigating actions such as reducing capital expenditure and dividend payments.

For the purpose of assessing the Group's viability, the Directors identified that, of the principal risks detailed on pages 22 to 27, the following are the most important to the assessment of the viability of the Group:

- Availability and performance of film content;
- Viewer experience and competition; and
- Expansion and growth of our cinema estate.

Based on the principal risks identified above, scenario-based assessments were performed for the Group. The scenarios applied included:

- Reducing both admissions, average ticket price, and retail spend as a result of lack of film content, and/or increased competition through the emergence of new technology or alternative formats to watch films;
- Reducing margins through increased film costs, or increased labour costs;
- No further expansion of the cinema estate; and
- A combination of the above.

In performing the scenario assessments, with a decrease in revenues and increase in costs at far greater levels than previously experienced by the Group and no further expansion, the Group would still be able to continue to meet its day-to-day liabilities as they fall due over the three year period.

Whilst this review does not consider all of the risks that the Group may face, the Directors consider that the scenario-based assessment prepared of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

The Directors believe the risk management and internal control systems in place allow them to monitor the key variables that have the ability to impact the liquidity and solvency of the Group and are confident that management are able to sufficiently mitigate any situations should they arise. Mitigating actions that could be taken include reducing capital expenditure, reducing dividend payments and reducing variable costs as well as the Group's ability to change its capital structure if necessary through refinancing existing debt facilities and/or raising equity finance.

The Directors' Viability Statement is set out on page 38.

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.

(i) Accounting for the Acquisition of Five Empire Cinemas

On 11 August 2016, the Group completed the acquisition of five Empire cinemas from Cinema Holdings Limited. Full details of the acquisition are disclosed in Note 15. The provisional goodwill determined in respect of the acquisition is £60.6m.

Given the complex and judgemental nature of the valuation exercise, and relating assumptions, the Committee believe the acquisition accounting should be identified as a significant accounting issue for the 2016 financial statements.

Based on the Committee's enquiries of management and the review of work performed by external valuation experts, the Committee satisfied themselves that:

- the fair value of the acquired total identifiable net assets (with particular reference to intangible assets, property, plant and equipment and acquired leases) was consistent with the advice received from external experts and the terms of the sale and purchase agreement;
- the fair value exercise was thorough and included all categories of assets and liabilities (including all lease contracts);
- management have performed detailed Balance Sheet reviews and are satisfied that classification of balances is correct and that recognition is appropriate and in line with the Group's accounting policies; and
- the subjectivity of the valuation process, including the extent of fair value adjustments, was appropriately disclosed in the annual financial statements.

(ii) Valuation of Property, Plant and Equipment ("PPE")

As detailed in Note 9 to the financial statements, there is a significant inherent risk that elements of the Group's considerable PPE balances may prove to be irrecoverable, due to fluctuations in the underlying performance of cinemas or one-off events. Given the number of factors involved in predicting the performance of cinema sites operated by the Group, in multiple territories, this gives rise to an element of judgement being applied to the potential level of impairments to be recognised on a cash generating units (CGU) basis, predominantly at cinema site level.

At each Balance Sheet date, management prepares an assessment which estimates the value in use of the cash generating units to which the tangible fixed assets are allocated. Where individual sites cash flows are not considered independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single cash generating unit.

The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The main assumptions over growth rates, the impact of one-off events, expected cost increases and discount rates are updated to reflect management's best estimate. When considering the appropriateness of the discount rate, management assess the territory specific discount rate, and ensure that they are updated for current market information and the Group's current leverage.

At the year end management prepared their valuation models for the Committee's consideration, together with their proposed site impairments and drew the Committee's attention to any specific judgements taken within the models. Management confirmed to the Committee that they have applied a consistent Group-wide methodology, in the preparation of the valuation models. 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 itself through enquiry of management and review of the Board papers that all significant events which may have impacted on the valuation of PPE had been appropriately captured in management's assumptions and reflected in the valuation models and that appropriate disclosures, including in relation to sensitivities, had been included in the financial statements.

(iii) Onerous Lease Provisions
Provisions are made for onerous leases in the Group 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 the site. As detailed in Note 1 to the financial statements, the approach to estimating the onerous lease provision has remained consistent with the prior year.

The number of onerous lease sites within the Group has continued to decrease each year and the balance has also reduced to £2.4m as at 31 December 2016. Consideration was given to whether this remains a significant risk by the Committee. As the balance remains material, and the models used by management are sensitive to the inputs including changes in performance of individual sites, it was concluded this should remain as a significant accounting issue for the current year.

Management evaluate the appropriateness of the provision on at least an annual basis. The exercise involves reviewing forecast future cash flows on a site-by-site basis and ensuring that the provision in place remains at an appropriate level for any sites identified as having an onerous lease. As well as considering site performance, management also consider the appropriateness of the discount rates applied, the territory specific discount rate, and ensure that they are updated for current market information and the Group's current leverage.

Management confirmed to the Audit Committee that the methodology had been applied consistently year-on-year. Management confirmed that they have monitored the adequacy of the provision historically and concluded that there have been no material unprovided costs or unrequired provision identified.

In the prior year, Virtual Print Fee ("VPF") recognition was included as a significant issue for the UK and Ireland due to the complexity of the contract, however as the revenue ceased during the year and as the final amount received in the year is not material to the 2016 financial statements the Committee determined this is no longer considered a significant issue for the Group.

External Audit
The Committee reviews the appointment of the External Auditor each year before the cycle of audit commences and in deciding whether to renew the appointment takes note of the quality of the service received, the proposed fees and the Auditor's independence. Management and all members of the Committee are consulted during the process. Further details of these processes are set out below.

Effectiveness
During the year, the Committee evaluated the performance and objectivity of KPMG and reviewed their effectiveness as External Auditor. The effectiveness of the 2015 audit was assessed by reference to the following:

- the effectiveness of the lead audit engagement partner, including the support provided to the Audit Committee;
- the planning and scope of the audit including identification of areas of audit risk and communication of any changes to the plan, and changes in perceived audit risks;
- the quality of communication with the Audit Committee, including the regular reports on accounting matters, governance and control;
- the competence with which the External Auditor handled key accounting and audit judgements and communication of those to management and the Committee;
- their reputation and standing, including their independence and objectivity and their internal quality procedures; and
- the quality of the formal report to shareholders.

Further, at the conclusion of each year's audit, the Committee discusses the performance of the External Auditor with the Executive Directors and relevant senior finance managers considering areas such as the quality of audit team, business understanding, audit approach and management. Where appropriate, actions are agreed against points raised and subsequently monitored for progress. There were no significant findings from the evaluation this year.

After taking into account all of the above factors, the Committee concluded that the External Auditor was effective. In addition, the Committee is satisfied that it has sufficient oversight of the External Auditor and its independence and objectivity is not compromised due to the safeguards in place.

Independence, Appointment and Tender
The Audit Committee instigated a tender process in February 2016. The audit had not been tendered since the Group listed in 2007 and, following the completion of the integration with Cinema City, it was considered to be an appropriate time to proceed with the tender.

Led by the Audit Committee, a tender document was distributed in February 2016 to four firms, being Deloitte, Ernst & Young, KPMG and BDO, in respect of the 2016 audit.

Corporate Governance Statement continued

Assessment criteria included capability, understanding of key issues pertinent to the business, experience, independence, cultural fit of the proposed teams (including the proposed teams in key locations), and an assessment of the overall audit approach and quality. After careful consideration and discussion, the Committee decided to recommend to the Board that KPMG be reappointed.

In addition, following the conclusion of the 2015 audit, the Company's lead audit partner, Mark Summerfield, was due to rotate off the audit of the Group and be replaced as Senior Statutory Auditor by Hugh Green. The rotation of the Senior Statutory Auditor occurred as planned and the Committee considers Hugh Green to have the requisite substantial, relevant experience.

The Company will continue to comply with the relevant tendering and auditor rotation requirements applicable under UK and EU regulations, which require the next external audit tender to occur by 2026. In addition, the External Auditor will be required to rotate the audit partner responsible for the Group audit every five years and, as a result, the current lead audit partner will be required to change in 2021. The Committee continues to review the auditor appointment and the need to tender the audit.

The External Auditor is also required to periodically assess whether, in their professional opinion, they are independent and confirm this to the Committee. KPMG has provided this confirmation. In addition, the Company considers it has complied with the Competition and Markets Authority's Statutory Audit Services Order.

Non-Audit Services

The Committee considers the independence of the External Auditor on an ongoing basis and has established policies to consider the appropriateness or otherwise of appointing the External Auditor 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 tax compliance and advisory services (£0.2m) and pensions advisory services (£0.2m). 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. More information on the Non-Audit Services may be found in Note 4 of the financial statements.

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 taking into account cost, and the likelihood and magnitude of the risks involved.

Remuneration Committee

Composition
For the duration of the year, the Company's Remuneration Committee comprised three Non-Executive Directors (Martina King (Chair), Rick Senat, and Julie Southern). The Committee met four times during the year and, in addition, a number of ad hoc times to deal with specific issues. On 11 January 2017, Martina King stepped down from her role as a Non-Executive Director and as Chair of the Remuneration Committee. Dean Moore was appointed in her place and is the new Chair of the Committee.

Roles and Responsibilities
The activities of the Remuneration Committee are covered in the Directors' Remuneration Report on pages 54 to 72, and are incorporated into this Corporate Governance Statement by reference.

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 Willis Towers Watson as an external adviser in November 2008 and again took advice from them during the year. Willis 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 of the Board 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 54 to 72.

The terms of reference of the Committee are available on the Company's website (www.cineworldplc.com/about-us/corporate-governance).

Relations with Shareholders
The Directors value contact with the Company's institutional and private investors. An Annual Report 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. Trading updates are typically issued in advance of the full year end results in March and the interim results in August.

Separate announcements of all material events are made as necessary. In addition to the Chief Executive Officer, Deputy Chief Executive Officer, and the Chief Financial Officer, who have regular contact with investors over such matters, the Chairman and the Senior Independent Director are available to meet with shareholders as, and when, required. Additionally, the Chief Executive Officer, Deputy 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 Chairs 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.

By order of the Board
Anthony Bloom
Chairman
9 March 2017

Directors' Remuneration Report

> I am pleased to present the Directors' Remuneration Report. The focus of the Committee this year has been on reviewing our Policy to ensure it continues to support our business strategy.

Annual Statement

Dear Shareholders

As the new Chairman of Cineworld's Remuneration Committee (the "Committee"), I am pleased to present our Remuneration Report for 2016, for which we will be seeking your approval at our Annual General Meeting ("AGM") in May 2017.

I would like to also take this opportunity to thank outgoing Chair, Martina King, for her significant contribution to the Remuneration Committee during 2016.

2016 Performance and Remuneration

The Group delivered a successful year of trading in 2016 with total revenue increasing 13% to £797.8m (2015: £705.8m), and EBITDA up 13.2% at £175.8m (2015: £155.3m). This performance enabled an 8.6% increase in the full year dividend per share. The decisions in relation to executive remuneration outcomes made by the Committee were taken in the context of this performance.

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 78.6% of base salary for each of the CEO and Deputy CEO (equivalent to the same percentages of maximum opportunity). As EPS performance targets for the PSP were reached in full over the three-year period 2014–2016, there was 100% vesting of the awards made in 2014.

Activities over the Year

The main focus of the year has been the review of the Company's Remuneration Policy, and the development of a new long-term incentive ('LTI') plan, both of which we will be putting forward for shareholder approval at our AGM this year.

Over the past few months, led by my predecessor Martina King, the Remuneration Committee has carried out a detailed review of our executive remuneration arrangements, taking into account the experience of operating our Remuneration Policy over the last three years, developing market practice, the feedback we have received from shareholders, and in light of our ongoing business strategy.

Overall, the revised Policy is similar to the version approved by shareholders in 2014. This reflects the Committee's view that the current straightforward remuneration arrangements have worked well, and continue to align with our business priorities.

In addition, our Performance Share Plan (the '2007 PSP') is coming to the end of its ten-year lifespan. The Committee has therefore decided to introduce a new plan in the form of an 'omnibus plan'.

2017 Remuneration Policy

When considering the Remuneration Policy, the Committee has taken account of the fact that Cineworld is relatively unusual in that our CEO and Deputy CEO have an indirect interest in just under 30% of the Company's issued capital through their interest in Global City Holdings N.V.[1]. This means that we believe that some aspects of executive remuneration arrangements which are typically used to align the interests of executives with shareholders, such as bonus deferral and shareholding guidelines, have less direct relevance for them. We do recognise that our newly-appointed CFO should also be aligned with shareholders, and he will be required to retain some of the shares from vested LTI awards until he has reached the required shareholding level outlined below.

Changes to our Policy

Having carefully reviewed our bonus and long-term incentive arrangements, the Committee has decided to make no major changes to their structure / performance metrics / opportunity levels. Note, however:

- Future LTI awards will be made under the new 'omnibus' plan described in the following section – but no change in terms of award vehicle / individual limits / performance conditions / clawback provisions will be made, except that the level of vesting for threshold performance will reduce from 30% to 25% of an award.
- There will be an increased shareholding requirement of 150% of salary, with expectation of retention of 50% of vested LTI awards (net of tax) until the level is met.

New Long Term Incentive Plan
We will be putting a separate AGM resolution to shareholders to approve the rules of a new LTI plan to replace the current 2007 PSP which expires on 22 April 2017. The plan is proposed to be in the form of an 'omnibus' plan in order to give the Company flexibility to make different kinds of award (e.g. conditional shares, phantom shares and cash awards) in order to address legislation / tax issues which have been encountered in some jurisdictions in which the Group operates. Note that awards to Executive Directors will continue to be determined by the shareholder-approved Remuneration Policy and we are making no substantial changes in our approach to LTI awards at this level.

Summary
The Committee has carefully considered our remuneration arrangements and we believe that they currently work well, so the changes we are proposing are relatively minor. We believe that the new Remuneration Policy and the new long-term incentive plan are in the best interests of the business and will support the continued successful delivery of our strategy over the coming years. We hope you will support the relevant resolutions at our 2017 AGM.

The Remuneration Report
Regarding the full report on our activities below, you will see that there are two other sections. The first part, the Directors' Remuneration Policy on pages 55 to 63, sets out our proposed Remuneration Policy, which is being put to the vote at this year's AGM. The second part, the Annual Report on Remuneration, describes how the Committee implemented the 2014 Policy with regard to the remuneration of Directors in 2016.

The Committee has always aimed to be clear and transparent in matters of remuneration and we hope that this report continues this approach and is easy to understand and informative.

Dean Moore
Chairman of the Remuneration Committee

(1) Shares are held by Global City Holdings N.V.(GCH). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

Remuneration Policy

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 the AGM in May 2017 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. This is balanced with the need to mitigate risk and accordingly incentives are structured to ensure that 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, when appropriate, 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, taking into account 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.

Directors' Remuneration Report continued

The table summarises the Policy for each element of pay:

Element and Link to Strategy	Maximum	Operation
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.	Salaries may be adjusted and any increase will ordinarily be (in percentage terms) in line with those across the Group, in aggregate, allowing for location. 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.	Executive Directors' salary levels are agreed on joining and thereafter reviewed annually, generally on 1 July each year. 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 of 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.
Pension To provide market-competitive retirement benefits.	Monthly employer contribution up to 20% of basic salary or in the form of a cash pension allowance.	All employees, including Executive Directors, are invited to participate in a Group Personal Pension Plan which is a money purchase plan. Bonuses are not pensionable. Executive Directors may choose to opt out of the Group scheme and instead receive a cash pension allowance equivalent to employer pension contribution (i.e. currently up to 20% of base salary). The Company's pension contribution may be conditional on the Executive Director contributing a percentage of their base salary to the pension scheme in line with general scheme requirements. Executives may make pension contributions under "salary sacrifice" arrangements. Savings as a result of such an arrangement may be shared with the Executive Director in the form of an additional pension contribution.
Other Benefits To provide market-competitive benefits and support the health and safety of individuals.	The cost to the Group of providing such benefits will vary from year to year in accordance with the cost of insuring such benefits.	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 and Deputy Chief Executive Officer, a disturbance allowance. Benefits are tailored to the individual circumstances of Directors to ensure that overall packages are attractive and additional benefits may be introduced where appropriate. A limited flexible benefits scheme operates for all employees (including Directors) and the intention is to expand it over a period of time.

Element and Link to Strategy	Maximum	Operation
Annual Bonus To incentivise the annual delivery of financial and operational targets.	Maximum opportunity for Executive Directors of 100% of salary.	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. 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. • No bonus is payable if a minimum threshold of 90% 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 is achieved. 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. 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. The performance measures and targets are reviewed annually to ensure alignment to strategy. Bonuses are paid in cash following the approval of the Group Annual Report. Where a Director leaves and is considered a good leaver, he/she 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.

Directors' Remuneration Report continued

Element and Link to Strategy	Maximum	Operation
Performance Share Awards To encourage sustainable profitability over a period of time aligned to the overall objective of achieving sustainable growth.	The maximum award to an individual in any year under the rules of the subsisting share schemes is 200% of base salary. However, the Remuneration Committee does not currently intend that awards to Executive Directors should exceed 150% of their base salary. If it is considering changing this approach, it will consult with key shareholders before doing so.	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. From the AGM in 2017, awards will be made under The Cineworld Group plc 2017 Long Term Incentive Plan, subject to shareholder approval of the plan. Prior to this, awards were made under The Cineworld Group Performance Share Plan ('PSP'). 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. 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 of competitors. If the stretch performance level is achieved, we would expect to have significantly outperformed the relevant market and/or our competitors. At the threshold performance level, 25% 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. 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. At the discretion of the Committee, each participant may have a proportional part of their Performance Share award replaced by an HMRC approved share option granted under the CSOP schedule to The Cineworld Group plc 2017 Long Term Incentive Plan ("CSOP Plan"), up to the maximum value of options permitted by legislation (currently £30,000). Such awards are subject to identical performance vesting conditions as the Performance Shares they replace. 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. It is the Committee's intention to settle awards in shares, but the plan rules allow for flexibility to settle in cash if required.

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 aligned with that for all employees and the limit under legislation (currently £500 per month).	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. This Policy also provides the ability for Executive Directors to participate in any other all-employee plan which may be introduced in future up to the limits which apply to other employees.
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 150% 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 generally count towards the holding – however, the Remuneration Committee retains discretion to determine whether the requirement has been met in specific circumstances.

Clawback and Malus

The Remuneration Committee reserves the discretion to apply 'malus' by reducing or withholding annual bonus payments from the formulaic outcome based on EBITDA performance (for example, in the event of misconduct or misstatement of financial results). Following payment, the Committee will retain the discretion to 'claw back' bonuses in the case of misconduct or misstatement of financial results.

The rules of the Cineworld Group PLC 2017 Long Term Incentive Plan include 'claw-back' provisions that will apply to Awards granted to Executive Directors and may, if the Committee determines, apply to any other Award other than an option granted pursuant to the CSOP Plan. The provisions apply where it is discovered (within two years of the vesting of an Award) that there has been a material misstatement in the financial results of the Company and/or an act of gross misconduct on the part of the Award Holder (that takes place before the vesting date of the Award but only comes to light after the Award vests) and such misstatement or gross misconduct has resulted in an Award vesting to a greater extent than it otherwise should have done ("Excessive Award").

In these circumstances, the Committee may make reductions (up to the value of the Excessive Award) to other Awards held by the Award Holder in question which would otherwise vest under the LTIP (including cash awards) and/or require the Award holder in question to pay an amount equal to the value of the Excessive Award which has not otherwise been recovered (after taking into account any income tax and social security paid by the Award holder in relation to the Excessive Award).

Satisfaction of Share Options and Share Awards

Awards under the Cineworld Group PLC 2017 Long Term Incentive Plan (subject to shareholder approval of the plan), the PSP, the Sharesave Scheme and the CSOP adopted by the Company in 2010 ("2010 CSOP") 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.

Directors' Remuneration Report continued

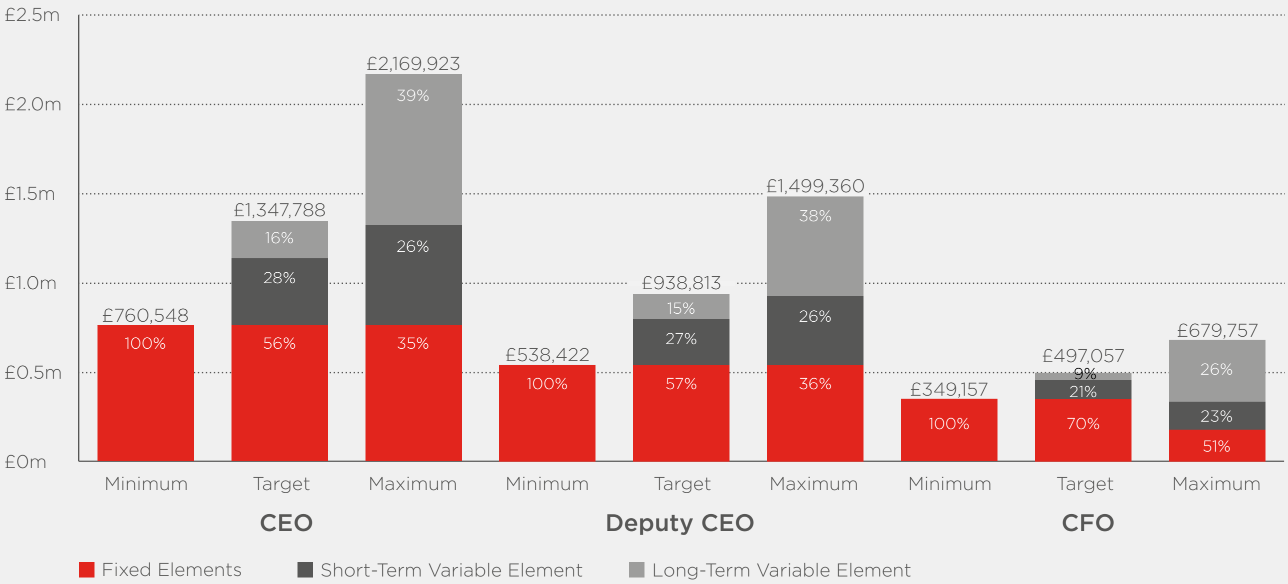
If new issue shares are used, the following limits will be followed:

- In any ten-year period, the number of shares which may be issued under the Cineworld Group PLC 2017 Long-Term Incentive Plan, the PSP and under any other executive share or option scheme established by the Company, and operated on a discretionary basis, may not exceed 5% of the issued ordinary share capital of the Company from time to time.
- In any ten-year period, the number of shares which may be issued 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 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 levels are those in effect as at 1 January 2017 (or on appointment for the CFO). Bonus opportunity and Performance Share award levels are as set out in the Policy Table above.
- Fixed elements comprise base salary, pension and other benefits.
- Benefits levels are assumed to be the same as in 2016 for the CEO and Deputy CEO, and estimated for the CFO.
- For target performance, assumptions of bonus payout of 67% of maximum and threshold vesting (25%) for Performance Shares have been made.
- No share price increase has been assumed.



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 maximum performance share award 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 at most 12 months.

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 the Group's website.

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.

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:

	Moshe Greidinger	Israel Greidinger	Nisan Cohen
Effective Date of Contract	27 February 2014	27 February 2014	11 January 2017
Notice Period[(1)]	12 months	6 months	6 months
Remuneration	• 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	• 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	• Base salary • Pension contribution • Company car or car allowance • Entitlement to participate in annual bonus scheme • 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
Non-Competition	During employment and for 12 months thereafter	During employment and for 6 months thereafter	During employment and for 6 months thereafter

(1) 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.

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 100% 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 Cineworld Group PLC 2017 Long Term Incentive Plan:
An award will normally lapse upon a participant leaving the employment of the Group unless the participant is a 'good leaver' (including death, injury, ill-health or disability and redundancy) or the Remuneration Committee in its absolute discretion otherwise determines. Any such discretion would only be applied by the Committee 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 generally 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 case of death, options will remain exercisable for a period of 12 months following the date of death. Options that have already vested before an Award holder ceases to be employed by the Company or by one of its subsidiaries but which has not yet been exercised at the time that the Award holder ceases to be so employed (for whatever reason), will remain capable of exercise in accordance with the rules of the LTIP.

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. 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.

Directors' Remuneration Report continued

B. Under the PSP:
An award will normally lapse upon a participant leaving the employment of the Group due to resignation or 'for cause'. If a participant leaves employment for any other reason, the award would generally 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.

C. 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 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 on the original vesting date 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.

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.

D. 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.

Director	Date of appointment	Notice period
Anthony Bloom (Chairman)	7 October 2004	1 month
Alicja Kornasiewicz	26 May 2015	1 month
Dean Moore	11 January 2017	1 month
Scott Rosenblum	27 February 2014	1 month
Arni Samuelsson	27 February 2014	1 month
Rick Senat	2 July 2010	1 month
Julie Southern	26 May 2015	1 month

Non-Executive Directors

Letters of Appointment

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

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 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 the 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 reviewing this Policy, the Remuneration Committee has taken into account feedback received from some shareholders. We have also consulted with major shareholders on the proposed changes from the Policy introduced in 2014.

Directors' Remuneration Report continued

Annual Report on Remuneration

The Remuneration Committee and its Role

For the duration of the year, the Company's Remuneration Committee comprised three Non-Executive Directors, Martina King, Julie Southern and Rick Senat, who are all considered to be independent. The Chair of the Committee was Martina King and the Secretary of the Committee was the Company Secretary. On 11 January 2017, Non-Executive Director Dean Moore took over from Martina King as Chair of the Committee. Dean Moore is considered by the Board to be independent.

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, the Company Secretary and the Company's Senior Management;
- determine the specific remuneration packages of the Chairman, the Executive Directors, the Company Secretary and Senior Management;
- approve the terms of the service agreements of the Executive Directors, the Company Secretary and Senior Management; 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/about-us/corporate-governance). The terms are reviewed annually.

The Committee met for four scheduled meetings during the period and details of the members' attendance record is set out on page 41. In addition to its scheduled meetings, the Committee met a number of times ad hoc to deal with specific issues.

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

- reviewing the Chairman's fees and the salaries of the Executive Directors;
- setting the salary of the Company Secretary and reviewing the salaries of Senior Management;
- deciding the targets for the annual bonus scheme;
- making awards under the Performance Share Plan ("PSP") and the 2010 CSOP, including consideration of target calibration and award levels;
- reviewing the 2016 AGM voting figures and considering the views of shareholders;
- reviewing the Remuneration Policy and the design of the Cineworld Group plc 2017 Long Term Incentive Plan;
- preparation of this report; and
- considering the remuneration arrangements across the Group.

Remuneration Committee Advisers

The Committee once again received advice from Willis Towers Watson during the year in relation to the Company's Policy and its implementation in respect of the Chairman, Executive Directors, Company Secretary and Senior Management. Willis Towers Watson was appointed by the Remuneration Committee in November 2008 following a selection process involving a number of remuneration consultants. Their terms of engagement are available on request from the Company Secretary. They attended four scheduled meetings during the year at the request of the Committee. Willis Towers Watson's fees for advice to the Committee were £80,428 (2015: £37,159). Willis 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.

Willis 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 (Anthony Bloom), the Chief Executive Officer (Moshe Greidinger), the Deputy Chief Executive Officer (Israel Greidinger), Senior Vice President of Human Resources (Tara Rooney) and the Company Secretary (Fiona Smith), although they did 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 Senior Management.

Board Changes in 2016

There were no Board changes in 2016. On 11 January 2017, Martina King stepped down from the Board, and Nisan Cohen and Dean Moore were appointed. Nisan Cohen became Chief Financial Officer and Dean Moore was appointed as an Independent Non-Executive Director.

Remuneration for 2016

This section covers the reporting period from 1 January 2016 to 31 December 2016 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.

Single Total Figure Table (audited information)

The table below 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										
Moshe Greidinger	2016	557	84	437	–	1,419[3]	–	1,419	91	2,588
	2015	550	77	476	–	–	–	–	110	1,213
Israel Greidinger	2016	380	77	298	–	968[3]	–	968	60	1,783
	2015	375	74	325	–	–	–	–	75	849
Philip Bowcock[4]	2016	–	1	–	–	451[3]	–	451	–	452
	2015	375[6]	20[7]	248	4.5	492[5]	15	507	75[8]	1,229.5
Stephen Wiener[4]	2016	–	–	–	–	–	–	–	–	–
	2015	–	1	–	–	356[5]	–	356	–	357
Non-Executive Directors										
Anthony Bloom	2016	175	–	–	–	–	–	–	–	175
	2015	175	–	–	–	–	–	–	–	175
Martina King	2016	60	–	–	–	–	–	–	–	60
	2015	56	–	–	–	–	–	–	–	56
Alicja Kornasiewicz	2016	50	–	–	–	–	–	–	–	50
	2015	30	–	–	–	–	–	–	–	30
David Maloney[4]	2016	–	–	–	–	–	–	–	–	–
	2015	30	–	–	–	–	–	–	–	30
Scott Rosenblum	2016	50	–	–	–	–	–	–	–	50
	2015	50	–	–	–	–	–	–	–	50
Arni Samuelsson	2016	50	–	–	–	–	–	–	–	50
	2015	50	–	–	–	–	–	–	–	50
Rick Senat	2016	65	–	–	–	–	–	–	–	65
	2015	61[9]	–	–	–	–	–	–	–	61[9]
Julie Southern	2016	70	–	–	–	–	–	–	–	70
	2015	39	–	–	–	–	–	–	–	39
Peter Williams[4]	2016	–	–	–	–	–	–	–	–	–
	2015	24	–	–	–	–	–	–	–	24

(1) See page 66 for details of the other benefits provided to the Executive Directors.
(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 vesting in respect of the period has been calculated using a share price of £5.525, being the average price for the last three months of the period (as PSP will not vest until 6 June 2017), 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. Currently, the dividend equivalent payment to Moshe Greidinger would amount to £101,604, the dividend equivalent payment to Israel Greidinger would amount to £69,276, and the dividend equivalent payment to Philip Bowcock would amount to £32,256.
(4) Philip Bowcock left the Company on 31 October 2015, Stephen Wiener left the Company on 31 March 2014, Peter Williams left the Company on 26 May 2015, and David Maloney left the Company on 26 May 2015.
(5) Details of the actual gain made are set out on page 71. The actual figures set out in the table above differ from those included in the 2015 Annual Report figures as last year an estimated value of £5.58 a share was used to calculate the theoretical gain, as the awards had not yet vested. The figures above reflect the share price of £5.10 on the date of vesting, 15 March 2016.
(6) Philip Bowcock left the Company on 31 October 2015 and this figure includes two months' salary paid in lieu of notice amounting to £62,500.
(7) Philip Bowcock left the Company on 31 October 2015 and this figure includes two months' benefits paid in lieu of notice amounting to £3,066.
(8) Philip Bowcock left the Company on 31 October 2015 and this figure includes two months' pensions allowance paid in lieu of notice amounting to £12,500.
(9) Figure includes a payment of £5,800 to Rick Senat for the portion of 2015 for which he served as Senior Independent Director.

Directors' Remuneration Report continued

Base Salary (audited information)
The base salaries of the Executive Directors are usually reviewed on an annual basis. As described in the Policy, 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 broadly 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.

The salaries of the CEO and Deputy CEO were increased by 2.5% with effect from 1 July 2016. Average salaries across the Group were increased 2.5%.

Salary levels as at the end of the financial period were:

Moshe Greidinger:	£563,750 p.a.[1]
Israel Greidinger:	£384,375 p.a.[1]

(1) Part of Moshe Greidinger's and Israel Greidinger's salaries are paid in Israel to enable social security and government healthcare deductions to be made.

Pension (audited information)
Executive Directors are invited to participate in a Group Personal Pension Plan, which is a money purchase plan, or alternatively may receive a pension allowance in cash. The Company contribution to this pension scheme for the Chief Executive Officer and the Deputy Chief Executive Officer is 20% of salary. The Executive Directors have elected not to participate in this scheme and instead receive a cash pension allowance of 20% of salary.

Company pension contributions/allowances for the period were:

	(£000)
Moshe Greidinger:	£91
Israel Greidinger:	£60

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, and private medical cover.

Benefit	Israel Greidinger	Moshe Greidinger
Car/car allowance	£14,000	£14,000
Permanent health insurance/ private medical	£1,676	£1,676
Life assurance	£21,496	£28,372
Disturbance allowance	£40,000	£40,000

Israel Greidinger and Moshe Greidinger both received a Disturbance Allowance of £40,000 for the period as, under the terms of their employment contracts, they are required to spend a sufficient and proportionate amount of time at the Company's head office in Brentford, Greater London.

Annual Bonus (audited information)
Annual bonus opportunity for the Executive Directors in the year was a maximum of 100% of base salary. 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 weighting between the Group's financial performance and personal performance was 80%:20%. The Committee retains the absolute discretion to apply 'malus' by reducing or withholding annual bonus payments from the formulaic outcome based on EBITDA performance (for example, in the event of misconduct or misstatement of financial results).

The individual performance element for the CEO and the Deputy CEO for 2016 focused on the strategic growth agenda of the Group. Emphasis was placed on successful openings of new cinemas on time and on budget, and the subsequent management of those new sites from an operational point of view. Other factors considered in assessing performance included the identification and development of acquisition targets, successfully delivering results from the Group's renovation programme, the effectiveness of steps taken to improve the customer experience, the introduction of the latest technology, and the implementation of the Group's IT strategy.

The Committee judged the individual objectives to have been achieved at the top level out of five for both the CEO and the Deputy CEO. In making this assessment, the Committee considered a number of factors including the continued profitable growth of the Company, the eight new sites that were opened during 2016, as well the acquisition of five Empire sites in August.

Positive factors that were also considered included nine major refurbishments which were completed during the year, the introduction of the latest technology which saw the Group end 2016 with 27 4DX screens, 33 IMAX screens and 6 Superscreens, and the progress made in implementing the Group's IT roadmap.

The table below shows the EBITDA targets and performance achieved against them in 2016.

	EBITDA performance	Individual objective performance	Threshold bonus opportunity (£000)	Maximum bonus opportunity (£000)	Bonus paid (% of maximum)	Bonus paid (% of base salary)	Bonus paid (£000)
Moshe Greidinger	102% of budgeted EBITDA achieved	Above and Beyond	98.5	557	78.6	78.6	437
Israel Greidinger	102% of budgeted EBITDA achieved	Above and Beyond	67.1	380	78.6	78.6	298

The Committee judged the individual objectives have been achieved at the top level out of five for both the CEO and the Deputy CEO.

On the basis of the EBITDA and individual performance achieved, the CEO was awarded a bonus of 78.6% of salary and the Deputy CEO was awarded a bonus of 78.6% of salary.

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

(a) Awards Vesting Following the End of the Performance Period Ending in December 2016

Awards under the PSP made in June 2014 are due to vest on 6 June 2017. The performance condition applicable to these awards is summarised below:

EPS growth performance	Vesting level
Less than 10% p.a.	Nil
10% p.a.	30%
18% p.a.	100%
Between 10% and 18% p.a.	Straight-line basis

The adjusted diluted EPS figure for the year represented compound average annual growth of 23.2% on a pro forma basis, compared to the base year, with the result that the level of vesting for this award was 100%. The number and value of shares that will vest to each of the Executive Directors is set out on page 71 of this report.

(b) Awards Made in the Year

Awards were made to the Executive Directors under the PSP in April 2016. The vesting of these awards will be based on Cineworld's three-year EPS growth performance, as summarised in the table below. Following the combination with Cinema City, the Committee discussed the performance condition at some length and decided for awards in June 2014 to increase significantly the thresholds for lower and upper end vesting from those used for previous awards, and to express targets as absolute growth figures given the significantly increased international nature of the Group following the Combination, making UK RPI a less directly relevant factor. The same approach was taken in 2016. However, to reflect the prevailing circumstances and expectations, the thresholds for minimum and maximum vesting were slightly reduced.

EPS growth performance	Vesting level
Less than 6% p.a.	Nil
6% p.a.	30%
12% p.a.	100%
Between 6% and 12% 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.

The number and value of share options under the PSP which were awarded to the Executive Directors and vested during the period are set out on page 71 of this report.

Directors' Remuneration Report continued

Non-Executive Directors' Fees (audited information)
The fees for the Non-Executive Directors were reviewed following completion of the combination with Cinema City in February 2014 in light of the significant increase in the size and complexity of the Group. The adjusted fee levels were set in order to be comparable with equivalent fees in companies of broadly similar size and complexity. The fee for the position of Audit Committee Chair was increased from £15,000 p.a. to £20,000 p.a. with effect from 1 January 2016. The other Non-Executive fees were not increased during 2016.

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.

Position held	Fees as at 1 January 2016 and at 31 December 2016
Chairman	£175,000 p.a.
Senior Independent Director	£10,000 p.a.
Non-Executive Director	£50,000 p.a.(2)
Audit Committee Chair	£20,000 p.a.(1)
Remuneration Committee Chair	£10,000 p.a.
Nomination Committee Chair	£5,000 p.a.
Committee Member	Nil

(1) The fee for Audit Committee Chair was increased by £5,000 p.a. to £20,000 p.a. with effect from 1 January 2016.
(2) Base fee.

Loss of Office Payments (audited information)
There were no loss of office payments during the financial year.

Payments to Past Directors
There were no payments to past Directors during the financial year, other than the continuation of private health insurance for Philip Bowcock until June 2016, as disclosed in last year's Annual Report.

External Appointments
Moshe and Israel Greidinger are both directors of Israel Theatres Limited. In relation to these roles, they did not receive any fees.

Directors' Shareholdings at 31 December 2016 (audited information)

	Ordinary shares	Share options subject to performance conditions(1)
Executive Directors		
Israel Greidinger	76,626,344(2)	382,329
Moshe Greidinger	76,626,344(2)	560,751
Non-Executive Directors		
Anthony Bloom	2,208,006(3)	–
Martina King	2,563	–
Alicja Kornasiewicz	–	–
Scott Rosenblum	16,877	–
Arni Samuelsson	–	–
Rick Senat	53,874	–
Julie Southern	–	–

(1) Relates to unvested awards under the PSP. This figure includes awards made in 2014, 2015 and 2016 as the vesting of the 2014 awards described above will not happen until June 2017.
(2) Shares are held by Global City Holdings N.V. ("GCH"). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger (Israel Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 6 September 2015 and Moshe Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 13 October 2016).
(3) Shares are held by a nominee for a Jersey-based discretionary trust, of which Anthony Bloom is one of the potential beneficiaries.

The interests of Directors and their connected persons in ordinary shares as at 31 December 2016 and 9 March 2017, including any interests in shares and share options provisionally granted under the PSP and 2010 CSOP, are presented above.

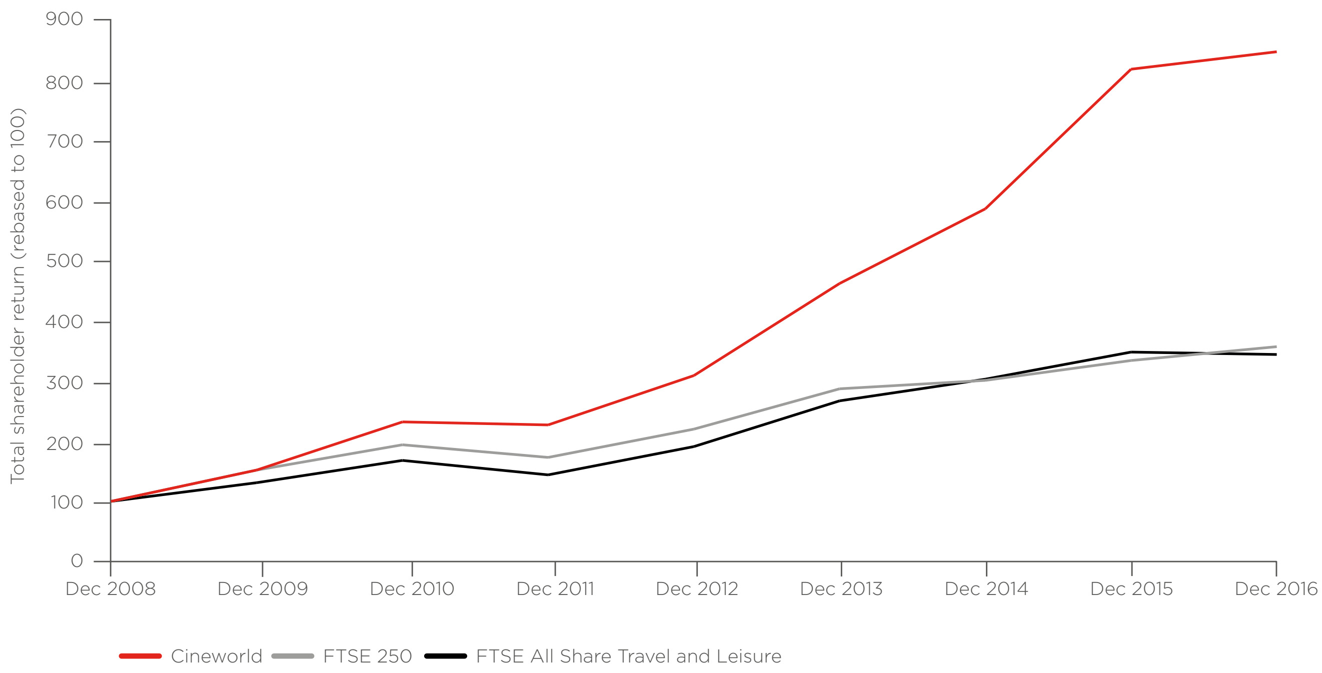
Nisan Cohen became a Director on 11 January 2017 and has unvested awards under the PSP in relation to 19,792 shares. This figure includes awards made in 2014, 2015 and 2016. Dean Moore, who also became a Director on 11 January 2017, does not have any interests in shares or share options.

As described in the Policy Table on page 59, each Executive Director is expected to build up, over a period of time, a holding in shares equal to 150% of their base salary (this was 100% under the 2014 Policy).

Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger (Israel Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 6 September 2015 and Moshe Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 13 October 2016). Following the transfers, Moshe and Israel Greidinger ceased to be beneficially interested in ordinary shares in the Company. However, given the family connection described above, the Remuneration Committee has determined that they will both be considered as meeting the above shareholding requirement.

Eight-Year Total Shareholder Return 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 eight financial years. The Remuneration Committee believes these to be the most appropriate comparators as Cineworld is a member of both indices.



Directors' Remuneration Report continued

Financial year	CEO single figure of total remuneration (£000)[2]	Bonus as proportion of maximum opportunity	LTI vesting as proportion of maximum opportunity
2016	£2,588[1]	79%	100%
2015	£1,213	87%	–[3]
2014	£1,440	76%	100%
2013	£1,326	41%	81%
2012	£1,258	60%	99%
2011	£1,252	68%	100%
2010	£1,212	82%	100%
2009	£858	85%	–

(1) The increase in the CEO single figure between 2015 and 2016 primarily relates to the first vesting of a PSP award to the CEO since appointment. The value of this award vesting has increased due to the significant increase in the Company's share price over the vesting period.
(2) Up to 2013 these figures solely relate to Stephen Wiener who was CEO up to and including 27 February 2014. For 2014, it represents a combination of two months of Stephen Wiener and ten months of Moshe Greidinger who both held the office of CEO during 2014.
(3) Moshe Greidinger, CEO, did not have an LTI which vested in the year. For those who did, the proportion was 100%.

Percentage Increase in CEO remuneration

The percentage changes in the value of salary, non-pension benefits and bonus between 2015 and 2016 for the CEO and employees generally are set out in the table below:

	CEO[1]	Employees generally[2]
Salary	1.27%	2.5%
Non-pension benefits	9.1%	0.3%
Annual bonus	(8.2)%	(8.3)%

(1) Moshe Greidinger's salary increased by 2.5% with effect from 1 July 2016.
(2) The figures reflect increases for UK-based monthly salaried employees excluding the senior management group. This group has been selected as the UK is the country in which the CEO spends a significant proportion of his time.

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.

	2016	2015	% change
Staff and Employee Costs	**£112.9m**	£98.8m	14.2%
Of which, Directors' remuneration costs	**£5.2m**	£4.2m	23.8%
Corporation tax paid	**£9.8m**	£10.4m	(0.6)%
Dividends paid	**£47.0m**	£39.0m	20.5%
Retained earnings	**£110.5m**	£96.3m	14.7%

Shareholder Voting Results from 2016 AGM

At the Annual General Meeting ("AGM") of the Company held on 19 May 2016, the resolution to approve the Directors' Remuneration Report was approved on a show of hands. The proxy vote was as set out below. The Directors' Remuneration Policy was not put to the vote as it was approved at the AGM held on 8 May 2014.

	Number of votes	% of votes cast
For	211,980,121	98.30%
Discretionary	33,603	0.02%
Against	3,631,619	1.68%
Total votes cast	215,645,343	100%
Votes withheld[1]	11,276,607	–

(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 Company's Share and Share Options Schemes as follows:

PSP: Awards consisting of nil cost options over shares were granted to the Chief Executive Officer and the Deputy Chief Executive Officer equivalent in value to 150% of their base salary on 18 April 2016 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 71.

CSOP: A number of recipients of a PSP had a proportional part of their PSP award replaced by an HMRC-approved share option granted under the CSOP. There was no such substitution in respect of the PSP awards granted to any of the Executive Directors during the year.

Awards granted or vesting during the year:

(a) Cineworld Group Performance Share Plan

Details of awards made and vesting during the period are:

Name of Director	At 1 January 2016	Awarded during year	Vested during year	Exercised during year	Lapsed during year	At 31 December 2016	Exercise Price	Market value at date of exercise[3]	Exercise period[2]	Gain[4]
Current Directors										
Israel Greidinger	–	102,645[1]	–	–	–	102,645	£Nil	–	18/04/19–17/10/19	–
Moshe Greidinger	–	150,547[1]	–	–	–	150,547	£Nil	–	18/04/19–17/10/19	–
Past Directors										
Philip Bowcock	90,176[5][8]	–	90,176[8]	90,176[7]	–	–	£Nil	£5.24	15/03/16–14/09/16	£504,800.80
Stephen Wiener	65,287[5][6]	–	65,287	65,287[7]	–	–	£Nil	£5.24	15/03/16–14/09/16	£365,473.40

(1) Mid-market closing price of a Cineworld Group plc share on 15 April 2016, the last business day before grant, was £5.48. The face value of the awards to Israel Greidinger and Moshe Greidinger were £562,500 and £825,000 respectively. All awards were granted as nil cost options.
(2) Subject to satisfaction of the relevant performance conditions (details of which for the awards made in 2016 are set on page 67).
(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 £23,369.52 for Stephen Wiener and £32,278.56 for Philip Bowcock.
(5) The entitlement was increased for the Rights Issue in February 2014.
(6) The entitlement was reduced to take account of the fact that Stephen Wiener left on 31 March 2014 so the performance period had not been completed in full.
(7) The performance condition attaching to the grants was satisfied in full.
(8) The entitlement was reduced to take account of the fact that Philip Bowcock left on 31 October 2015 so the performance period will not be completed in full.

Details of the awards vesting in June 2017

Name of Director	Date awarded	Number awarded	Vesting date	Number vesting	Number lapsing	Exercise price	Exercise period
Current Directors							
Israel Greidinger	06/06/14	162,619	06/06/17	162,619	–	£Nil	06/06/17-05/12/17
Moshe Greidinger	06/06/14	238,508	06/06/17	238,508	–	£Nil	06/06/17-05/12/17
Past Directors							
Philip Bowcock	06/06/14	162,083	06/06/17	75,718	86,365[1]	£Nil	06/06/17-05/12/17

(1) The performance condition has been satisfied in full so there was no reduction in the shares vesting, but there is a reduction to take account of the fact that Philip Bowcock left on 31 October 2015 so the performance period had not been completed in full.

Directors' Remuneration Report continued

(b) Cineworld Group Company Share Option Plan
No Director was granted an option during the period and no options vested during the period.

No Director, past or present, holds a CSOP option which will vest in 2017 financial year.

(c) Cineworld Group Sharesave Scheme
No Directors currently participate in the Company's Sharesave Scheme.

Implementation of Policy in 2017
For the 2017 financial period, the salaries and other benefits of the Executive Directors will be reviewed in the usual manner, with any salary increases being effective from 1 July 2017. From his appointment as Chief Financial Officer on 11 January 2017, the annual salary of Nisan Cohen was £290,000 and he will receive a pension cash allowance of 14.8% of salary.

The maximum annual bonus opportunity will be 100% of salary for the CEO and Deputy CEO and 54% of salary for the CFO. Bonus payments in relation to 2017 will be subject to Committee discretion to apply 'malus' as described on page 59. Following payment, the Committee will retain the discretion to 'claw back' bonuses in the case of misconduct or misstatement of financial results.

The face value of awards under the PSP in 2017 will be 150% of salary for the CEO and Deputy CEO and 60% of salary for the CFO. The calibration targets for these awards is set out in the table below. Note that the level of vesting for threshold performance has been reduced to 25% of the award compared to 30% in previous years.

EPS growth performance	Vesting level
Less than 5% p.a.	Nil
5% p.a.	25%
11% p.a.	100%
Between 5% and 11% p.a.	Straight-line basis

In considering the appropriate calibration of targets, the Committee has taken into account both the internal business plan and external analyst estimates. The absolute ranges are lower than in the last couple of years but we would note that the enlarged Group is now fully included in both the base and end years, as well as highlighting that the targets for 2014-2016 awards included significant integration synergies, which have now largely been successfully achieved. The Committee believes that the growth targets are stretching and, if they are achieved, a significant amount of value will have been created for shareholders. Given the international nature of the Group, the Committee continues to believe that UK RPI is a less directly relevant factor and will therefore express the targets as absolute growth levels.

As for 2016 awards, in addition to the EPS performance condition, the Committee, in its absolute discretion, will need to be satisfied that an award holder has performed their duties at a satisfactory level over the three years from date of grant in order for awards to vest. The Committee, therefore, will retain the absolute discretion to apply 'malus' to unvested awards, by reducing or withholding vesting. Following vesting, the Committee will also retain the discretion to claw back PSP shares in the case of misconduct or misstatement of financial result.

Incorporation by Reference
The sections "The Remuneration Committee and its Role" and "Remuneration Committee Advisers" also form part of the Corporate Governance Statement, and are incorporated into that statement by reference.

By order of the Board

Dean Moore
Chairman of the Remuneration Committee
9 March 2017

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2016. The comparative period is the year ended 31 December 2015.

Management Report

This Directors' Report, together with the Strategic Report on pages 1 to 32, form the Management Report for the purposes of rule 4.1.8R of the Disclosure and Transparency Rules.

Information Contained Elsewhere in the Annual Report

Information required to be part of this Directors' Report and certain other information can be found elsewhere in the Annual Report as indicated in the table below, and is incorporated into this Report by reference:

Information	Location in Annual Report
Audit Tendering	Pages 51 to 52
Corporate Governance Statement	Pages 37 to 53
Diversity, Human Rights and Our People	Pages 18 to 21 (Resources and Relationships)
Directors' Biographies	Pages 33 to 36
Financial instruments: Information on the Group's financial risk management objectives and policies, and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk	Note 21, Page 123
Going Concern Statement	Page 38
Key Performance Indicators	Pages 12 to 13
An Indication of Likely Future Developments in the Business Affecting the Company	Pages 1 to 32 (Strategic Report)
Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements	Page 78
Viability Statement	Page 38

Forward-Looking Statements

Certain statements in this Annual Report 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.

Results and Dividends

The results for the Group for the year ended 31 December 2016 are presented under International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law. However, the Company has elected to prepare its financial statements in accordance with UK Accounting Standards, including the FRS 101 Reduced Disclosure Framework. The results for the year are set out in the Group Consolidated Statement of Profit or Loss on page 82.

An interim dividend of 5.2p per share was paid on 9 September 2016. The Directors are recommending a final dividend of 13.8p per share which, if approved by the shareholders at the Annual General Meeting ("AGM"), will be paid on 22 June 2017 to shareholders on the register on 26 May 2017.

Events Affecting the Company Since Year End

On 7 February 2017 the Group disposed of its 100% interest in Picturehouse Entertainment Limited for £2.3m. No significant impact is expected on the Group's Statement of Profit or Loss or Statement of Financial Position.

Financial Risk Management

The Board regularly reviews the financial requirements of the Group and the risks associated therewith. Full details are set out at Note 21 to the financial statements, and are incorporated into this Directors' Report by reference.

Funding and Liquidity

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 32. 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. Such sections are incorporated into this Directors' Report by reference.

International Operations and Branches

At the year end, the Group had operations in the UK, Jersey, Ireland, Poland, Israel, Hungary, Czech Republic, Bulgaria, Romania and Slovakia.

Directors' Report continued

Substantial Shareholdings

At 31 December 2016, 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
Global City Holdings N.V.(2)	76,626,344	29.0	Direct
BlackRock, Inc.	18,383,284(3)	6.91(3)	Indirect
Mawer Investment Management Ltd.	13,350,543	4.98	Direct
Aviva plc	12,912,432	4.86	Direct and Indirect
Royal London Asset Management Limited	10,578, 562	3.98	Direct

(1) Percentages are stated as at the time of notification. The total number of voting rights at 31 December 2016 was 267,581,189.
(2) Shares are held by Global City Holdings N.V.(GCH). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger (Israel Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 6 September 2015 and Moshe Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 13 October 2016).
(3) 3,321,045 (1.24%) of this figure represents qualifying financial instruments and financial instruments with similar economic effect to qualifying financial instruments.

The following notifications were received in the period from 1 January 2017 up to the date of this report:

Shareholder	Voting rights	% of total voting rights(1)	Nature of holding
BlackRock, Inc	17,496,138(3)	6.53(2)	Indirect
Aviva plc	7,853,267	2.94	Direct and Indirect

(1) Percentages are stated as at the time of notification and show the latest notification details.
(2) 4,127,267 (1.53%) of this figure represents qualifying financial instruments and financial instruments with similar economic effect to qualifying financial instruments.

Major Shareholder Voting Arrangements

Global City Holdings N.V. ("GCH") is interested in aggregate in 29% of the rights to vote at general meetings of the Company. The Company and GCH 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 GCH will be on arm's length terms. The restriction on the disposal of ordinary shares in the Company by GCH has now expired, but there is 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.

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 year, are shown in Note 20 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 (i) those which may be applicable from time to time under existing laws or regulation or (ii) 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, and (iii) in respect of shares issued as consideration in respect of the Empire acquisition which are subject to a lock-up of 12 months from 12 August 2016.

No ordinary shares carry any special rights with regard to control of the Company. Except as set out in the Major Shareholder Voting Arrangements or Share Capital and Control sections above, 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.

Articles of Association

The Company's Articles of Association ("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.

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 19 May 2016, shareholders gave authority for the allotment of shares up to an aggregate nominal value of £884,100 subject to certain conditions. This authority will expire at the 2017 AGM of the Company or on 18 August 2017, whichever is earlier.

Between 1 January 2016 and 31 December 2016, a total of 2,348,868 shares were issued. Further details of the 2,348,868 ordinary shares issued in the period in this respect including in relation to the acquisition of 5 Empire cinemas are set out in Note 20 and Note 15 to the financial statements.

At the AGM held on 19 May 2016, shareholders gave authority for the purchase of up to 26,520,000 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 or made available to shareholders with the Annual Report and Accounts (or on notification of its availability).

Directors' Interests

Director	Ordinary shares held directly 31 December 2015	Ordinary shares held directly **31 December 2016**	Ordinary shares held by companies in which a Director has a beneficial interest or is connected 31 December 2015	Ordinary shares held by companies in which a Director has a beneficial interest or is connected **31 December 2016**
Anthony Bloom	–	**–**	2,208,006(1)	**2,208,006(1)**
Israel Greidinger	–	**–**	76,626,344(2)	**76,626,344(2)**
Moshe Greidinger	–	**–**	76,626,344(2)	**76,626,344(2)**
Martina King	2,563(3)	**2,563(3)**	–	**–**
Alicja Kornasiewicz	–	**–**	–	**–**
Scott Rosenblum	10,377	**16,877**	–	**–**
Arni Samuelsson	–	**–**	–	**–**
Rick Senat	53,874	**53,874**	–	**–**
Julie Southern	–	**–**	–	**–**

(1) Shares are held by a nominee for a Jersey-based discretionary trust, of which Mr Bloom is one of the potential beneficiaries.
(2) Shares are held by Global City Holdings N.V.(GCH). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger (Israel Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 6 September 2015 and Moshe Greidinger's entire interest in GCH was transferred to a trust for the benefit of his children on 13 October 2016).
(3) Martina King stepped down from the Board on 11 January 2017.

The Directors who held office at the end of the financial year had interests in the ordinary shares of the Company at the beginning and end of the year under review as set out above.

Details of the 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 68 and 69. No rights to subscribe for shares in or debentures of other Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the year. None of the Directors had any disclosable interest in the shares of Group companies other than the Company and there have been no changes to Directors' share interests between 31 December 2016 and the date of this report.

Appointment and Replacement of Directors

The Company's Articles of Association ("Articles") set out the rules governing the appointment and replacement of Directors. Under the Articles, one-third of the Directors must retire by rotation at the AGM and, being eligible, offer themselves for re-election each year. A Director (excluding as Chairman of the Board) 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. In addition any Director appointed during the year must stand for election as well. In accordance with best practice, however, all the Directors are retiring and are offering themselves for re-election or election this year at the AGM.

Following the Board evaluation process undertaken in 2016, the Board is satisfied that each Director standing for re-election or 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 between the Company and GCH (described further in the Major Shareholder Voting Arrangements section above), GCH has the right to appoint one Non-Executive Director (but only if none of Moshe 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' remuneration, and information on their service contracts, are set out in the Directors' Remuneration Report on pages 54 to 72.

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.

Directors' Report continued

Directors' Interests in Contracts

The Group has a number of property lease agreements in place with Global City Holdings N.V. ("GCH") (and or its subsidiary undertakings). Further details of the amounts paid under these agreements can be found in Note 24 to the financial statements. Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

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 in the Directors' Remuneration Report and in Note 24 to the financial statements, Related Parties.

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.

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 in the UK 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 in the UK.

The Group encourages the involvement of employees in its performance through the operation of a Sharesave Scheme in the UK and bonus schemes throughout the Group.

Environmental Matters and Greenhouse Gas Emissions

Information on the Group's environmental policies are summarised in the Resources and Relationships section on pages 18 to 21. 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.

Reporting Scope

The Company is reporting on emissions covered by scopes 1 and 2 (comprising electricity, gas, and fugitive F-gas emissions) from global operations.

As well as scope 1 and 2 emissions figures, additional "outside of scope" emissions are included for owned transport to account for biofuel additions. Scope 3 well-to-tank (for all fuels) and transmission and distribution (from electricity) emissions are also included.

Emissions Included

Mandatory emissions sources as specified by the Environmental Reporting Guidelines published by the Department for Environment, Food and Rural Affairs ("Defra") have been included in this report (see also 'Estimates and Exclusions' below).

Table 1 shows Defra's stated mandatory areas for reporting and how the stated categories apply to the Group.

Table 1: Reporting Requirements

Ref	Defra requirement	Relevance
A1	Fuel combustion (stationary)	Natural gas (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	Purchased electricity, heat, steam, cooling	Electricity only

GHG Emissions Data

The GHG emissions for the Group for the calendar year to 31 December 2016 are shown in Table 2 below in tonnes of carbon dioxide equivalent (tCO_2e).

Table 2: 2016 GHG Emissions

Ref	Category	tCO_2e 2015	tCO_2e 2016
A1	Fuel combustion (stationary)	18,330	**22,855**
A2	Fuel combustion (mobile)	922	**1,150**
B	Facility operation	3,242	**1,849***
C	Purchased electricity	132,798	**132,181**
Total		155,292	**158,035**

*Our 'facility operation' emissions are entirely made up of refrigerant gas emissions from our air conditioning units. Changes in these emission levels are primarily driven by our maintenance regimes. The more servicing and replacement of air conditioning units is undertaken in a particular year, the higher this figure is. Therefore, from a carbon management perspective, minimal significance should be placed on fluctuations to this figure, which represents 1% of total emissions.

Estimates and Exclusions

A minimal amount of estimated data was used for electricity and gas emissions for some UK meters for December 2016. This affects under 0.1% of total emissions.

Data on fugitive emissions from ROW jurisdictions other than Czech Republic and Poland were not available and are excluded from the emissions figures given above. Also, Polish gas data was captured in local currency and converted into kWh. This affects less than 4% of total group 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 year was 198.1 tonnes CO_2e per £m turnover.

For comparison, 2015's emissions were 155,292 tonnes CO_2e at an intensity of 220.0 tonnes CO_2e per £m turnover.

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 2015 update.

Emissions factors for fuels use scope 3 well-to-tank upstream additions to account for emissions from sourcing and processing fuel. Owned transport emissions include outside-of-scope additions for biogenic additions. Electricity emissions include transmission and distribution losses.

Annual General Meeting

The Notice convening the AGM, to be held at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF at 10.30am on 18 May 2017 is contained in the AGM circular. Details of all the resolutions to be proposed are set out in the AGM circular.

Auditor and Tender

Following the audit tender process in 2016, KPMG LLP was reappointed as External Auditor. The Company will continue to comply with the relevant tendering and auditor rotation requirements applicable under UK and EU regulations. Further details of the tender process may be found in the Audit Committee Report.

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 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.

By order of the Board

F Smith
Company Secretary
Cineworld Group plc
9 March 2017

Registered Office:
8th Floor
Vantage London
Great West Road
Brentford
TW8 9AG

Registered: England No: 5212407

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, including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable 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.

Responsibility statement of the directors in respect of the annual financial report

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 directors' 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.

We consider 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 position and performance, business model and strategy.

Moshe Greidinger
Chief Executive Office
9 March 2017

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 ("Cineworld" or "Group") for the year ended 31 December 2016 set out on pages 82 to 137. 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 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; 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, in decreasing order of audit significance, were as follows:

Acquisition of 5 Empire Cinemas (Total consideration £94.5m) (New risk)
Refer to page 50 (Audit Committee report), page 93 (accounting policy) and pages 108–109 (financial statement disclosures).

- The risk – the acquisition of 5 Empire Cinemas on 12 August 2016 was a significant transaction for Cineworld. The identification of acquired intangible assets and determination of their fair values are highly judgmental. In addition the acquired leases contain discrete terms including stepped rentals, varying lengths, break dates and rent reviews. There is significant complexity in assessing the classification of the longer term leases and recognising any acquisition adjustment in relation to the market rent of operating leases and the fair value of finance leases. Judgement is also involved in determining completeness and fair value of the other Balance Sheet items. Cineworld engaged external valuation specialists to inform the judgements and estimates required.

- Our response – Our audit procedures included examining the sale and purchase agreement, legal due diligence report, Group's technical papers and handover accounts and comparing these to the proposed opening Balance Sheet positions. In addition we reviewed the above against the requirements of the relevant accounting standards. We used our own valuation specialists to assist in evaluating whether all intangible assets had been identified and whether the fair values were appropriate. Our evaluation of this included comparison to other similar acquisitions made by the Group, standard industry practice and our own knowledge of the business.

  In assessing any adjustment relating to market rent, we compared the rent amounts under the acquired leases to existing Cineworld cinema sites that are appropriate proxies of current market rent to create our own expectation of the market rent adjustment. Similarly the fair value adjustments in relation to finance leases acquired were audited with reference to external market data.

  To assess the classification of the leases we examined the Group's technical paper and critically challenged the approach, inputs and conclusions by inspecting lease agreements and external valuation reports as well as comparing to our own knowledge of the business and standard industry practice.

  To assess fair value measurement of the remaining opening Balance Sheet position, we critically evaluated the report prepared by the Group's external valuation expert and agreed opening balance position to the underlying information including fixed assets records and stock count as well as benchmarking against existing Cineworld cinema sites. We independently considered completeness based on our knowledge of the business, the legal due diligence and the terms of the Sale and Purchase agreement.

  We also considered the adequacy of the Group's disclosures regarding the acquisition and the underlying assumptions applied.

Carrying value of property, plant and equipment £445.4m (2015: £345.4m) Risk vs 2015 ◀▶
Refer to page 50 (Audit Committee report), page 94 (accounting policy) and pages 103 – 104 (financial statement disclosures).

- The risk – The carrying value of property, plant and equipment balances at an individual cinema level may not be recoverable through future cash flows as national and local factors, such as movie slates or increased competition, can materially affect site performance. The key sensitivities in the calculation are the assumptions used in calculating the discount rate and the difficulties in accurately predicting site performance, particularly due to external uncontrollable factors. The latter is mainly because: the Group has no direct control over the films released for distribution; there is limited visibility over the release schedule more than 12 months into the future; and there can be variation in performance of the films over the diverse geographic footprint of the Group.

- Our response – Our audit procedures included challenging the cash flow forecasts for all cinema sites by comparing them against historical performance trends, together with assessing the basis for and impact of both expected changes in market conditions and the committed future plans of the business. Our assessment was based on: our existing knowledge of the business, the expected future movie slate and discussion with the directors. We considered the underlying assumptions within the forecasts, including comparing revenue growth and discount rates against our internal and external benchmark data.

  We assessed historical accuracy of the Group's forecasting process through comparison of forecasts to actual results and considered whether the forecasts used in the current year impairment tests took into account actual performance during 2016, particularly for those cinemas where impairment assessments showed the least headroom. In considering the appropriateness of discount rates applied we took into account the level of risks we

Independent Auditor's Report continued
to the Members of Cineworld Group plc only

considered was inherent in the underlying forecasts to which they were being applied.

We assessed the Group's sensitivity analysis and the resulting headroom on the value-in-use estimates across all cinemas and considered the appropriateness of the associated disclosures.

Onerous lease provisions £2.4m (2015: £5.6m) Risk vs 2015 ▼
Refer to page 51 (Audit Committee report), page 94 (accounting policy) and page 121 (financial statement disclosures).

- The risk – The onerous lease provision is revisited annually using a valuation model to determine whether any further provision or release is required. Estimating future operating cash flows at a cinema level requires consideration of current and expected market conditions both nationally and locally. The value of the provision is particularly sensitive to the assumptions used in relation to the discount rate and to forecast revenues. As explained in the carrying value of property, plant and equipment risk above, there is inherent uncertainty involved in forecasting revenues. Given this uncertainty and the number of sites across the Group, this is deemed to be one of the Group's key judgement areas.

- Our response – Our audit procedures included challenging the operating cash flow forecast of each cinema considered at risk by performing those procedures described under Carrying value of property, plant and equipment risk. We further considered the adequacy of the Group's disclosure around the degree of estimation involved in arriving at the provision and the level of sensitivity of the provision to changes in the input assumptions.

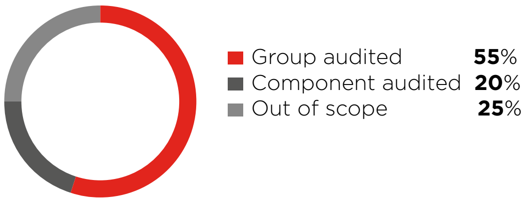
We continued to perform procedures over recognition of virtual print fee ("VPF"). However, following the expiration of VPF contract in the UK in 2016, we have not assessed this as one of the risks that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year.

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 £4.5m (2015: £3.5m). This has been determined with reference to a benchmark of Group profit before taxation (of which it represents 4.6% (2015: 3.5%)).

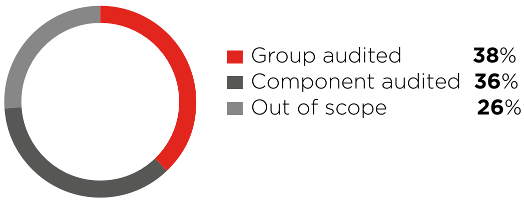
We note that in planning our 2015 audit, materiality was originally set at 4.0% of budgeted Group profit before taxation. Actual profit exceeded budget largely due to foreign exchange gain on the euro-denominated loan. We did not increase our materiality level of £3.5m despite this change. We assessed that 2016 materiality should represent a higher proportion of profit before tax than that used to plan our 2015 audit because we considered that the level of audit risk had reduced, principally due the time that had elapsed since the major acquisition of Cinema City in 2014 creating a higher level of stability within the business.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £225,000 (2015: £175,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

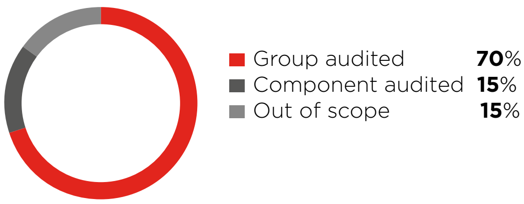
Scoping and coverage
Group revenue



Group profit before taxation



Group total assets



The Group operates in nine countries across the UK and Ireland, Central and Eastern Europe and Israel, each of which is considered to be a reporting component. We performed audits for Group reporting purposes on three (2015: five) of these components, resulting in coverage of 75% (2015: 88%) of total Group revenue; 74% (2015: 81%) of Group profit before taxation; and 85% (2015: 93%) of Group total assets. For the remaining components, we performed analytical procedures at component level to re-examine our assessment that there was no significant risk of material misstatement within these.

The Group team is responsible for the audit of the UK component with some input from the Polish team in relation to processes relevant to the UK component performed in Poland. The Group team instructed the KPMG component auditors in Poland and Israel as to the significant areas to be covered (including the relevant risks detailed above) and the information to be reported back. The Group team approved component materialities, which were set at £3.4m (2015: £2.6m) for the UK component and at £2.5m (2015: £2.6m) for Poland and Israel, having regard to the mix of size and risk profile of the businesses within the Group.

The Group team visited the component locations in Poland and Israel, including to assess the audit risk and strategy and gain an understanding of the local finance environment. Meetings were held with these component auditors throughout the audit. At the planning stage these meetings focused on the audit approach, while during the fieldwork and reporting stage they focused on the findings and observations reported to the Group team. All findings were discussed in more detail, and any further work deemed necessary by the Group team was then performed by the component auditor.

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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Statement of longer-term viability statement on pages 49 to 50, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 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 position and 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.

Under the Listing Rules we are required to review:

- the Directors' Statements, set out on pages 49 to 50, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 38 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 78, 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/auditscopeukco2014a, 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.

Hugh Green
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf London
E14 5GL
United Kingdom
9 March 2017

Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2016

	Note	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Revenue	2	**797.8**	705.8
Cost of sales		**(584.8)**	(517.2)
Gross profit		**213.0**	188.6
Other operating income	3	**2.7**	8.7
Administrative expenses		**(102.9)**	(94.2)
Operating profit	4	**112.8**	103.1
Analysed between:			
EBITDA as defined in Note 1:		**175.8**	155.3
• Depreciation and amortisation	4	**(58.6)**	(49.4)
• Onerous leases and other non-recurring charges	4	**1.5**	1.7
• Impairments and reversals of impairments	4	**0.4**	(9.0)
• Transaction and reorganisation costs	4	**(1.5)**	(1.9)
• Profits on disposals of assets classified as held for sale		**–**	6.4
• Settlement of defined benefit pension liability	18	**(4.8)**	–
Finance income	7	**3.0**	8.7
Finance expenses	7	**(17.6)**	(12.1)
Net finance costs		**(14.6)**	(3.4)
Share from jointly controlled entities using equity accounting method, net of tax		**–**	–
Profit on ordinary activities before tax		**98.2**	99.7
Tax charge on profit on ordinary activities	8	**(16.2)**	(18.4)
Profit for the year attributable to equity holders of the Group		**82.0**	81.3
Basic earnings per share (pence)	5	**30.8**	30.7
Diluted earnings per share (pence)	5	**30.4**	30.4

The Notes on pages 87 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income
for the Year Ended 31 December 2016

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Profit for the year attributable to equity holders of the Group	**82.0**	81.3
Items that will not subsequently be reclassified to profit or loss		
Remeasurement of the defined benefit asset	**(5.1)**	0.2
Tax recognised on items that will not be reclassified to profit or loss	**1.0**	–
Items that will subsequently be reclassified to profit or loss		
Movement in fair value of cash flow hedge	**0.5**	1.1
Net change in fair value of cash flow hedges recycled to profit or loss	**(1.9)**	–
Movement in fair value of net investment hedge	**(1.3)**	–
Foreign exchange translation gain/(loss)	**88.2**	(16.9)
Other comprehensive income/(loss) for the year, net of income tax	**81.4**	(15.6)
Total comprehensive income for the year attributable to equity holders of the Group	**163.4**	65.7

Consolidated Statement of Financial Position
at 31 December 2016

	Note	31 December 2016 £m	31 December 2016 £m	31 December 2015 £m	31 December 2015 £m
Non-current assets					
Property, plant and equipment	9		**445.4**		345.4
Goodwill	10		**650.6**		539.3
Other intangible assets	10		**54.2**		52.5
Investments in equity-accounted investee	11		**0.9**		0.6
Other receivables	14		**6.0**		6.1
Employee benefits	18		**–**		10.5
Total non-current assets			**1,157.1**		954.4
Current assets					
Inventories	13	**9.8**		9.2	
Trade and other receivables	14	**74.0**		67.8	
Cash and cash equivalents		**55.8**		62.5	
Total current assets			**139.6**		139.5
Total assets			**1,296.7**		1,093.9
Current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	16	**(16.8)**		(15.7)	
Trade and other payables	17	**(175.8)**		(141.8)	
Current taxes payable		**(10.5)**		(8.4)	
Provisions	19	**(6.3)**		(4.7)	
Total current liabilities			**(209.4)**		(170.6)
Non-current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	16	**(321.3)**		(292.0)	
Other payables	17	**(76.5)**		(68.8)	
Provisions	19	**(11.6)**		(18.5)	
Employee benefits	18	**(1.8)**		(1.3)	
Deferred tax liabilities	12	**(12.7)**		(8.0)	
Total non-current liabilities			**(423.9)**		(388.6)
Total liabilities			**(633.3)**		(559.2)
Net assets			**663.4**		534.7
Equity attributable to equity holders of the Group					
Share capital	20		**2.7**		2.7
Share premium			**306.4**		295.7
Translation reserves	20		**38.9**		(49.3)
Merger reserve			**207.3**		207.3
Hedging reserves	20		**(2.4)**		0.3
Retained earnings			**110.5**		78.0
Total equity			**663.4**		534.7

These financial statements were approved by the Board of Directors on 9 March 2017 and were signed on its behalf by:

Nisan Cohen
Director

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2016

	Issued capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2015	2.6	294.9	207.3	(32.4)	(0.8)	34.7	506.3
Profit for the year	–	–	–	–	–	81.3	81.3
Other comprehensive income							
Items that will not subsequently be reclassified to profit or loss							
Remeasurement of the defined benefit asset	–	–	–	–	–	0.2	0.2
Tax recognised on items that will not be reclassified to profit or loss	–	–	–	–	–	–	–
Items that will subsequently be reclassified to profit or loss							
Movement in fair value of cash flow hedge	–	–	–	–	1.1	–	1.1
Retranslation of foreign currency denominated subsidiaries	–	–	–	(16.9)	–	–	(16.9)
Contributions by and distributions to owners							
Dividends	–	–	–	–	–	(39.0)	(39.0)
Movements due to share-based compensation	–	–	–	–	–	0.8	0.8
Issue of shares	0.1	0.8	–	–	–	–	0.9
Balance at 31 December 2015	**2.7**	**295.7**	**207.3**	**(49.3)**	**0.3**	**78.0**	**534.7**
Profit for the year	–	–	–	–	–	82.0	82.0
Amounts reclassified from equity to profit and loss in respect of cash flow hedges	–	–	–	–	(1.9)	–	(1.9)
Other comprehensive income							
Items that will not subsequently be reclassified to profit or loss							
Remeasurement of the defined benefit asset	–	–	–	–	–	(5.1)	(5.1)
Tax recognised on items that will not be reclassified to profit or loss	–	–	–	–	–	1.0	1.0
Items that will subsequently be reclassified to profit or loss							
Movement in fair value of cash flow hedge	–	–	–	–	0.5	–	0.5
Movement in net investment hedge	–	–	–	–	(1.3)	–	(1.3)
Retranslation of foreign currency denominated subsidiaries	–	–	–	88.2	–	–	88.2
Contributions by and distributions to owners							
Dividends	–	–	–	–	–	(47.0)	(47.0)
Movements due to share-based compensation	–	–	–	–	–	1.6	1.6
Issue of shares	–	10.7	–	–	–	–	10.7
Balance at 31 December 2016	**2.7**	**306.4**	**207.3**	**38.9**	**(2.4)**	**110.5**	**663.4**

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2016

	Note	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Cash flow from operating activities			
Profit for the year		**82.0**	81.3
Adjustments for:			
Financial income	7	**(3.0)**	(8.7)
Financial expense	7	**17.6**	12.1
Taxation	8	**16.2**	18.4
Share from jointly controlled entities		**–**	–
Operating profit		**112.8**	103.1
Depreciation and amortisation	4	**58.6**	49.4
Non-cash property, pension and remuneration charges		**(0.1)**	(5.7)
Impairments and reversals of impairments	4	**(0.4)**	9.0
Surplus of pension contributions over current service cost	18	**(0.8)**	(1.6)
Increase in trade and other receivables		**(6.0)**	(8.3)
Increase in inventories		**(0.6)**	(1.5)
(Decrease)/increase in trade and other payables		**(2.0)**	32.1
Decrease in provisions and employee benefit obligations		**(1.6)**	(0.2)
Cash generated from operations		**159.9**	176.3
Tax paid		**(9.8)**	(10.4)
Net cash flows from operating activities		**150.1**	165.9
Cash flows from investing activities			
Interest received		**0.7**	0.3
Acquisition of subsidiaries net of acquired cash		**(47.0)**	–
Purchase of property, plant and equipment and intangible assets		**(83.7)**	(88.6)
Proceeds from disposal of property, plant and equipment		**–**	8.0
Investment in equity accounted investee		**(0.3)**	–
Net cash flows from investing activities		**(130.3)**	(80.3)
Cash flows from financing activities			
Proceeds from share issue		**0.3**	0.9
Dividends paid to shareholders		**(47.0)**	(39.0)
Interest paid		**(7.8)**	(9.4)
Repayment of bank loans		**(6.4)**	(98.6)
Proceeds from bank loans		**28.0**	89.3
Payment of finance lease liabilities		**(1.0)**	(0.9)
Net cash flows from financing activities		**(33.9)**	(57.7)
Net (decrease)/increase in cash and cash equivalents		**(14.1)**	27.9
Exchange gains/(losses) on cash and cash equivalents		**7.4**	(2.8)
Cash and cash equivalents at start of year		**62.5**	37.4
Cash and cash equivalents at end of year		**55.8**	62.5

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 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 standards including FRS101 Reduced Disclosure Framework; these are presented on pages 129 to 137.

The accounting policies set out below have been applied consistently to all years 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 year 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 Chief Executive Officer's Review on pages 6 to 7 and the Principal Risks and Uncertainties section on pages 22 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 32. 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.

At the year 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 (see Note 16 to the financial statements).

Reclassification of items in the Consolidated Statement of Profit or Loss
To ensure the cost allocations within the Consolidated Statement of Profit or Loss are consistent with the operations of the Group, the classification of items between administrative expenses and cost of sales have been reviewed.

Two reclassifications have been made to the comparative results for the year ended 31 December 2015:
- A proportion of UK cinema wage costs which were previously included in administrative expenses have been reclassified to cost of sales so all cinema employee costs are now included in cost of sales.
- For consistency, credits to the Statement of Profit or Loss in respect of operating leases have been reclassified from administrative expenses to cost of sales to net against the charges. All operating lease items are now shown in cost of sales.

Overall there is no impact on EBITDA, operating profit, the profit after tax or the net assets of the Group.

Going Concern
At the year 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 (see Note 16 to the financial statements).

The Group entered into a five-year facility in January 2014 which included term loans of £165.0m and €132.0m and revolving credit facilities of £75.0m and €60.0m.

On 29 July 2015 the Group signed an amendment and extension to its existing banking facility which was effective immediately upon signing and extends the facility to June 2020. As a result, the term loans were reduced from £157.5m and €126.0m to £130.0m and €63.0m. In August 2016 the Group extended the single currency revolving credit facility of £190.0m to £215.0m to partly fund the empire acquisition.

The facility remains subject to the existing two covenants: the ratio of EBITDA (as defined in Note 1) to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. A margin, determined by the results of the covenant tests at a given date is added to LIBOR or EURIBOR. The margins currently applicable to Group are 1.40% on the term loans and 1.15% on the revolving credit facility.

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 for at least 12 months from the approval date of the financial statements, 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 Statement of Other Comprehensive Income or as available for sale.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Use of non-GAAP Profit and Loss Measures

The Group believes that along with operating profit, the following measures, provide additional guidance to the statutory measures of the performance of the business during the financial year:

- EBITDA
- Adjusted profit before tax
- Adjusted profit after tax

The Group defines EBITDA as reported in the Consolidated Statement of Profit and Loss as Operating profit before depreciation and amortisation, onerous leases and other non-recurring charges, impairments and reversals of impairments, transaction and reorganisation costs, profit on disposals of assets and the settlement of the defined benefit pension liability. EBITDA is considered an accurate and consistent measure of the Groups trading performance, items adjusted to arrive at EBITDA are considered to be outside the Groups ongoing trading activities.

Adjusted profit before tax is calculated by adding back amortisation of intangible assets (excluding acquired movie distribution rights), and certain non-recurring, non cash items and foreign exchange as set out in Note 5. Adjusted profit before tax is an internal measure used by management, as they believe it better reflects the underlying performance of the Group and therefore a more meaningful comparison of performance from period to period.

Adjusted profit after tax is arrived at by applying an effective tax rate to taxable adjustments and deducting the total from adjusted profit before tax.

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 Statement of Profit or Loss. 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 year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

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 Statement of Comprehensive Income except where derivatives qualify for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

1. Accounting Policies continued

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 Statement of Other Comprehensive Income 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 Other Comprehensive Income immediately.

Net Investment Hedge

The Group uses net investment hedges to mitigate translation exposure on certain net investments in subsidiary companies. Changes in the fair values of hedging instruments are taken directly to the Statement of Other Comprehensive Income together with gains or losses on the foreign currency translation of the hedged investments. Until the investment is disposed all of these gains or losses are recognised in equity, within the hedging reserve.

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 are initially measured at 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 initially measured at fair value. They are subsequently carried at amortised cost using the effective interest method.

Interest-Bearing Borrowings

Interest-bearing borrowings are initially measured at fair value less attributable transaction costs. They are subsequently carried at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss over the period of the borrowings on an effective interest basis.

Property, Plant and Equipment

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

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.

All other leases are operating leases. These leased assets are not recognised in the Group's Balance Sheet.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

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: long leasehold properties including leasehold improvements	life of lease
• Land and buildings: short leasehold properties including leasehold improvements	30 years or life of lease if shorter
• Plant and machinery	3 to 16 years
• Fixtures and fittings	3 to 16 years

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

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

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

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 acquire) 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 Statement of Profit or Loss . 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.

Goodwill and Other Intangible Assets

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. Distribution rights that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the Statement of Profit or Loss 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. Distribution rights are amortised by film title from the date of release of the film, at 50% in the first year of release and 25% in each of the two subsequent years. The estimated useful lives are as follows:

• Brands	10 to 20 years
• Distribution rights	3 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 Statement of 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.

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.

1. Accounting Policies continued

Impairment

The carrying amounts of the Group's 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 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 Statement of Profit or Loss.

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 intangible 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 Statement of Profit or Loss as incurred.

Defined Benefit Pension Plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the Statement of Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit or Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the Statement of Profit or Loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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 Group 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 Statement of Profit or Loss.

Notes to the Consolidated Financial Statements continued

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 the Statement of 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 and services

- 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 over the period the advert is shown in cinemas.
- Distribution revenue is recognised on the date of the showing of the film it relates to for cinema distribution, for other media the revenue is recognised over the life of the distribution contract.
- 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.
- Other revenue is recognised in the period to which it relates.

Given the nature of the Group's revenue streams recognition of revenue is not considered to be a significant judgement area.

Other Income

Other income represents rent receivable and profit on disposals of fixed assets. 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. Lease incentives received are recognised in the Statement of Profit or Loss 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 property 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 Statement of Profit or Loss 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 Statement of Profit or Loss on completion of the transaction, when the sale and subsequent lease back has been completed at fair value.

1. Accounting Policies continued

Taxation

Tax on the profit or loss for the year 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 year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax 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.

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.

Judgements

The key judgements are:

Business Combinations

When the Group undertakes a business combination, there are specific judgments which need to be made in respect of the acquisition accounting. This includes determining the fair value of the acquired total net identifiable assets, with particular reference to intangible assets, property plant and equipment, acquired leases and any required provisions. Details of the acquisition undertaken by the Group during the year, including the specific judgements taken are set out in Note 15.

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. The Group is not intending to early adopt the new lease accounting standard, IFRS 16, "Leasing" which will be effective from 1 January 2019.

Depreciation and Amortisation

For the Group to be able to depreciate the property, plant and equipment and amortise the intangible assets, appropriate useful economic lives must be determined for each class of asset. Judgement is applied based on knowledge and experience of the assets within the Group to determine the expected useful economic life for each of the different asset classes. For all property plant and equipment or intangible asset additions these are allocated to the various asset classes and depreciated or amortised accordingly.

Hedging Arrangements

In order to be able to hedge account the Group must consider the effectiveness of its hedging arrangements in accordance with IAS 39, "Financial Instruments". The Group has two types of hedging arrangements, the first is interest rate swaps to fix a portion of its exposure to variable interest rates on its loan arrangements and the second is a net investment hedge to reduce the Group's future exposure to changes in foreign currency as a result of our foreign operations. Judgement must be applied when determining whether financial instruments will be accounted for as a hedge and as to whether the required criteria for hedge accounting will be met by these specific instruments.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Estimates

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

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. To estimate the value in use, the Group estimates the expected future cash flows from the cash generating unit and discounts them to their present value at a determined discount rate, which is appropriate for the territory where the goodwill is allocated to.

Forecasting expected cash flows, and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 10).

Impairment of Tangible Fixed Assets

The Group determines whether tangible fixed assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual cinema site level. Where individual sites cash flows are not considered independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single cash generating unit.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cinema and discount these to their net present value at a determined discount rate which is appropriate for the territory where the assets are held.

The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the cash generating units, and that the discount rate used is appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 9).

Onerous Leases

Provision is made for onerous leases 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 early.

When calculating the provision for an onerous lease 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 which is appropriate to the territory where the cinema is located. The resulting provision is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the assumptions made represent their best estimate of the future cash flows to be generated by the cinema sites, and that the discount rate used is appropriate given the risks associated with these cash flows. A sensitivity analysis has been performed over the estimates (see Note 19).

Employee Post Retirement Benefit Obligations

The Group had two defined benefit pension plans, the MGM Pension Scheme and the Adelphi-Carlton Limited Contributory Pension Plan.

The MGM Pension Scheme was settled during the year through an insurance buy-out arrangement. The final present value of the obligation was calculated by independent actuaries as at the buy-out date, with input from management, in accordance with the Group's usual approach as outlined below. Further details of the buy-out can be found in Note 18.

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. It is considered that the assumptions used are the most appropriate but it is recognised that the resulting pension liability can be very sensitive to these assumptions. Details of the assumptions used are provided in Note 18.

Going forward without the MGM Pension Scheme the estimation uncertainty regarding employee post retirement benefit obligations will be significantly reduced for the Group as the Adelphi-Carlton scheme is less significant.

1. Accounting Policies continued

Virtual Print Fees

A Virtual Print Fee ("VPF") is recognised as a discount from the cost the Group pays for film rental and reflects the cost saving to the studios of the move to digital. The income recognition criteria in respect of the VPF received in the UK is complex as it includes the number, type and timing of screenings.

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 in the UK were received in 2016, but will not be received thereafter.

Tax

The Group operates in nine territories and is subject to tax in numerous territories and jurisdictions. Judgement is required in determining the provisions in relation to tax as there are varying tax treatments which have to be applied to transactions across the jurisdictions. The treatments can be complex and cannot be finally determined until formal resolutions have been reached with the relevant tax authorities – these can take several years to conclude. Provisions are made based on management's interpretation of country specific tax laws and likely settlement outcomes based on the facts known at the Balance Sheet date. These judgements may impact the tax charge as well as the assets and liabilities.

Deferred taxes are recognised in respect of temporary differences between the tax treatment and treatment within the financial statements for assets and liabilities. Deferred tax assets are only recognised to the extent they are expected to be recovered. Recoverability is assessed on an ongoing basis. Deferred tax is calculated at the substantively enacted rate which is expected to apply in the period the asset or liability is expected to be realised.

New Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year. The following standards, amendments and interpretations were adopted for the year ended 31 December 2016 and have not had a material impact on the consolidated financial statements of the Group.

- Annual improvements to IFRSs
- Disclosure initiative – amendment to IAS1

The Group is currently assessing the impact of the following standards and interpretations which have been issued but which are not effective for the year ended 31 December 2016. These standards and interpretations have not been adopted early.

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contracts with Customers"
- IFRS 16, "Leasing"

At 31 December 2016 the impact of these changes on the Groups financial statements had not been quantified. However the impact of IFRS 16, is expected to significantly affect the Group's lease accounting and Financial Statements. Changes to IFRS 9 and IFRS 15 are not expected to have a material effect.

Notes to the Consolidated Financial Statements
continued

2. Operating Segments

The Group has determined that is has two operating segments: UK and Ireland and Rest of the World ("ROW"). The results for the UK and Ireland include the two cinema chain brands, Cineworld and Picturehouse and for the ROW they include the cinema chain brands Cinema City in Central and Eastern Europe territories and Yes Planet and Rav Chen in Israel.

	UK & Ireland £m	ROW £m	Total £m
Year ended 31 December 2016			
Total revenues[1]	494.0	303.8	797.8
EBITDA as defined in Note 1	97.1	78.7	175.8
Segmental operating profit	60.2	52.6	112.8
Net finance costs	13.4	1.2	14.6
Depreciation and amortisation	28.9	29.7	58.6
Transaction and reorganisation costs	1.5	–	1.5
Profit before tax	**46.8**	**51.4**	**98.2**
Non-current asset additions – property, plant and equipment	46.9	72.4	119.3
Non-current asset additions – intangible assets	60.6	5.4	66.0
Investment in equity accounted investee	0.6	0.3	0.9
Non-current asset – goodwill	296.8	353.8	650.6
Onerous leases and other non-recurring charges	(0.5)	(1.0)	(1.5)
Impairments and reversals of impairments	0.8	(1.2)	(0.4)
Segmental total assets	**571.4**	**725.3**	**1,296.7**
Year ended 31 December 2015			
Total revenues[1]	465.9	239.9	705.8
EBITDA	95.7	59.6	155.3
Segmental operating profit	71.3	31.8	103.1
Net finance costs	(3.0)	(0.4)	(3.4)
Depreciation and amortisation	25.6	23.8	49.4
Transaction and reorganisation costs	1.7	0.2	1.9
Profit before tax	**68.3**	**31.4**	**99.7**
Non-current asset additions – property, plant and equipment	57.7	41.9	99.6
Non-current asset additions – intangible assets	–	5.0	5.0
Investment in equity accounted investee	0.6	–	0.6
Non-current asset – goodwill	236.2	303.1	539.3
Onerous leases and other non-recurring charges	(1.6)	(0.1)	(1.7)
Impairments and reversals of impairments	6.3	2.7	9.0
Segmental total assets	**519.4**	**574.5**	**1,093.9**

(1) All revenues were received from third parties.

2. Operating Segments continued

Entity Wide Disclosures

Revenue by country	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
United Kingdom & Ireland	**494.0**	465.9
Israel	**63.5**	52.0
Poland	**98.1**	78.0
Bulgaria	**11.9**	11.0
Romania	**42.6**	30.3
Hungary	**49.7**	39.0
Slovakia	**8.4**	6.7
Czech Republic	**29.6**	22.9
Total revenue	**797.8**	705.8

UK and Ireland

Revenue by product and service provided	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Box office	**324.0**	311.9
Retail	**117.5**	107.2
Other	**52.5**	46.8
Total revenue	**494.0**	465.9

ROW

Revenue by product and service provided	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Box office	**176.9**	139.7
Retail	**73.3**	55.5
Other	**53.6**	44.7
Total revenue	**303.8**	239.9

3. Other Operating Income

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Rental income	**2.7**	2.3
Profits on disposals of assets classified as held for sale	**–**	6.4
Total other operating income	**2.7**	8.7

Notes to the Consolidated Financial Statements continued

4. Operating Profit

Included in operating profit for the year are the following:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Depreciation (see Note 9)	**47.9**	38.4
Impairments (see Notes 9 and 10)	**1.3**	9.0
Reversals of impairments (see Notes 9 and 10)	**(1.7)**	–
Amortisation of intangibles (see Note 10)	**10.7**	11.0
Onerous leases and other non-recurring charges	**(1.5)**	(1.7)
Transaction and reorganisation costs	**1.5**	1.9
Hire of other assets – operating leases	**87.3**(1)	80.8(1)
Settlement of defined benefit pension liability	**4.8**	–

(1) £1.0m (2015: £0.9m) is included in administrative costs. The balance is included in cost of sales.

In 2016 there is a gain of £1.7m (2015: £2.0m) on onerous leases following changes in trading assumptions and a further release of £1.0m due the closure of a site with an onerous lease provision in place. Other non-recurring charges included a gain on property provisions of £0.1m and the write off of £1.3m lease related assets no longer considered recoverable.

In 2016 transaction and reorganisation costs include £0.8m relating the integration and relocation of head office functions and redundancy costs (2015: £1.9m), £0.5m of costs incurred on the acquisition of five cinemas from Empire Cinemas Limited, £1.0m incurred in the termination of contracts and the recovery £0.8m in VAT in respect of previously incurred transactions costs.

The total remuneration of the Group auditor, KPMG LLP, and its affiliates for the services to the Group is analysed below:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Auditor's remuneration:		
Group – audit	**0.6**	0.7
Company – audit	**–**	0.1
Amounts received by auditors and their associates in respect of:		
– Audit of financial statements pursuant to legislation	**0.6**	0.8
– Audit related assurance services	**–**	0.1
– Tax compliance services	**0.1**	0.1
– Tax advisory services	**0.1**	0.5
– Other advisory services	**0.2**	–
– All other services	**–**	–

5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, after excluding the weighted average number of non-vested ordinary shares held by the employee ownership trust.

Adjusted earnings per share is calculated in the same way except that the profit for the year attributable to ordinary shareholders is adjusted by adding back the amortisation of intangible assets recognised as part of business combinations and other one-off income or expense and then adjusting for the tax impact on those items which is calculated at the effective tax rate for the current year. The performance of adjusted earnings per share is used to determine awards to Executive Directors under the Group Performance Share Plan ("PSP"). Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by weighted average number of any non-vested ordinary shares held by the employee share ownership trust and after adjusting for the effects of dilutive options.

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Earnings attributable to ordinary shareholders	**82.0**	81.3
Adjustments:		
Amortisation of intangible assets(1)	**4.6**	4.2
Transaction and reorganisation costs	**1.5**	1.9
Impairments and reversals of impairments	**(0.4)**	9.0
Onerous lease cost and other non-recurring charges	**(1.5)**	(1.7)
Settlement of defined benefit pension scheme	**4.8**	–
Impact of foreign exchange translation gains and losses(3)	**6.1**	(7.7)
Exceptional finance credit(2)	**(1.9)**	–
Profit on disposal of assets classified as held for sale	**-**	(6.4)
Adjusted earnings	**95.2**	80.6
Tax effect of above items	**(1.4)**	(1.3)
Adjusted profit after tax	**93.8**	79.3

	Year ended 31 December 2016 Total	Year ended 31 December 2015 Total
Weighted average number of shares in issue	**266.2**	264.7
Basic and adjusted earnings per share denominator	**266.2**	264.7
Dilutive options	**4.4**	2.5
Diluted earnings per share denominator	**270.6**	267.2
Shares in issue at year end	**267.6**	265.2

	Pence	Pence
Basic earnings per share	**30.8**	30.7
Diluted earnings per share	**30.4**	30.4
Adjusted basic earnings per share	**35.2**	30.0
Adjusted diluted earnings per share	**34.7**	29.7

(1) Amortisation of intangible assets includes amortisation of the fair value placed on brands, customer lists, distribution relationships, and advertising relationships as a result of the Cinema City business combination. It does not include amortisation of purchased distribution rights (which totalled £6.1m (2015: £6.5m)).
(2) Exceptional finance credits of £1.9m in 2016 were made up of the net change in fair value of cash flow hedges reclassified from equity, no such charges were incurred in 2015.
(3) Net foreign exchange gains and losses included within earnings comprises of £6.1m foreign exchange loss recognised on translation of the Euro term loan at 31 December 2016 (2015: £7.7m gain). 2015 Adjusted EPS has been amended, as it previously included £3.8m in foreign exchange losses recognised on translating overseas operations into the reporting currency of the Group. Management no longer consider these movements should be excluded.

Notes to the Consolidated Financial Statements continued

6. Staff Numbers and Costs

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

	Number of staff	
	2016	2015
Head office	**683**	624
Cinemas	**9,263**	8,682
	9,946	9,306

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.

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Wages and salaries	**101.8**	88.6
Social security costs	**8.8**	7.8
Other pension costs – defined contribution	**0.3**	0.6
Share-based payments (see Note 18)	**2.0**	1.8
	112.9	98.8

See pages 54 to 72 for details of Directors' remuneration.

7. Finance Income and Expense

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Interest income	**0.7**	0.3
Net foreign exchange gain	**–**	8.0
Defined benefit pension scheme net finance income (Note 18)	**0.4**	0.4
Amounts reclassified from equity to profit or loss in respect settled of cash flow hedges	**1.9**	–
Finance income	**3.0**	8.7
Interest expense on bank loans and overdrafts	**7.8**	9.3
Amortisation of financing costs	**1.4**	1.3
Unwind of discount on onerous lease provision	**0.6**	0.8
Unwind of discount on finance lease liability	**0.7**	–
Unwind of discount on market rent provision	**0.4**	0.4
Net foreign exchange loss	**6.7**	–
Other financial costs	**–**	0.3
Finance expense	**17.6**	12.1
Net finance costs	**14.6**	3.4

Recognised Within Other Comprehensive Income

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Movement in fair value of interest rate swap	**0.5**	1.1
Foreign exchange translation (loss)	**(88.2)**	(16.9)

8. Taxation

Recognised in the Income Statement

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Current tax expense		
Current year	**16.5**	11.2
Adjustments in respect of prior years	**(4.1)**	–
Total current tax expense	**12.4**	11.2
Deferred tax expense		
Current year	**1.3**	7.2
Adjustments in respect of prior years	**2.5**	–
Total tax charge in statement of profit or loss	**16.2**	18.4
Effective tax rate	**16.5%**	18.5%
Current year effective tax rate	**18.1%**	18.5%

Reconciliation of Effective Tax Rate

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Profit before tax	**98.2**	99.7
Tax using the UK corporation tax rate of 20.0% (2015: 20.25%)	**19.6**	20.2
Differences in overseas tax rates	**(5.9)**	(2.2)
Permanently disallowed depreciation	**1.3**	1.9
Other permanent differences	**1.5**	(1.5)
Adjustments in respect of prior years	**(1.6)**	–
Increase in unrecognised deferred tax assets	**(1.4)**	–
Effect of change in statutory rate on deferred tax	**2.7**	–
Total tax charge in statement of profit or loss	**16.2**	18.4

During the year there was a net deferred tax debit of £1.0m (2015: £Nil) recognised directly in the Statement of Other Comprehensive Income. This related to the actuarial loss 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 12.

Factors that May Affect Future Tax Charges

As at 31 December 2016 the Group had potential UK tax assets relating to the following:

- Capital losses of approximately £7.5m (2015: £7.5m).

No deferred tax liability has been recognised on £5.8m of unremitted earnings of overseas subsidiaries which are potentially subject to withholding tax on distribution, as the Group can control the timing of remittances and it is probable that no remittance will be made in the foreseeable future. No withholding tax or other taxes are imposed under local tax laws on the distribution of unremitted earnings from other subsidiaries resident in the majority of the Group's jurisdictions.

At 31 December 2016 the Group had unrecognised potential tax assets relating to the following temporary differences:

- UK capital losses of £7.5m
- Overseas tax losses of £1.6m expiring over periods to 2025
- Other overseas temporary differences of £12.1m

If is not considered probable that future taxable profit will be available against which these deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the periods when the assets are realised or liabilities settled, based on tax rates enacted or substantively enacted at 31 December 2016.

The Group operates in nine countries and is subject to tax in numerous jurisdictions. Judgement is required in determining the provision for taxes as the varying tax treatments applying to transactions across jurisdictions are complex and cannot be finally determined until formal resolutions have been reached with the relevant tax authorities. These can take several years to conclude. Provision is made based on management's interpretation of country specific tax laws and likely settlement outcomes.

Notes to the Consolidated Financial Statements
continued

9. 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 1 January 2015	134.6	108.8	133.1	23.4	399.9
Additions	21.0	15.5	24.1	39.0	99.6
Disposals	(2.2)	(4.4)	(6.9)	–	(13.5)
Transfers	37.1	5.0	10.1	(52.2)	–
Effects of movement in foreign exchange	(2.3)	(3.1)	(1.3)	0.4	(6.3)
Balance at 31 December 2015	**188.2**	**121.8**	**159.1**	**10.6**	**479.7**
Additions	21.3	16.9	21.4	16.9	76.5
Additions due to acquisition	35.4	1.5	5.9	–	42.8
Disposals	(5.2)	(4.1)	(2.3)	–	(11.6)
Transfers	4.9	6.7	8.6	(20.2)	–
Effects of movement in foreign exchange	9.5	24.3	25.3	1.2	60.3
Balance at 31 December 2016	**254.1**	**167.1**	**218.0**	**8.5**	**647.7**
Accumulated depreciation and impairment					
Balance at 1 January 2015	33.8	28.6	39.9	–	102.3
Charge for the period	7.3	15.5	15.6	–	38.4
Disposals	(0.3)	(2.6)	(7.5)	–	(10.4)
Effects of movement in foreign exchange	(1.4)	(1.9)	(1.7)	–	(5.0)
Impairments	4.7	1.8	2.5	–	9.0
Reversals of impairments	–	–	–	–	–
Balance at 31 December 2015	**44.1**	**41.4**	**48.8**	**–**	**134.3**
Charge for the period	9.5	20.3	18.1	–	47.9
Disposals	(5.2)	(3.5)	(2.4)	–	(11.1)
Effects of movement in foreign exchange	3.5	15.8	12.3	–	31.6
Impairments	0.7	0.5	0.1	–	1.3
Reversals of impairments	(0.1)	(0.9)	(0.7)		(1.7)
Balance at 31 December 2016	**52.5**	**73.6**	**76.2**	**–**	**202.3**
Net book value					
At 31 December 2015	144.1	80.4	110.3	10.6	345.4
At 31 December 2016	**201.6**	**93.5**	**141.8**	**8.5**	**445.4**

Land and buildings are made up of long and short leasehold properties (including leasehold improvements) and freehold properties.

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

	31 December 2016 £m	31 December 2015 £m
Opening net book value	**6.8**	7.1
Additions	**16.5**	–
Depreciation charge	**(0.5)**	(0.3)
Closing net book value	**22.8**	6.8

The above assets held under finance leases relate to three cinema sites, two cinema sites for which the leased assets are included within land and buildings and equipment and another site in which they are held in plant and machinery.

Interest of £0.5m (2015: £1.2m) has been capitalised during the period which relates to the construction of new sites.

No proceeds were received in the period in respect of the tangible fixed asset disposals.

9. Property, Plant and Equipment continued

Impairment

The Group determines whether tangible fixed assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual cinema site level. Where individual sites cash flows are not considered independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single cash generating unit.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each CGU and discount these to their net present value at a pre-tax discount rate which is appropriate for the territory where the assets are held. A table summarising the rates used, which are derived from externally benchmarked data, is set out below:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
United Kingdom	**9.20%**	11.36%
Israel	**12.73%**[(1)]	17.28%
Poland	**12.65%**	13.10%
Bulgaria	**10.64%**	15.27%
Romania	**11.81%**	16.69%
Hungary	**12.96%**	17.78%
Slovakia	**11.11%**	15.66%
Czech Republic	**11.04%**	15.48%

(1) For sites which generate significant rental cashflows in addition to cinema cashflows a separate discount rate of 13.06% was used to reflect the specific risks related to those CGUs.

For established sites, expected future cash flows are based on financial budgets approved by the Board of Directors covering a one-year period. Cash flows beyond the first period are extrapolated using the assumptions used in the impairment model. Constant growth rate assumptions are used for projections on established sites. For new sites, where a constant growth would not accurately reflect market conditions, more detailed growth assumptions are used for the first five years.

	UK & Ireland		ROW	
	Year ended 31 December 2016 %	Year ended 31 December 2015 %	**Year ended 31 December 2016 %**	Year ended 31 December 2015 %
Discount rate	**9.20**	11.36	**(N/A)**[(1)]	(N/A)[(1)]
EBITDAR growth rate years 1-2	**3.00**	3.00	**3.00**	3.00
EBITDAR growth rate year 3 onward	**2.00**	2.00	**2.00**	2.00

(1) Individual discount rates for each operating territory have been used, a summary is disclosed above.

2017 forecast EBITDA, as defined in Note 1, was used as the basis of the future cash flow calculation. This was adjusted to add back rent (EBITDAR). Property costs are factored into the model, but are assumed to grow at 3.0% per annum over the life of the model. Cash flows are projected over the shorter of the life of the property lease or the intangible assets to which the cash flow relates.

Impairments recognised during the year totalled £1.3m within the UK and Ireland operating segment, £0.8m related to capital expenditure on cinema sites for which onerous lease provisions were in place, the remaining £0.5m related to the write off of residual assets held at sites which were closed during the year.

Impairment Reversals

A review of future cash flows for previously impaired cinema sites identified improvements in trading performance at three sites sufficient to recognise a reversal of impairment. An impairment reversal of £0.5m was recognised for one site in the UK and £1.2m relating to two sites in the ROW, of these reversals £1.2m arose due to previously independent CGUs being considered together as they are now considered to be strategically or operationally inter-dependant.

Notes to the Consolidated Financial Statements continued

9. Property, Plant and Equipment continued

Sensitivity to Changes in Assumptions

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

The cashflow models used in assessing the carrying values of sites opened within the last two years are based on specific assumptions made prior to opening in respect of the early growth phase of the sites. Therefore sensitivity analysis is not applied to these sites during this time.

The sensitivities applied reflect realistic scenarios which management believe would have the most significant impact on the cash flows described above.

Discounts rates are largely derived from market data, and these rates are intended to be long term in nature so therefore should be reasonably stable in the short term. However, the models are sensitive to changes in these rates. Increases by a factor of 1%, 2% and 5% have been applied in the sensitised scenarios on the basis they reflect the range of likely to maximum variances in rates applied.

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

From year 3 onward a lower long term growth rate is applied, which is in line or below long term inflation in each territory. As such we already consider this assumption prudent and therefore this has not been included as part of the sensitivities performed.

When reviewing the outputs of the sensitivity analysis, particular focus is given to material amounts where headroom is more limited.

The impact on the total impairment charge of applying different assumptions to the growth rates used in the first two years and the discount rates would be as follows:

	£m
EBITDAR growth rate in years 1-2 reduced to 2%	4.8
EBITDAR growth rate in years 1-2 reduced to 1%	5.0
No growth in EBITDAR growth rate in years 1-2	5.2
1 percentage point increase to the discount rates	0.1
2 percentage point increase to the discount rates	0.1
5 percentage point increase to the discount rates	0.7

For CGUs which are still in a rapid growth phase and include significant rental cash flows in addition to the cinema cash flows, specific local factors should be considered when preparing the forecast admissions which differ from a constant future growth rate. Therefore the basic sensitivities highlighted above are not appropriate to be applied. As such these CGUs have been excluded from the above analysis and alternative sensitivities, reflecting management's best estimate of likely possible changes, have been applied.

EBITDAR is particularly sensitive to a change in admissions due to its particular growth profile. As such EBITDAR has been reduced to reflect a 15% reduction in mature admissions and related cash flows. In assessing the risk associated with these cash flows, discount rates have been increased across the various income streams to reflect the maximum expected variances which are considered realistic in practice.

From the sensitivity analysis performed, including a mix of downsides when applying admissions decrease and discount rate increase, the potential impairment level ranges from headroom of £0.3m to impairment of £5.1m.

10. Intangible Assets

	Goodwill £m	Brand £m	Distribution rights £m	Other intangibles £m	Total £m
Cost					
Balance at 1 January 2015	561.2	39.4	19.7	10.7	631.0
Acquisition of subsidiary undertakings	–	–	–	–	–
Additions	–	–	4.9	0.1	5.0
Effects of movement in foreign exchange	(13.5)	(0.7)	(0.5)	(0.7)	(15.4)
Balance at 31 December 2015	**547.7**	**38.7**	**24.1**	**10.1**	**620.6**
Additions	60.6	–	3.3	2.1	66.0
Disposals	–	–	–	(0.8)	(0.8)
Effects of movement in foreign exchange	50.7	3.4	5.3	2.1	61.5
Balance at 31 December 2016	**659.0**	**42.1**	**32.7**	**13.5**	**747.3**
Accumulated amortisation and impairment					
Balance at 1 January 2015	8.4	5.4	3.5	1.1	18.4
Amortisation	–	2.7	6.5	1.8	11.0
Effects of movement in foreign exchange	–	–	(0.3)	(0.3)	(0.6)
Balance at 31 December 2015	**8.4**	**8.1**	**9.7**	**2.6**	**28.8**
Amortisation	–	2.8	6.1	1.8	10.7
Disposals	–	–	–	(0.7)	(0.7)
Effects of movement in foreign exchange	–	–	2.6	1.1	3.7
Balance at 31 December 2016	**8.4**	**10.9**	**18.4**	**4.8**	**42.5**
Net book value					
At 31 December 2015	539.3	30.6	14.4	7.5	591.8
At 31 December 2016	**650.6**	**31.2**	**14.3**	**8.7**	**704.8**

Impairment Testing

Each individual cinema, or collections of cinemas which are strategically or operationally co-dependant, are considered to be one CGU. However, for the purpose of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management.

The ex-Cine-UK, ex-UGC (including Dublin) and Picturehouse businesses are now fully integrated, meaning that goodwill is now monitored on a UK wide level. Cinema City CGUs are considered as separate groups and have been tested for goodwill impairment on this basis, the Cinema City CGUs are considered on a territory basis, the territories being Poland (2016: £96.2m, 2015: 85.3m), Israel (2016: £64.4m, 2015: £52.6m), Hungary (2016: £47.9m, 2015: £40.3m), Romania (2016: £99.7m, 2015: £85.8m), Bulgaria (2016: £15.3m, 2015: £13.1m), Czech (2016: £26.6m, 2015: £22.8m) and Slovakia (2016: £3.7m, 2015: £3.2m).

The five sites acquired from Empire Cinemas Limited in the year are considered to have been fully integrated from the date of acquisition as there were no support functions included in the acquisition. The acquired goodwill in respect of this transaction is therefore included within the UK CGU.

The recoverable amount of UK and Cinema City CGU's 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 five-year period. Cash flows beyond the first five 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 the CGU operates.

The UK business has discounted forecast cash flows using a pre-tax discount rate of 9.5% (2014: 11.36%) being a market participant's discount rate. The Cinema City CGUs have discounted forecast cash flows using a pre-tax discount rates relevant to the operating territory of each CGU (see Note 9), being a market participant's discount rate. This is considered to reflect the risks associated with the relevant cash flows each CGU.

The key assumptions used in the cash flow projections for the purpose of the impairment review are as follows:

	UK & Ireland		ROW	
	Year ended 31 December 2016 %	Year ended 31 December 2015 %	**Year ended 31 December 2016 %**	Year ended 31 December 2015 %
Discount rate	**9.20**	11.36	**(N/A)**[(1)]	(N/A)[(1)]
EBITDA growth rate from year 5 onward	**2.00**	2.00	**2.00**	2.00

(1) Individual discount rates for each operating territory have been used, a summary is disclosed in Note 9.

Notes to the Consolidated Financial Statements continued

10. Intangible Assets continued

2017 forecast EBITDA, as defined in Note 1, was used as the basis of the future cash flow calculation.

Management have sensitised the key assumptions in the goodwill impairment tests and under both the base case and sensitised cases no impairment exists. The key assumptions used and sensitised were forecast cashflows and the relevant discount rate, which were selected as they are the key variable elements of the value in use.

A reduction of 10% in the forecast cashflows for each CGU from year 2 to 5 or an increase in the discount rate applied to the cashflows of each CGU of 1 percentage point would not cause the carrying value to exceed its recoverable amount for any CGU. Therefore, management believe that any reasonably possible change in the key assumptions would not result in an impairment charge.

Amortisation Charge

The amortisation of intangible assets is recognised in the following line items in the statement of profit or loss:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Administrative expenses	**10.7**	11.0

11. Investment in Equity Accounted Investees

The Group has the following investment in a jointly controlled entities:

	Country of Incorporation	Class of shares held	Ownership
Digital Cinema Media Limited	England and Wales	Ordinary	50%
BLACK Schrauber Limited	Israel	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.

	31 December 2016 £m	31 December 2015 £m
Cost	**0.9**	0.9
Share of post-acquisition reserves	**(0.3)**	(0.3)
	0.6	0.6
Share of post-tax loss	**–**	–
Carrying value	**0.6**	0.6

Summary aggregated financial information on jointly controlled entities – 100%:

	31 December 2016 £m	31 December 2015 £m
Current assets	**20.3**	31.5
Non-current assets	**1.8**	1.7
Current liabilities	**(16.1)**	(22.8)
Non-current liabilities	**(6.4)**	(11.0)
Net liabilities	**(0.4)**	(0.6)
Income	**65.2**	65.3
Expenses	**(65.2)**	(65.3)
Net loss	**–**	–

11. Investment in Equity Accounted Investees continued

On 24 June 2015 the Group jointly formed a partnership for running a restaurant in the new complex in Jerusalem, as at 31 December 2016 the assets, liabilities and net profit of BLACK Schrauber Limited were not material to the Group.

	31 December 2016 £m	31 December 2015 £m
Cost	**0.3**	–
Share of post-acquisition reserves	**–**	–
	0.3	–
Share of post-tax loss	**–**	–
Carrying value	**0.3**	–

12. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2016 £m	31 December 2015 £m	31 December 2016 £m	31 December 2015 £m	31 December 2016 £m	31 December 2015 £m
Property, plant and equipment	**0.1**	0.3	**(6.2)**	(2.1)	**(6.1)**	(1.8)
Intangible assets	**–**	–	**(8.6)**	(6.8)	**(8.6)**	(6.8)
Employee benefits	**0.5**	1.0	**(0.3)**	(2.1)	**0.2**	(1.1)
Onerous lease	**–**	0.2	**–**	–	**–**	0.2
Market rent	**0.4**	0.6	**(0.1)**	–	**0.3**	0.6
Interest rate swap	**0.2**	0.5	**–**	–	**0.2**	0.5
Tax losses	**0.3**	0.4	**–**	–	**0.3**	0.4
Other	**1.0**	–	**–**	–	**1.0**	–
Tax assets/(liabilities)	**2.5**	3.0	**(15.2)**	(11.0)	**(12.7)**	(8.0)
Set off tax	**(2.4)**	(3.0)	**2.4**	3.0	**–**	–
Net tax assets/(liabilities)	**0.1**	–	**(12.8)**	(8.0)	**(12.7)**	(8.0)

See Note 8 for details of unrecognised tax assets.

Deferred taxation provided for in the financial statements at the period end represents provision at the local tax rates on the above items.

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:

	1 January 2016 £m	Recognised in income £m	Recognised in equity £m	Forex £m	31 December 2016 £m
Property, plant and equipment	**(1.8)**	(4.2)	–	(0.1)	**(6.1)**
Intangible assets	**(6.8)**	(0.6)	–	(1.2)	**(8.6)**
Employee benefits	**(1.1)**	0.9	0.4	–	**0.2**
Onerous lease	**0.2**	(0.2)	–	–	**–**
Market rent	**0.6**	(0.3)	–	–	**0.3**
Interest rate swap	**0.5**	(0.3)	–	–	**0.2**
Tax losses	**0.4**	(0.1)	–	–	**0.3**
Other	**–**	1.0	–	–	**1.0**
Tax liabilities	**(8.0)**	(3.8)	0.4	(1.3)	**(12.7)**

13. Inventories

	31 December 2016 £m	31 December 2015 £m
Goods for resale	**9.8**	9.2

Goods for resale recognised in cost of sales in the year amounted to £55.8m (2015: £45.5m).

Notes to the Consolidated Financial Statements continued

14. Trade and Other Receivables

Current	31 December 2016 £m	31 December 2015 £m
Trade receivables	**29.8**	23.5
Other receivables	**7.7**	7.5
Prepayments and accrued income	**36.5**	36.8
	74.0	67.8

Non-current	31 December 2016 £m	31 December 2015 £m
Other property receivables	**4.5**	4.6
Land lease premiums	**0.9**	0.9
Loan to jointly controlled entity	**0.6**	0.6
	6.0	6.1

Other property receivables represent the fair value asset of leases acquired with Cinema City Holdings B.V.

The Virtual Print Fee accrued income balance recognised at the year end of £nil (2015: £3.5m) is included within the prepayments and accrued income. The balance is accrued based on the number of relevant film screenings during the year.

15. Business Combinations

On 28 July 2016 Cineworld Group Plc (the "Group") announced the acquisition of five Cinemas from Cinema Holdings Limited by means of an acquisition of 100% of the shares, including all of the voting rights.

Consideration transferred

The acquisition was completed on 11 August 2016, at which point the consideration equated to £94.5m which would be settled equally in cash, and in Cineworld Group plc ordinary shares in addition to the transfer of the trade and assets of the Group's Haymarket cinema to Cinema Holdings Limited. The shares will be issued in five instalments during a 12 month period, based on an issue price reflecting 20 days' average trading price prior to the date of each issuance. The first issue of shares took place on 18 November 2016.

Fair Value of Consideration Transferred

	£m
Cash consideration	47.0
Share consideration	47.0
Transfer of cinema assets	0.5
Total fair value of consideration transferred	**94.5**

The fair value of the shares issued to Cinema Holdings Limited will include £42.0m split into four tranches, issued at three month intervals with the first issued on the three month anniversary of completion of the acquisition.

Identifiable Assets Acquired and Liabilities Assumed

	£m
Fair value of total net identifiable assets upon acquisition	
Property, plant and equipment:	42.8
Finance lease liability	(8.2)
Deferred tax provisions	(0.2)
Provisions for liabilities	(0.5)
Cash and cash equivalents	–
Total net identifiable assets	**33.9**
Goodwill	60.6
Consideration transferred	**94.5**

15. Business Combinations continued

The Key Judgments considered were as follows:

Property and leases

The fair value of property, plant and equipment of £42.8m included a number of adjustments. Old cinema equipment and assets which were previously held at their residual value of £3.2m were fully depreciated as the residual value is not expected to be realised. A fair value adjustment of £3.0m was made in respect of the Bromley site in recognition of the residual value in the sellers books being below the current market value.

As well as considering the fair value of acquired property, plant and equipment, management also considered the lease contract for each of the cinemas. Where leases include options to extend beyond the existing contracted term this was taken into consideration. Two leases held on the Leicester Square site were classified as finance leases and a liability for the fair value of the minimum expected lease payments on each recognized, a corresponding asset was recognised in respect of the fair value of the lease within Property, Plant and Equipment.

Tax

The acquired deferred tax liability of £0.2m reflects taxable temporary differences on fixed assets at acquisition.

No income tax liability is recognised on acquisition as future tax charges are not expected to arise in respect of tax positions open at the date of acquisition.

Identifiable Intangible Assets

There were no identifiable intangible assets recognised on acquisition. Management consider the residual Goodwill of £60.6m to represent a number of factors including the strategic location of the sites acquired, the established benefit of an established site, the value the acquired sites can add to Cineworld's existing brand and products as well as synergies expected to be realised post acquisition. None of the goodwill is expected to be deductible for income tax purposes.

The revenue included in the Consolidated Statement of Profit or Loss since 11 August 2016 contributed by the acquired sites was £11.9m. The profit before tax contributed was £2.6m over the same period. Had the five cinemas been consolidated from 1 January 2016 (the commencement of the current financial period), the Consolidated Statement of Profit or Loss would show revenue of £814.5m and profit before tax of £101.9m.

Acquisition related costs of £0.5m were charged to administrative expenses in the Consolidated Statement of Profit or Loss for the year ended 31 December 2016.

16. 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.

	31 December 2016 £m	31 December 2015 £m
Non-current liabilities		
Interest rate swaps	**0.6**	0.6
Unsecured bank loan, less issue costs of debt to be amortised	**307.1**	285.3
Liabilities under finance leases	**13.6**	6.1
	321.3	292.0
Current liabilities		
Interest rate swaps	**0.5**	1.0
Unsecured bank loans, less issue costs of debt to be amortised	**14.9**	14.0
Liabilities under finance leases	**1.4**	0.7
	16.8	15.7

Notes to the Consolidated Financial Statements continued

16. Interest-Bearing Loans and Borrowings and Other Financial Liabilities continued

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2016 Face value £m	31 December 2016 Carrying amount £m	31 December 2015 Face value £m	31 December 2015 Carrying amount £m
Unsecured bank loan – 1	GBP	LIBOR +1.40%	2020	**276.8**	**273.9**	256.2	252.4
Unsecured bank loan – 2	EURO	EURIBOR +1.40%	2020	**46.2**	**45.8**	44.1	43.5
Unsecured bank loan – 3	NIS	2.6%	2020	**2.3**	**2.3**	3.4	3.4
Finance lease liability – 1	GBP	7.2%	2029	**6.0**	**6.0**	6.2	6.2
Finance lease liability – 2	EURO	6.5%	2021	**0.7**	**0.8**	0.6	0.6
Finance lease liability – 3	GBP	6.2%	2060	**7.9**	**8.2**	–	–
Finance lease liability – 4	GBP	9.6%	2036	**–**	**–**	–	–
Total interest bearing liabilities				**339.9**	**337.0**	310.5	306.1

See Note 21 for bank loan maturity analysis.

Finance Lease Liabilities

The maturity of obligations under finance leases is as follows:

	31 December 2016 £m	31 December 2015 £m
Within one year	**1.3**	0.8
Between one and two years	**1.3**	0.8
In the second to fifth years	**4.2**	2.6
Over five years	**27.2**	6.4
	34.0	10.6
Less future finance charges	**(19.3)**	(3.8)
	14.7	6.8

Analysis of Net Debt

	Cash at bank and in hand £m	Bank overdraft £m	Bank loans £m	Finance leases £m	Interest rate swap £m	Net debt £m
At 1 January 2015	37.4	(2.1)	(307.1)	(7.4)	(2.7)	(281.9)
Cash flows	27.9	2.1	1.9	1.0	–	32.9
Non-cash movement	–	–	(1.8)	(0.4)	1.1	(1.1)
Effect of movement in foreign exchange rates	(2.8)	–	7.7	–	–	4.9
At 31 December 2015	62.5	–	(299.3)	(6.8)	(1.6)	(245.2)
Cash flows	(14.1)	–	(13.4)	1.0	–	(26.5)
Non-cash movement	–	–	(1.8)	(9.2)	0.5	(10.5)
Effect of movement in foreign exchange rates	7.4	–	(7.5)	–	–	(0.1)
At 31 December 2016	**55.8**	**–**	**(322.0)**	**(15.0)**	**(1.1)**	**(282.3)**

The non-cash movements relating to bank loans represent the amortisation of debt issuance costs.

17. Trade and Other Payables

	31 December 2016 £m	31 December 2015 £m
Current		
Trade payables	**30.1**	33.9
Other payables	**27.7**	24.8
Accruals and deferred income	**81.0**	83.1
Deferred consideration	**37.0**	–
	175.8	141.8

	31 December 2016 £m	31 December 2015 £m
Non-current		
Accruals and deferred income	**74.8**	67.0
Government grants	**1.7**	1.8
	76.5	68.8

Non-current accruals and deferred income include reverse-lease premiums and an accrual for straight-lining operating leases.

18. 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.

On 15 December 2016 the scheme was bought out by Aviva Annuity UK Limited, with all risks in relation to the scheme passing to Aviva Annuity UK Limited as of the buyout date. This transition was treated as a settlement occurring on 15 December 2016 (the inception date). Following this transaction, all members of the Scheme have had their benefits secured with Aviva Annuity UK Limited, discharging the Group's legal and constructive obligations for the scheme. The past service liabilities at 31 December 2016 are therefore shown as nil.

The Group has engaged its actuary's assistance in measuring the defined benefit asset for the purposes of IAS19 revised for the year ended 31 December 2016 as well as at the buyout date.

The valuation used for IAS19 disclosures has been based on a full assessment of the liabilities of the Scheme as at 5 April 2015. 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 up to the date of the buyout were recognised in the year in which they occurred, but outside the Statement of Profit or Loss, through Other Comprehensive Income.

The Group made contributions of £0.8m during 2016 (2015: £1.6m).

The net surplus/(deficit) in the pension scheme is:

	31 December 2016 £m	31 December 2015 £m
MGM Pension Scheme	**–**	10.5
Net surplus	**–**	10.5

Following the buyout transaction there is no asset or liability recognised in respect of the fair value of the scheme, £1.6m is recognised within other receivables in respect of the amount due to the Group from the settlement of the scheme.

Notes to the Consolidated Financial Statements continued

18. Employee Benefits continued

Profile of the Scheme

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

	31 December 2016 £m	31 December 2015 £m
Analysis of defined benefit obligation by membership category		
Total value of current employees benefits	–	2.9
Deferred members benefits	–	10.0
Pensioner member benefits	–	18.1
Total defined benefit obligation	–	31.0

Following the buyout transaction, all members of the scheme have had their benefits secured with Aviva Annuity UK Limited, there is no longer any obligation by the Group to the members of the scheme.

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 2015 and showed a surplus of £1.7m. The Group paid deficit contributions of £0.8m in 2016 to support the scheme, following the buyout transaction no further contribution in respect of the scheme are expected.

Risks Associated with the Scheme

Following the buyout transaction all of the risks in respect of the scheme have been transferred to Aviva Annuity UK Limited. Prior to settlement, the Scheme exposed 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 (equity diversified growth funds and global absolute return fund) 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 previously existed 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 buyout premium paid includes an estimated additional cost for GMP equalisation and this cost is therefore included in the settlement recorded through the Statement of Profit or Loss.

The amounts recognised on the Balance Sheet are set out below:

	31 December 2016 £m	31 December 2015 £m
Present value of funded defined benefit obligations	–	(31.0)
Fair value of plan assets	–	41.5
Surplus in scheme	–	10.5

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. The fair value of plan asset remaining at 31 December 2016 represent the residual balance following settlement of the scheme and all risks and obligations transferring to Aviva Annuity UK Limited, it is expected that these assets will transfer to the Group on completion of the buyout process.

18. Employee Benefits continued

Movements in present value of defined benefit obligation:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
At beginning of year	**(31.0)**	(32.4)
Interest cost	**(1.1)**	(1.1)
Actuarial (loss)/gain	**(9.0)**	1.4
Benefits paid	**2.0**	1.1
Settlements	**39.1**	–
At end of year	**–**	(31.0)

Movements in fair value of plan assets:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
At start of year	**41.5**	41.0
Interest income	**1.5**	1.4
Re-measurement gain/(loss)	**3.9**	(1.2)
Contributions by employer	**0.8**	1.6
Administration costs incurred	**(0.3)**	(0.2)
Benefits paid	**(2.0)**	(1.1)
Settlements	**(43.8)**	–
At end of year	**1.6**	41.5

(Expense)/income recognised in the Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Operating cost		
Administration expenses	**(0.3)**	(0.2)
Settlement cost	**(4.8)**	–
Net finance costs		
Defined benefit pension scheme net finance income	**0.4**	0.4
Other comprehensive income		
Re-measurement of the defined benefit asset	**(5.1)**	0.2
Total recognised in profit and loss and other comprehensive income	**(9.8)**	0.4

The income is recognised in the following line items in the Consolidated Statement of Profit or Loss:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Administrative expenses	**(5.1)**	(0.2)
Finance income	**0.4**	0.4
Total	**4.7**	0.2

Analysis of amounts recognised in Other Comprehensive Income:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Actuarial (losses)/gains recognised in the year	**(5.1)**	0.2

Notes to the Consolidated Financial Statements continued

18. Employee Benefits continued

The Scheme assets are invested in the following asset classes (all assets have a quoted market value in an active market):

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Equities	–	8.3
Absolute return funds	–	16.1
Liability driven instruments	–	16.7
Other	–	0.4
Total	**–**	41.5

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Interest income	**1.5**	1.4
Re-measurement of plan assets in excess of interest income	**3.9**	(1.2)
Actual return on plan assets	**5.4**	0.2

The principal actuarial assumptions used to calculate the liabilities under IAS 19 are set out below:

	Year ended 31 December 2016 %	Year ended 31 December 2015 %
RPI Inflation	**3.55**	3.1
CPI Inflation	**2.55**	2.0
Rate of general long-term increase in salaries	**5.55**	4.1
Rate of increase to pensions in payment	**2.25–3.3**	1.8–3.3
Discount rate for scheme liabilities	**2.85**	3.70

The financial assumptions reflect the nature and term of the Scheme's liabilities.

Main demographic assumptions	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 1 January 2015
Mortality table adopted	**S1PXA base table with future improvements in line with CMI 2014 core projections with long-term improvement rate of 1.75% per annum.**	S1PXA base table with future improvements in line with CMI 2014 core projections with long-term improvement rate of 1% per annum.	S1PXA base table with future improvements in line with CMI 2013 core projections with long-term improvement rate of 1% per annum.
Life expectancy for male currently aged 65	**22.4**	22.1	22.1
Life expectancy for female currently aged 65	**24.5**	24.4	24.3
Cash commutation	**None**	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

The mortality assumptions are based on the recent actual mortality experience of scheme members, and allow for expected future improvement in mortality rates.

18. Employee Benefits continued

History of Plans

The history of the plans for the current and prior years is as follows:

Balance Sheet

	Year ended 31 December 2016 £m	Year ended 1 December 2015 £m	Year ended 1 January 2015 £m	Year ended 26 December 2013 £m	Year ended 27 December 2012 £m
Present value of defined benefit obligation	–	(31.0)	(32.4)	(28.8)	(28.1)
Fair value of plan assets	–	41.5	41.0	34.1	32.5
Surplus	–	10.5	8.6	5.3	4.4

Experience Adjustments

	Year ended 31 December 2016 £m	Year ended 1 December 2015 £m	Year ended 1 January 2015 £m	Year ended 26 December 2013 £m	Year ended 27 December 2012 £m
Experience (loss)/gain on plan assets	**(3.9)**	1.2	(5.2)	(0.1)	0.4
Experience (loss)/gain on plan liabilities	–	(0.1)	(0.1)	(0.1)	1.0

Sensitivity to Key Assumptions

No sensitivity analysis has been performed given there remains no liability on the Group's Balance Sheet at the 31 December 2016.

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 £0.3m (2015: £0.6m). There was £nil accruing to these pension schemes as at 31 December 2016 (2015: £0.1m).

Accrued Employee Retirement Rights

Local applicable labour laws and agreements in the ROW require certain Group companies to pay severance pay to dismissed or retiring employees (including those leaving their employment under certain other circumstances). The calculation of the severance pay liability has been made in accordance with labour agreements in force and based on salary components that, in management's opinion, create entitlement to severance pay.

Group companies' severance pay liabilities to their employees are funded partially by regular deposits with recognised pension and severance pay funds in the employees' names and by purchase of insurance policies. They are accounted for as if they were a defined contribution plan. The amounts funded as above are netted against the related liabilities and are not reflected in the Balance Sheet since they are not under the control and management of the companies.

The amounts of the liability for severance pay presented in the Balance Sheet (see below) reflect that part of the liability not covered by the funds and the insurance policies mentioned above, as well as the liability that is funded by deposits with recognised central severance pay funds held under the name of the Company's subsidiaries.

The cost of severance provision is determined according to the projected unit credit method. It has been calculated using a discounted cash flow approach. The calculations are based on the following assumptions:

- Discount at 31 December 2016 1.73%.
- Expected returns on plan assets at 31 December 2016 1.02%.

The net provision for accrued employee rights upon retirement comprises:

	31 December 2016 £m	31 December 2015 £m
Present value of unfunded obligation	**3.3**	2.4
Less: Fair value of plan assets	**(1.5)**	(1.1)
	1.8	1.3

Notes to the Consolidated Financial Statements continued

18. Employee Benefits continued

Movements in the provision for accrued employee rights upon retirement:

	Gross amount £m	Amount deposited £m	Net amount £m
At start of period	2.4	(1.1)	**1.3**
Payments made upon retirement	(0.1)	(0.2)	**(0.3)**
Net movement in provision – charged to net profit	0.5	–	**0.5**
Foreign exchange movements	0.5	(0.2)	**0.3**
	3.3	**(1.5)**	**1.8**

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 Contributory Pension Plan have not agreed that any surplus on the plan can be refunded to the Group. Accordingly the surplus has not been recognised. The Scheme has a surplus of £0.3m as at 31 December 2016 (2015: £0.6m).

Actuaries for Adelphi-Carlton Limited carried out the last actuarial valuation of the scheme as at 1 April 2016. 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 Group contributions was in force from 1 April 2001 to 31 December 2016. Total contributions for the years ended 31 December 2016 and 31 December 2015 were £nil and £nil, respectively. No contributions are expected for the year ended 31 December 2016.

Share-Based Payments

As at 31 December 2016 there were three types of share option and share schemes: the Cineworld Group 2007 Performance Share Plan, the Cineworld Group plc Company Share Option Plan and the Cineworld Group 2007 Sharesave Scheme. Details of each of the schemes are set out in the Directors Remuneration Report on pages 54 to 72.

The Cineworld Group Performance Share Plan ("PSP")

The following share options have been granted under the PSP and were outstanding at 31 December 2016:

Date of grant	Exercise period	2016 Number of shares '000	2015 Number of shares '000
6 June 2014	3 years from 6 June 2014	**567**	584
23 April 2015	3 years from 23 April 2015	**398**	414
30 June 2015	3 years from 30 June 2015	**7**	7
18 April 2016	3 years from 18 April 2016	**352**	–

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:

6 June 2014

Under these grants, awards of 705,515 shares were made in total. Awards of 563,210 shares were made with the performance conditions set out below.

- 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 26 December 2013 and the EPS for the financial year ending 31 December 2016) is not less than the annual compound increase of 10% per annum;
- 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 26 December 2013 and the EPS for the financial year ending 31 December 2016) is at least equivalent to the annual compound increase of 18% per annum, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 26 December 2013 and the EPS for the financial year ending 31 December 2016) is between the two limits above, the award shall vest on a straight-line basis between 30% and 100%.

Further awards over 142,305 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

EPS for the 2014 grant was defined as adjusted pro forma diluted earnings per share as calculated in Note 5 to the financial statements.

18. Employee Benefits continued

23 April and 30 June 2015

Under these grants, awards of 517,530 shares were made in total. Awards of 405,826 shares were made with the performance conditions set out below.

- 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 ending 1 January 2015 and the EPS for the financial year ending 31 December 2017) is not less than 8.0%;
- 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 ending 1 January 2015 and the EPS for the financial year ending 31 December 2017) is at least 16.0%, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ending 1 January 2015 and the EPS for the financial year ending 31 December 2017) is between the two limits above, the Award shall vest on a straight-line basis between 30% and 100%.

"EPS" means adjusted earnings per share calculated by dividing the profits for the period attributable to ordinary shareholders (adjusted by adding back the amortisation of intangible assets and other one-off income or expense adjusted pro forma and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period, after excluding non-vested ordinary shares held by the employee benefit trust at that time and adjusting for the effects of dilutive options

Further awards over 111,704 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

18 April 2016

Under these grants, awards of 366,465 shares were made in total. Awards of 253,192 shares were made with the performance conditions set out below.

- 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 ending 1 January 2015 and the EPS for the financial year ending 31 December 2018) is not less than 6.0%;
- 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 ending 1 January 2015 and the EPS for the financial year ending 31 December 2018) is at least 12.0%, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ending 1 January 2015 and the EPS for the financial year ending 31 December 2018) is between the two limits above, the Award shall vest on a straight-line basis between 30% and 100%.

EPS means adjusted earnings per share calculated by dividing the profits for the period attributable to ordinary shareholders (adjusted by adding back the amortisation of intangible assets and other one one-off income or expense adjusted pro forma and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period, after excluding non-vested ordinary shares held by the employee benefit trust at that time and adjusting for the effects of dilutive options.

Further awards over 113,273 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

Assumptions relating to grants of share options outstanding are as follows:

Date of grant	Share price at grant (£)	Exercise price (£)	Expected volatility (%)	Expected life (years)	Dividend yield (%)	Risk free rate (%)	Fair value (£)
6 June 2014	3.46	–	41	3	4.3	0.56	3.07
23 April 2015	4.81	–	39	3	4.3	0.59	4.22
30 June 2015	4.81	–	39	3	4.3	0.59	4.22
18 April 2016	5.48	–	38	3	2.9	0.37	5.02

A reconciliation of option movements over the year to 31 December 2016 is shown below:

	Number of options 2016 Equity-settled '000	Number of options 2015 Equity-Settled '000
Outstanding at the beginning of the year	**1,425**	1,926
Exercised in shares during the year	**(413)**	(772)
Granted during the year	**366**	518
Lapsed during the year	**(54)**	(247)
Outstanding at the end of the year	**1,324**	1,425

A charge of £1.7m was recorded in the statement of profit or loss for the four PSP schemes.

Notes to the Consolidated Financial Statements continued

18. Employee Benefits continued

The Company Share Option Plan ("CSOP")

The following share options have been granted under the CSOP and were outstanding at 31 December 2016:

Date of grant	Exercise period	2016 Number of shares '000	2015 Number of shares '000	Performance conditions
6 June 2014	3 years from 6 June 2014	5	14	Awards of 2,891 shares were made with the same conditions as the 2014 PSP grant. Awards of 14,455 were made with no performance conditions attached.
23 April 2015	3 years from 23 April 2015	38	50	All awards were made with no performance conditions attached.
18 April 2016	3 years from 18 April 2016	21	–	All awards were made with no performance conditions attached.

Assumptions relating to grants of share options outstanding are as follows:

Date of grant	Share price at grant (£)	Exercise price (£)	Expected volatility (%)	Expected life (years)	Dividend yield (%)	Risk free rate (%)	Fair value (£)
6 June 2014	3.46	3.46	41	3–10 years	4.3	0.56	0.73
23 April 2015	4.81	4.81	39	3–10 years	4.3	0.59	0.94
18 April 2016	5.48	5.48	38	3-10 years	2.9	0.37	1.16

A reconciliation of option movements over the year to 31 December 2016 is shown below:

	Number of options 2016 Equity-settled	Number of options 2015 Equity-settled
Outstanding at the beginning of the year	**87**	104
Exercised during the year	**(19)**	(63)
Granted during the year	**24**	50
Lapsed during the year	**(28)**	(4)
Outstanding at the end of the year	**64**	87

A charge of £0.1m was recorded in the statement of profit or loss for the four CSOP schemes.

Sharesave scheme

The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options.

The following share options have been granted under the Sharesave scheme and were outstanding at 31 December 2016:

Date of grant	**2016 Number of shares '000**	2015 Number of shares '000
8 May 2014	**349**	386
12 May 2015	**330**	406

18. Employee Benefits continued

A reconciliation of option movement over the year to 31 December 2016 is shown below:

	Number of options 2016 Equity-settled '000	Number of options 2015 Equity-Settled '000
Outstanding at the beginning of the year	**792**	1,013
Exercised during the year	**(13)**	(543)
Granted during the year	**-**	430
Lapsed during the year	**(100)**	(108)
Outstanding at the end of the year	**679**	792

A charge of £0.2m was recorded in the statement of profit or loss for the 3 Sharesave schemes.

The total expenses recognised for the year arising from share-based payments are as follows:

	Year ended December 2016 £m	Year ended 31 December 2015 £m
Recognised in equity	**1.6**	0.8
Recognised in the statement of profit or loss	**0.4**	1.0
	2.0	1.8

The share-based payment expense recognised in creditors relates to dividends accrued by the option holders over the vesting period.

The number and weighted average exercise prices of share options in equity settled schemes are as follows:

	Weighted average exercise price 2016 (£) Equity-settled	Number of options 2016 Equity-settled	Weighted average exercise price 2015 (£) Equity-settled	Number of options 2015 Equity-Settled
Outstanding at the beginning of the year	**1.24**	**2,305**	0.77	3,044
Exercised in shares during the year	**0.22**	**(445)**	0.77	(1,378)
Granted during the year	**0.33**	**390**	1.90	998
Lapsed during the year	**2.49**	**(183)**	0.84	(359)
Outstanding at the end of the year	**1.17**	**2,057**	1.24	2,305
Exercisable at the end of the year	**-**	**-**	2.81	5

Notes to the Consolidated Financial Statements continued

18. Employee Benefits continued

Single Total Figure Table (audited information)

The table below 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										
Moshe Greidinger	2016	557	84	437	–	1,419[3]	–	1,419	91	2,588
	2015	550	77	476	–	–	–	–	110	1,213
Israel Greidinger	2016	380	77	298	–	968[3]	–	968	60	1,783
	2015	375	74	325	–	–	–	–	75	849
Philip Bowcock[4]	2016	–	1	–	–	451[3]	–	451	–	452
	2015	375[6]	20[7]	248	4.5	492[5]	15	507	75[8]	1,229.5
Stephen Wiener[4]	2016	–	–	–	–	–	–	–	–	–
	2015	–	1	–	–	356[5]	–	356	–	357
Non-Executive Directors										
Anthony Bloom	2016	175	–	–	–	–	–	–	–	175
	2015	175	–	–	–	–	–	–	–	175
Martina King	2016	60	–	–	–	–	–	–	–	60
	2015	56	–	–	–	–	–	–	–	56
Alicja Kornasiewicz	2016	50	–	–	–	–	–	–	–	50
	2015	30	–	–	–	–	–	–	–	30
David Maloney[4]	2016	–	–	–	–	–	–	–	–	–
	2015	30	–	–	–	–	–	–	–	30
Scott Rosenblum	2016	50	–	–	–	–	–	–	–	50
	2015	50	–	–	–	–	–	–	–	50
Arni Samuelsson	2016	50	–	–	–	–	–	–	–	50
	2015	50	–	–	–	–	–	–	–	50
Rick Senat	2016	65	–	–	–	–	–	–	–	65
	2015	61[9]	–	–	–	–	–	–	–	61[9]
Julie Southern	2016	70	–	–	–	–	–	–	–	70
	2015	39	–	–	–	–	–	–	–	39
Peter Williams[4]	2016	–	–	–	–	–	–	–	–	–
	2015	24	–	–	–	–	–	–	–	24

(1) See page 66 for details of the other benefits provided to the Executive Directors.
(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 vesting in respect of the period has been calculated using a share price of £5.525, being the average price for the last three months of the period (as PSP will not vest until 6 June 2017), 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. Currently, the dividend equivalent payment to Moshe Greidinger would amount to £101,604, the dividend equivalent payment to Israel Greidinger would amount to £69,276, and the dividend equivalent payment to Philip Bowcock would amount to £32,256.
(4) Philip Bowcock left the Company on 31 October 2015, Stephen Wiener left the Company on 31 March 2014, Peter Williams left the Company on 26 May 2015, and David Maloney left the Company on 26 May 2015.
(5) Details of the actual gain made are set out on page 71. The actual figures set out in the table above differ from those included in the 2015 Annual Report figures as last year an estimated value of £5.58 a share was used to calculate the theoretical gain, as the awards had not yet vested. The figures above reflect the share price of £5.10 on the date of vesting, 15 March 2016.
(6) Philip Bowcock left the Company on 31 October 2015 and this figure includes two months' salary paid in lieu of notice amounting to £62,500.
(7) Philip Bowcock left the Company on 31 October 2015 and this figure includes two months' benefits paid in lieu of notice amounting to £3,066.
(8) Philip Bowcock left the Company on 31 October 2015 and this figure includes two months' pensions allowance paid in lieu of notice amounting to £12,500.
(9) Figure includes a payment of £5,800 to Rick Senat for the portion of 2015 for which he served as Senior Independent Director.

Executive Directors are invited to participate in a Group Personal Pension Plan, which is a money purchase plan or alternatively may receive a pension allowance in cash. The Company contribution to this pension scheme for Executive Directors is 20% of salary. All the Executive Directors (except Stephen Wiener) have elected not to participate in this scheme and instead receive a cash pension allowance of 20% of salary.

19. Provisions

	Property provisions £m	Other provisions £m	Total provisions £m
Balance at 31 December 2015			
Current	1.5	3.2	**4.7**
Non-current	13.5	5.0	**18.5**
	15.0	8.2	**23.2**
Provisions made	–	2.1	**2.1**
Provisions released to administrative expenses during the year	(3.1)	–	**(3.1)**
Utilised against rent during the year	(4.3)	(1.9)	**(6.2)**
Unwound against interest during the year	1.9	–	**1.9**
Balance at 31 December 2016	**9.5**	**8.4**	**17.9**
Current	0.9	5.4	**6.3**
Non-current	8.6	3.0	**11.6**
Total	**9.5**	**8.4**	**17.9**

Other provisions do not require significant judgement and have historically been settled at in line with reported fair values.

Property provisions relate to onerous leases, dilapidations, market rent adjustments and other property liabilities. Market rent provisions relate to the fair value of liabilities on leases acquired, which are assessed on acquisition and released over the remaining life of the lease.

The property provision includes onerous leases, which are assessed as 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 30 years (see further analysis below).

	31 December 2016 £m	31 December 2015 £m
Expected timing for utilisation of property provisions		
Analysed as:		
Within one year	**1.2**	1.5
Between one and two years	**1.6**	1.4
In the second to fifth years	**2.8**	3.8
Over five years	**3.9**	8.3
	9.5	15.0

The level of onerous lease provision is dependent upon judgement in forecasting future cash flows and used in arriving at the discount rate applied to cash flow projections. Management have sensitised the key assumptions in assessing property provisions including the discount rate, management believe that under any reasonably possible change in the key assumptions on which provision is based they would not significantly change. Other property provisions are not considered to require ongoing judgement as amounts relate to pre-determined unwinds and releases.

Notes to the Consolidated Financial Statements
continued

20. Capital and Reserves

Share Capital

	31 December 2016 £m	31 December 2015 £m
Cineworld Group plc		
Allotted, called up and fully paid		
267,581,189 (2015: 265,232,321) ordinary shares of £0.01 each	**2.7**	2.7

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.

Merger Reserve
In accordance with section 612 of the Companies Act 2006, the premium on ordinary shares issued in relation to acquisitions is recorded as a merger reserve.

Hedging Reserve
The hedging reserve comprises the liability in relation to the interest rate swaps entered into, to hedge against variable interest payments on £147.5m (2015: £119.0m) of the total £322.9m (2015: £300.3m) 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 statement of profit or loss. During 2016 a £1.9m gain was recycled through the Statement of Profit or Loss in respect of the fair value of cash flow hedges on loans settled during the year.

A foreign currency exposure arises from the Group's net investment in its Dutch subsidiary, which has a Euro functional currency. The risk arises from fluctuations in exchange rates between the Pound and the Euro, which cause the value of the net investment to vary.

The Group hedges part of its exposure to changes in the value of the investment arising from variances in Euro to Pound exchange rate. The hedge is designated against the Group's Euro term loan and €54.0m of the investment in the Dutch subsidiary. The loan is designated as the hedging instrument for the changes in value that is attributable to the £GBP/EURO spot rate.

The Group assesses effectiveness by comparing changes in the carrying amount of the debt that is attributable to a change in spot rate with changes in the value of the investment in the foreign operation due to movements in the spot rate. The Group's policy is to hedge the net investment only to the extent of the debt principal.

The changes in fair value of the hedged item and instrument were reflected in the table were recognised in the hedge and foreign exchange reserve respectively for the hedged item and hedging instrument.

	Carrying amount at inception £m		Carrying amount 31 December 2016 £m		Change in fair value £m
	Asset	Liability	Asset	Liability	
Euro denominated loan	–	47.5	**–**	**46.2**	1.3
Euro denominated investment	47.5	–	**46.2**	**–**	(1.3)
	47.5	47.5	**46.2**	**46.2**	–

Dividends
The following dividends were recognised during the year:

	2016 £m	2015 £m
Interim	**13.8**	13.3
Final (for the preceding year)	**33.2**	25.7
	47.0	39.0

An interim dividend of 5.2p per share was paid on 9 September 2016 to ordinary shareholders (2015: 5.0p). The Board has proposed a final dividend of 13.8p per share, which will result in total cash payable of approximately £37.0m on 22 June 2017. In accordance with IAS10 this had not been recognised as a liability at 31 December 2016.

21. 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.

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 14. Of the total balance of £29.8m (2015: £23.5m) due 75% (2015: 83%) are within credit terms. The bad debt provision as at 2016 is £Nil (2015: £306,000), with a bad debt expense in the year of £Nil (2015: £nil). Based on past experience the Group believes that no impairment allowance is necessary in respect of the trade receivables that are past due. 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.

Notes to the Consolidated Financial Statements continued

21. Financial Instruments continued

31 December 2016

	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	**322.0**	(325.3)	(7.5)	(7.5)	(12.7)	(297.6)	–
Finance lease liabilities	**15.0**	(34.0)	(0.6)	(0.7)	(1.3)	(4.2)	(27.2)
Trade payables	**30.1**	(30.1)	(30.1)	–	–	–	–
Derivative financial liabilities							
Interest rate swap 1	**0.2**	(0.2)	(0.2)	–	–	–	–
Interest rate swap 2	**0.2**	(0.2)	(0.2)	–	–	–	–
Interest rate swap 3	**0.1**	(0.1)	(0.1)	–	–	–	–
Interest rate swap 4	**0.1**	(0.1)	(0.1)	–	–	–	–
Interest rate swap 5	**0.2**	(3.0)	–	(1.3)	(0.8)	(0.9)	–
Interest rate swap 6	**0.2**	(3.0)	–	(1.3)	(0.8)	(0.9)	–
Interest rate swap 7	**0.1**	(0.5)	–	–	(0.2)	(0.3)	–
	368.2	**(396.5)**	**(38.8)**	**(10.8)**	**(15.8)**	**(303.9)**	**(27.2)**

31 December 2015

	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	**299.3**	(303.8)	(7.7)	(7.7)	(11.9)	(276.5)	–
Finance lease liabilities	**6.8**	(10.4)	(0.4)	(0.4)	(0.7)	(2.1)	(6.8)
Trade payables	**33.9**	(33.9)	(33.9)	–	–	–	–
Derivative financial liabilities							
Interest rate swap 1	**0.1**	(0.1)	(0.1)	–	–	–	–
Interest rate swap 2	**0.1**	(0.1)	(0.1)	–	–	–	–
Interest rate swap 3	**0.5**	(0.5)	(0.2)	(0.2)	(0.1)	–	–
Interest rate swap 4	**0.5**	(0.5)	(0.2)	(0.2)	(0.1)	–	–
Interest rate swap 5	**0.2**	(0.2)	(0.05)	(0.05)	(0.1)	–	–
Interest rate swap 6	**0.2**	(0.2)	(0.05)	(0.05)	(0.1)	–	–
	341.6	**(349.7)**	**(42.7)**	**(8.6)**	**(13.0)**	**(278.6)**	**(6.8)**

The Group entered into a five-year facility in January 2014 which included term loans of £165.0m and €132.0m and revolving credit facilities of £75.0m and €60.0m.

On 29 July 2015 the Group signed an amendment and extension to its existing banking facility which was effective immediately upon signing and extends the facility to June 2020. As a result, the term loans were reduced from £157.5m and €126.0m to £130.0m and €63.0m. In August 2016 the Group extended the single currency revolving credit facility of £190.0m to £215.0m to partly fund the empire acquisition.

The facility remains subject to the existing two covenants: the ratio of EBITDA (as defined in Note 1) to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. A margin, determined by the results of the covenant tests at a given date is added to LIBOR or EURIBOR. The margins currently applicable to Group are 1.40% on the term loans and 1.15% on the revolving credit facility.

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 for at least 12 months from the approval date of the financial statements, including compliance with the bank facility covenants. The Group therefore continues to adopt the going concern basis.

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.

21. Financial Instruments continued

31 December 2016

	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	**0.2**	(0.2)	(0.2)	–	–	–	–
Swap 2	**0.2**	(0.2)	(0.2)	–	–	–	–
Swap 3	**0.1**	(0.1)	(0.1)	–	–	–	–
Swap 4	**0.1**	(0.1)	(0.1)	–	–	–	–
Swap 5	**0.2**	(3.0)	–	(1.3)	(0.8)	(0.9)	–
Swap 6	**0.2**	(3.0)	–	(1.3)	(0.8)	(0.9)	–
Swap 7	**0.1**	(0.5)	–	–	(0.2)	(0.3)	–
	1.1	**(7.1)**	**(0.6)**	**(2.6)**	**(1.8)**	**(2.1)**	**–**

31 December 2015

	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	**0.1**	0.1	0.1	–	–	–	–
Swap 2	**0.1**	(0.1)	(0.1)	–	–	–	–
Swap 3	**(0.5)**	(0.5)	(0.2)	(0.2)	(0.1)	–	–
Swap 4	**0.5**	(0.5)	(0.2)	(0.2)	(0.1)	–	–
Swap 5	**0.2**	(0.2)	(0.05)	(0.05)	(0.1)	–	–
Swap 6	**(0.2)**	(0.2)	(0.05)	(0.05)	(0.1)	–	–
	1.6	**(1.6)**	**(0.7)**	**(0.5)**	**(0.4)**	**–**	**–**

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

Operating across nine territories increases the Groups exposure to currency risk. 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. Currently the Group considers the currency risk on consolidation of the assets and liabilities of its foreign entities to be of low materiality and no hedging has been undertaken.

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.

The Group has hedging arrangements in place to mitigate the potential risk of a material impact arising from interest rate fluctuations. At 31 December 2016, the Group had seven (2015: six) interest rate swaps, four GBP denominated swaps which hedged 80% (2015: 82%) of the Group's variable rate GBP unsecured term loan and, the three remaining Euro denominated swaps hedging 100% (2015:100%) of the Euro denominated unsecured loan.

The revolver loan, of which £158.0m (2015: £130.0m) was drawn down at the end of the year, is not hedged. At the year end the Group had six (2015 year end: six) interest rate swaps which hedged 100% (2015: 100%) of the Group's variable rate unsecured Euro denominated term loan and 82% (2015: 59%) of the sterling denominated term loan. As a result, there is no impact on the statement of profit or loss relating to the hedged bank debt as a result of any changes in interest rates.

Notes to the Consolidated Financial Statements
continued

21. Financial Instruments continued

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	31 December 2016 £m	31 December 2015 £m
Fixed rates instruments		
Financial liabilities (interest rate swap)	**(1.1)**	(1.6)
Financial liabilities (unsecured bank loans – hedged portion)	**(158.0)**	(119.0)
Finance lease liabilities	**(14.9)**	(6.8)
	(174.0)	(127.4)
Variable rate instruments		
Financial liabilities (unsecured bank loans – unhedged portion)	**(164.1)**	(180.3)

£158.0m (2015: £119.0m) of the variable rate financial liability is hedged via the interest rate swaps with the balance attracting a variable interest rate.

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 Statement of Profit or Loss 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 £1.6m (2015: £1.9m) or decreased equity by £1.6m (2015: £1.9m) for each swap and would have increased or decreased profit or loss by £nil (2015: £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 2015.

	Profit or loss		Equity	
Effect in GBP thousands	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable rate instruments	(3,100)	3,100	(3,100)	3,100
Interest rate swap	1,500	(1,500)	1,500	(1,500)
Cash flow sensitivity (net)	**(1,600)**	**1,600**	**(1,600)**	**1,600**
31 December 2015				
Variable rate instruments	(3,300)	3,300	(3,300)	3,300
Interest rate swap	1,400	(1,400)	1,400	(1,400)
Cash flow sensitivity (net)	(1,900)	1,900	(1,900)	1,900

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 31 December 2016 £m	**Fair value 31 December 2016 £m**	Carrying amount 31 December 2015 £m	Fair value 31 December 2015 £m
Unsecured bank loans	**322.0**	**323.0**	299.3	303.8
Finance lease liabilities	**15.0**	**15.0**	6.8	6.8
Interest rate swaps	**1.1**	**1.1**	1.6	1.6
	338.1	**346.7**	307.7	312.2

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.

21. Financial Instruments continued

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 31 December 2016 and 31 December 2015. 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).

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
31 December 2016				
Derivative financial instruments	**–**	**1.1**	**–**	**1.1**
Interest bearing loans and borrowings	**–**	**337.0**	**–**	**337.0**
31 December 2015				
Derivative financial instruments	–	1.6	–	1.6
Interest bearing loans and borrowings	–	306.1	–	306.1

There have been no transfers between levels in 2016. No other financial instruments are held at fair value.

Capital Management

The capital structure of the Group consists of the following items:

	2016 £m	2015 £m
Cash and cash equivalents	**55.8**	62.5
Bank loans	**322.0**	307.7
Equity attributable to equity holders of the parent	**596.0**	570.6
	973.8	940.8

The Board of Directors constantly monitor the ongoing capital requirements of the business and have reviewed the current gearing ratio, being the ratio of bank debt to equity and consider 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.

22. Operating Leases

Non-cancellable operating lease rentals commitments are as follows:

	Land and buildings £m	Other £m	31 December 2016 £m	Land and buildings £m	Other £m	31 December 2015 £m
Less than one year	**102.7**	**0.5**	**103.2**	93.8	0.1	93.9
Between one and five years	**390.7**	**0.8**	**391.5**	352.3	0.2	352.5
More than five years	**1,161.9**	**1.2**	**1,163.1**	1000.3	–	1000.3
	1,655.3	**2.5**	**1,657.8**	1,446.4	0.3	1,446.7

The total future minimum sublease payments expected to be received are £17.5m (2015: £15.1m).

Lease Arrangements

The Group enters into operating leases for sites in all territories in UK and Ireland and the ROW. These leases are typically for 25-35 years with rent increases and options to renew leases determined in line with local market practice in each territory. The key contractual terms of each lease are taken into consideration when calculating the rental charge over the lease term. There are no significant restrictions placed on the Group as a result of its leasing arrangements.

Notes to the Consolidated Financial Statements continued

23. Capital Commitments

Capital commitments at the end of the financial year for which no provision has been made:

	31 December 2016 £m	31 December 2015 £m
Contracted	**44.7**	35.0

Capital commitments at the end of the current and preceding financial year relate to new sites.

24. 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
Year ended 31 December 2016				
Total compensation for Directors	**5,192**	**–**	**151**	**5,343**

	Salary and fees including bonus £000	Compensation for loss of office £000	Pension contributions £000	Total £000
Year ended 31 December 2015				
Total compensation for Directors	3,973	–	260	4,233

Share-based compensation benefit charges for Directors was £2.3m in 2016 (2015: £0.9m). Details of the highest paid Director can be found in the Directors' Remuneration Report on pages 54 to 72.

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 year ending 31 December 2016 totalled £18.3m (2015: £18.4m) and as at 31 December 2016 £nil (2015: £nil) was due from DCM in respect of receivables. In addition the Group has a working capital loan outstanding from DCM of £0.5m (2015: £0.5m).

During the year the Group incurred property charges of £7.8m by companies under the ownership of Global City Holdings N.V. ("GCH"), which is considered a related party of Group as Moshe Greidinger and Israel Greidinger are directors in both groups.

Details of subsidiaries held by the Group can be found in Note 28.

Company Statement of Financial Position
at 31 December 2016

	Note	31 December 2016 £m	31 December 2016 £m	31 December 2015 £m	31 December 2015 £m
Fixed assets					
Investments	28		**741.4**		646.9
Current assets					
Debtors	29	**343.2**		296.5	
Cash at bank		–		0.1	
		343.2		296.6	
Creditors: amount falling due within one year					
Interest-bearing loans, borrowings and other financial liabilities	30	**(13.1)**		(11.1)	
Other payables	31	**(118.1)**		(48.1)	
Bank overdraft		**(49.7)**		(27.3)	
		(180.9)		(86.5)	
Net current assets			**162.3**		210.1
Total assets less current liabilities			**903.7**		857.0
Creditors: amount falling due within one year					
Interest-bearing loans	30	**(307.7)**		(286.4)	
Net assets			**596.0**		570.6
Capital and reserves					
Called up share capital	20		**2.7**		2.7
Share premium account			**306.4**		295.7
Merger reserve			**207.3**		207.3
Profit and loss account			**81.2**		63.8
Hedging reserve			**(1.6)**		1.1
Shareholders' funds – equity			**596.0**		570.6

These financial statements were approved by the Board of Directors on 9 March 2017 and were signed on its behalf by:

Nisan Cohen
Director

Company Statement of Changes in Equity
for the Year Ended 31 December 2016

	Issued capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 31 December 2015	2.7	295.7	207.3	1.1	63.8	570.6
Profit for the year	–	–	–	–	66.2	66.2
Amounts reclassified from equity to profit and loss in respect of cash flow hedges	–	–	–	(1.9)	–	(1.9)
Other comprehensive income						
Items that will subsequently be reclassified to profit or loss						
Movement in fair value of cash flow hedge	–	–	–	0.5	–	0.5
Movement in net investment hedge	–	–	–	(1.3)	–	(1.3)
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	–	–
Contributions by and distributions to owners						
Dividends	–	–	–	–	(47.0)	(47.0)
Movements due to share-based compensation	–	–	–	–	(1.8)	(1.8)
Issue of shares	–	10.7	–	–	–	10.7
Balance at 31 December 2016	**2.7**	**306.4**	**207.3**	**(1.6)**	**81.2**	**596.0**

Notes to the Company Financial Statements

26. 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 Financial Review on pages 28 to 32 and the Risks and Uncertainties section on pages 22 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 32. 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.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional Balance Sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

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.

Deferred tax is recognised, without discounting, in respect of all temporary differences except as otherwise required by IAS 12.

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.

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.

Notes to the Company Financial Statements
continued

27. 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 £520,000 (2015: £509,000). See pages 54 to 72 for further details of Directors' emoluments.

28. Fixed Asset Investments

Company	Shares in Group undertakings £m
Balance at 31 December 2015	646.9
Additions	94.5
Balance at 31 December 2016	**741.4**
Net book value	
At 31 December 2015	646.9
At 31 December 2016	**741.4**

	Registered Office	Principal activity	Class	% of shares held
Subsidiary undertakings				
Directly Held				
Augustus 1 Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Holding company	Ordinary	100
Cinema City Holding B.V.	PO Box 1370 NL-3000 BJ Rotterdam The Netherlands	Holding company	Ordinary	100
Cinema Finco 1 Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Financing company	Ordinary	100
Cinema Finco 3 Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Financing company	Ordinary	100
Cinema Finco 4 Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Financing company	Ordinary	100
Indirectly Held				
Augustus 2 Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Holding company	Ordinary	100
Cineworld Holdings Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Holding company	Ordinary	100
Cine-UK Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operation	Ordinary	100
Cineworld Cinemas Holdings Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Holding company	Ordinary	100
Cineworld Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Holding company and cinema operation	Ordinary	100
Cineworld Estates Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema property leasing	Ordinary	100
Cineworld South East Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Holding company	Ordinary	100
Gallery Holdings Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Holding company	Ordinary	100
Gallery Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Dormant	Ordinary	100
Adelphi-Carlton Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Cinema operation	Ordinary	100

28. Fixed Asset Investments continued

	Registered Office	Principal activity	Class	% of shares held
Cineworld Cinema Properties Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Property company	Ordinary	100
Classic Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Retail services company	Ordinary	100
Digital Cinema Media Limited	350 Euston Road, London, NW1 3AX	Screen Advertising	Ordinary	50
Picturehouse Cinemas Limited (formerly City Screen Limited)	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (Bath) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (Brighton) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
CS (Brixton) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (Cambridge) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (Clapham) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
CS (Exeter) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
CS (Greenwich) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (Liverpool) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
CS (Norwich) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
Newman Online Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Software development and provider	Ordinary	100
City Screen (Oxford) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (Southampton) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (SOA) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (Stratford) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
Picturehouse Bookings Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Ticket booking operations	Ordinary	100
City Screen (Virtual) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
City Screen (York) Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Cinema operations	Ordinary	100
Picturehouse Entertainment Limited	8th Floor, Vantage London, Great West Road, Brentford,TW8 9AG	Film distribution	Ordinary	100
Cinema Finco 2	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Financing company	Ordinary	100

Notes to the Company Financial Statements
continued

28. Fixed Asset Investments continued

	Registered Office	Principal activity	Class	% of shares held
Basildon Cinema 2 Limited	2nd floor , The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema property leasing	Ordinary	100
Basildon Cinema Number Two 2 Limited	2nd floor , The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema Operations	Ordinary and Preference	100
Bromley Cinema 2 Limited	2nd floor , The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema Operations	Ordinary and Preference	100
Empire Cinema 2 Limited	2nd floor , The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema Operations	Ordinary and Preference	100
Hemel Hempstead Two Cinema 2 Limited	2nd floor , The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema Operations	Ordinary	100
Poole Cinema 2 Limited	2nd floor , The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema Operations	Ordinary and Preference	100
Cinema City Holdco (Hungary) K.F.T.	1132 Budapest, Váci út 22-24	Financing company	Ordinary	100
I.T. Planet Advertising Ltd	91 Medinat Hayehudim, Herzelia, Israel	Dormant	Ordinary	100
Norma Film Limited	91 Medinat Hayehudim, Herzelia, Israel	Cinema operations	Ordinary	100
Cinema Theatres Limited	91 Medinat Hayehudim, Herzelia, Israel	Cinema operations	Ordinary	100
Cinema-Phone Ltd	18 Haneviim, Haifa, Israel	Cinema operations	Ordinary	100
Forum Film Limited	91 Medinat Hayehudim, Herzelia, Israel	Cinema operations	Ordinary	100
IT Magyar Cinema Moziüzemeltető és Filmforgalmazó K.F.T.	1132 Budapest, Váci út 22-24	Cinema operations	Ordinary	100
Palace Cinemas Hungary K.F.T.	1132 Budapest, Váci út 22-24	Cinema operations	Ordinary	100
Forum Hungary K.F.T.	1132 Budapest, Váci út 22-24	Cinema operations	Ordinary	100
New Age Cinema K.F.T.	1132 Budapest, Váci út 22-24	Advertising	Ordinary	100
Seracus Limited	Prodromou, 75 1st floor, Flat/Office 101 Strovolos, 2063, Nicosia, Cyprus	Holding company	Ordinary	100
Forum 40 Fundusz Inwestycjny Zamkniety	Zabłocie street No 25/20 Post code 30-701, City Kraków, Poland	Holding company	Ordinary	100
All Job CC sp. Zoo. SJ	CC SP.ZO.O. SP.J. UL. WOŁOSKA 12 02-675 WARSZAWA NIP 521-33-62-959 KRS- 0000493229	Cinema operations	Ordinary	100
CC Sp. Zoo	UL. FOSA 37 02-768 WARSZAWA NIP 521-33-04-554 REGON: 015805025 KRS- 0000217016	Fund general partner	Ordinary	100

28. Fixed Asset Investments continued

	Registered Office	Principal activity	Class	% of shares held
Cinema City Poland CC sp. Zoo SJ	UL. FOSA 37 02-768 WARSZAWA NIP 521-30-97-055 KRS- 0000493032	Cinema operations	Ordinary	100
Cinema City Poland spolka komandytowa sp. Zoo (Poland)	UL. FOSA 37 02-768 WARSZAWA NIP 521-30-97-055 KRS- 0000493032	Cinema operations	Ordinary	100
Forum Film Poland CC Sp. Zoo SJ	CC SP.Z O.O SP.J. UL. WOŁOSKA 12 02-675 WARSZAWA NIP 521-32-47-566 KRS- 0000493092	Film distribution	Ordinary	100
I.T. Poland Development 2003 CC sp. Zoo SJ	UL. FOSA 37 02-768 WARSZAWA NIP 982-02-32-895 KRS- 0000493402	Cinema operations	Ordinary	100
New Age Media CC sp. Zoo SJ	UL. POWSIŃSKA 31 02-903 WARSZAWA 522-26-16-744 KRS- 0000493146	Advertising	Ordinary	100
Entertainment SCSp	39 Avenue John F. Kennedy, L-1855, Luxembourg	Holding company	Ordinary	100
Film SCSp	39 Avenue John F. Kennedy, L-1855, Luxembourg	Holding company	Ordinary	100
Hollywood SCSp	39 Avenue John F. Kennedy, L-1855, Luxembourg	Holding company	Ordinary	100
Star SCSp	39 Avenue John F. Kennedy, L-1855, Luxembourg	Holding company	Ordinary	100
Studio SCSp	39 Avenue John F. Kennedy, L-1855, Luxembourg	Holding company	Ordinary	100
Cinema City Czech s.r.o.	Arkalycká 951/3 149 00 Praha 4	Cinema operations	Ordinary	100
Forum Film Czech s.r.o.	Arkalycká 951/3 149 00 Praha 4	Film distribution	Ordinary	100
Forum Home Entertainment Czech s.r.o.	Arkalycká 951/3 149 00 Praha 4	Film distribution	Ordinary	100
Cinema City Slovakia s.r.o.	Einsteinova 20 851 01 Bratislava	Cinema operations	Ordinary	100
Forum Film Slovakia s.r.o.	Einsteinova 20 851 01 Bratislava	Film distribution	Ordinary	100
Cinema City Bulgaria EOOD	45 Bregalnitza Str, 5 floor Vazrajdane Region Sofia 1303, Bulgaria	Cinema operations	Ordinary	100
Forum Film Bulgaria EOOD	45 Bregalnitza Str, 4 floor Vazrajdane Region Sofia 1303, Bulgaria	Film distribution	Ordinary	100
Cinema City Romania SRL	13 Ana Davila street, Sector 5, Bucharest 050491 Romania	Cinema operations	Ordinary	100
Forum Film Romania SRL	13 Ana Davila street, Sector 5, Bucharest 050491 Romania	Film distribution	Ordinary	100

Notes to the Company Financial Statements
continued

28. Fixed Asset Investments continued

	Registered Office	Principal activity	Class	% of shares held
New Age Media Romania SRL	13 Ana Davila street, Sector 5, Bucharest 050491 Romania	Advertising	Ordinary	100
Cinema City Cinemas sp. Zoo	UL. FOSA 37 02-768 WARSZAWA NIP 521-33-04-554 REGON: 015805025 KRS- 0000217016	Group services	Ordinary	100
Northfleet sp. Zoo	UL. FOSA 37 02-768 WARSZAWA NIP 521-33-04-554 REGON: 015805025 KRS- 0000217016	General partner	Ordinary	100

29. Debtors

	31 December 2016 £m	31 December 2015 £m
Amounts due from subsidiary undertakings	**343.2**	296.5

30. Interest-Bearing Loans, Borrowings and Other Financial Liabilities

	31 December 2016 £m	31 December 2015 £m
Non-current liabilities		
Unsecured bank loan, less issue costs of debt to be amortised	**307.1**	285.4
Interest rate swaps	**0.6**	1.0
	307.7	286.4
Current liabilities		
Unsecured bank loans, less issue costs of debt to be amortised	**12.6**	10.5
Interest rate swaps	**0.5**	0.6
	13.1	11.1

For details of interest bearing loans, borrowings and other financial liabilities see Note 17.

31. Creditors: Amounts Falling Due Within One Year

	31 December 2016 £m	31 December 2015 £m
Amounts due to subsidiary undertakings	**80.6**	46.5
Deferred consideration	**37.0**	–
Accruals	**0.5**	1.6
	118.1	48.1

Fair Values

Fair value disclosures for debtors and creditors have not been prepared on the basis that their carrying amount is a reasonable approximation to fair value.

32. Share-Based Payments

See Note 18 to the Group financial statements.

Shareholder Information
as at 31 December 2016

Directors

A H Bloom	(Non-Executive Director and Chairman)
M Greidinger	(Chief Executive Officer)
I Greidinger	(Deputy Chief Executive Officer)
R Senat	(Non-Executive Director and Senior Independent Director)
J Southern	(Non-Executive Director)
M King	(Non-Executive Director)
S Rosenblum	(Non-Executive Director)
A Samuelsson	(Non-Executive Director)
A Kornasiewicz	(Non-Executive Director)

Head Office
8th Floor
Vantage London
Great West Road
Brentford TW8 9AG

Telephone Number
020 8987 5000

Website
www.cineworldplc.com

Place of Incorporation
England and Wales

Company Number
Registered Number: 5212407

Registered Office
8th Floor
Vantage London
Great West Road
Brentford TW8 9AG

Final Dividend – 2016

Announcement	9 March 2017
Ex Dividend	25 May 2017
Record Date	26 May 2017
Payment Date	22 June 2017

Auditor
KPMG LLP
15 Canada Square
London E14 5GL

Joint Brokers
Barclays Bank Plc
1 Churchill Place
London E14 5HP

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Legal Advisers to the Company
Slaughter and May
1 Bunhill Row
London EC1Y 8YY

Notes

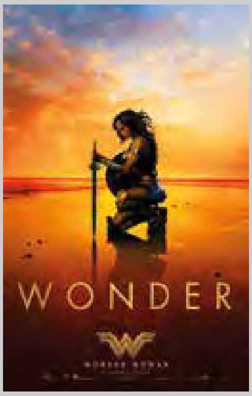
Notes

Upcoming releases
for 2017

Guardians Of The Galaxy Vol 2
April

Alien: Covenant
May

Pirates Of The Caribbean: Salazar's Revenge
May



Wonder Woman
June

Transformers: The Last Knight
June

Despicable Me 3
June

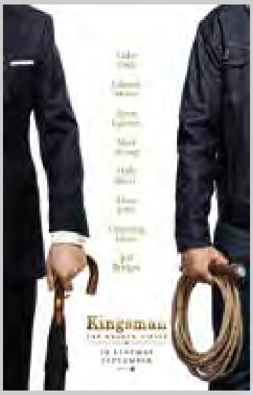
Spider-Man: Homecoming
July

War For The Planet Of The Apes
July

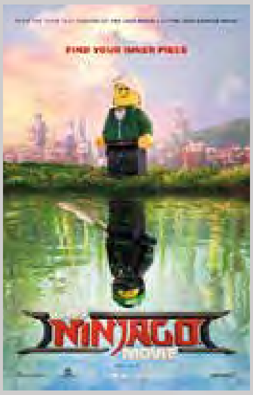
Dunkirk
July

Valerian And The City Of A Thousand Planets
August

It
September



Kingsman: The Golden Circle
September



The LEGO Ninjago Movie
October

Paddington 2
November

Justice League
November

Star Wars: The Last Jedi
December

Designed and produced by Emperor
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Group plc

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Vantage London
Great West Road
Brentford TW8 9AG
020 8987 5000

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