Cineworld
Group plc

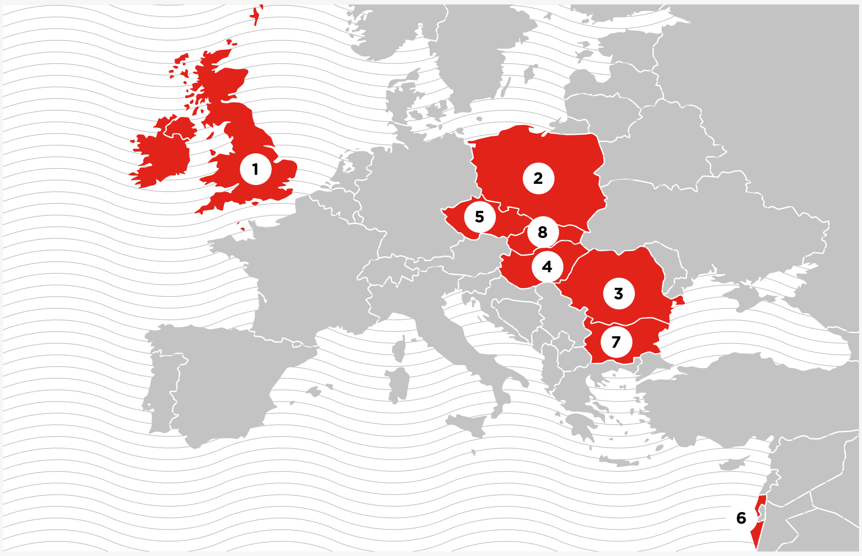
The best place to watch a movie

Cineworld Group plc Annual Report and Accounts 2017

An International Cinema Chain

We are an international cinema chain operating in **nine different territories** with **232 sites** and **2,217 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"**.

Theatre operations



	Country	Total no. of sites	Total no. of screens	No. of screens opened in 2017	No. of 4DX screens	No. of IMAX screens
1	UK & Ireland	120	1,081	56	16	21
2	Poland	35	385	31	6	6
3	Romania	25	231	8	4	2
4	Hungary	18	157	–	2	1
5	Czech Republic	14	133	18	3	1
6	Israel	11	136	12	4	3
7	Bulgaria	6	65	–	2	1
8	Slovakia	3	29	–	1	–
	Total	**232**	**2,217**	**125**	**38**	**35**

Brief history

1995
Cineworld Group plc was founded.

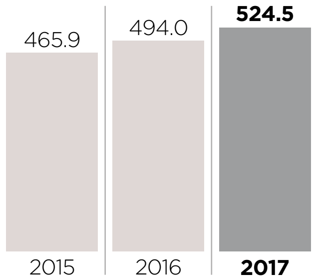
2007
The Group listed on the London Stock Exchange in May 2007. Currently, Cineworld Group plc is the only quoted UK cinema business.

2012
The Group acquired the arts chain of cinemas, Picturehouse.

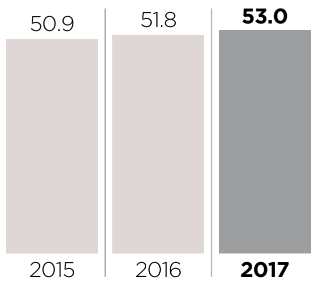
2014
The Group completed the combination with the cinema business of Cinema City International N.V. Cinema City started as a family business in 1931, with the first cinema opened in Haifa, Israel. In 2014 Cinema City had 99 sites and 966 screens across seven territories.

Following the combination with Cinema City in 2014, a total of 30 sites and 358 screens were added to the Group.

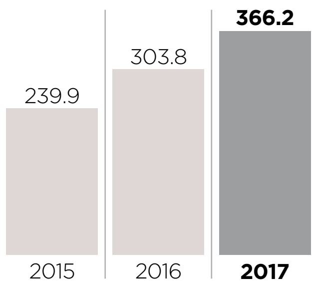
UK&I revenue £m
+6.2%



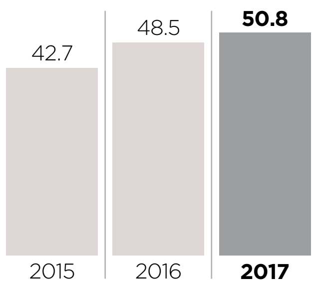
UK&I admissions m
+2.3%



ROW revenue £m
+20.5%



ROW admissions m
+4.7%



We operate four brands across the Group

cineworld

Quick facts

1,010
screens

98
sites

Overview

Cineworld cinemas are modern, well designed multiplexes with high quality technology, stadium seating, and online ticketing services. The sites are mostly in leisure and retail parks. Cineworld offers the "Unlimited" subscription card which allows unlimited viewings per month. Refurbishment of older sites, investment in new technologies and diversification of retail offerings are a key focus for the Cineworld brand. Cineworld is the only exhibitor in the UK to offer the 4DX experience, which includes motion seats and environmental effects.

Picture house

Quick facts

71
screens

22
sites

Overview

Picturehouse is a high quality arthouse chain with a cosy atmosphere, freshly-cooked food, bars and hosts events. Picturehouse cinemas generally have five screens or fewer and are high quality and of architectural merit. Picturehouse operates in 13 towns and cities, with eight sites located in London. The Picturehouse membership scheme includes discounts on tickets, access to exclusive previews and special events. The Picturehouse team works with independent movie creators and hosts movie festivals and other events.

CINEMA CITY

Quick facts

1,000
screens

101
sites

Overview

Cinema City operates in six European territories. The cinemas are modern, well designed multiplexes. Cinema City works with local communities to provide international and local productions. The cinemas have some of the highest screen/site ratios in the world, stadium seating and technologies such as IMAX, 4DX and VIP offerings. Constant renovation of the circuit takes place, and new sites are developed to maximise Cinema City's potential.

yes PLANET

Quick facts

136
screens

11
sites

Overview

Yes Planet and Rav-Chen are the two brands which the Group operates in Israel. Yes Planet is the market leader, operating state-of-the-art multi and mega-plex cinemas which include IMAX, 4DX, Superscreen and VIP offerings. Rav-Chen cinemas are a smaller version of the multiplexes. The style and design of the cinemas is contemporary 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.

Our Purpose

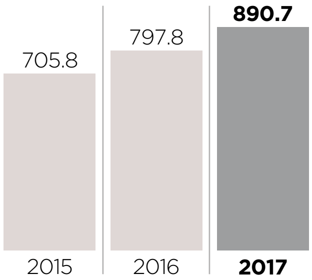
To provide our customers with a choice of how to watch a movie, in modern state-of-the-art cinemas with the latest technology and a variety of retail offerings, all underpinned by great customer service.

Visit our website

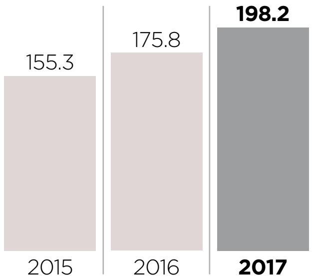
For more information visit:
www.cineworldplc.com

Another year of record progress

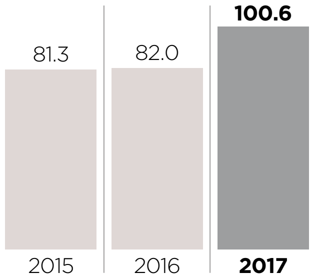
Group revenue £m
+11.6%



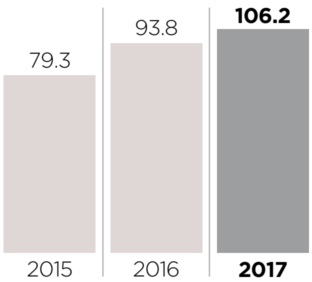
Adjusted EBITDA[1] £m
+12.7%



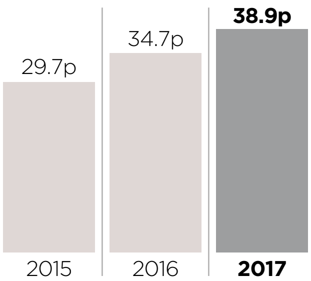
Profit after tax £m
+22.7%



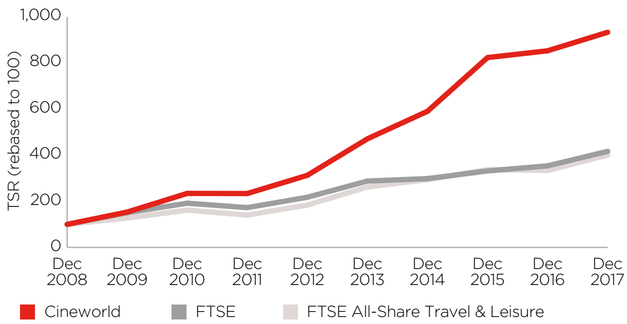
Adjusted profit after tax[2] £m
+13.2%



Adjusted diluted EPS (before rights adjustment)[2] p
+12.1%



Total Shareholder Return



p26 Chief Financial Officer's Review

Key Financial Highlights

- Group revenue growth of 11.6% on a statutory basis and 8.0% on a constant currency basis[3]:
  - Solid UK and Ireland revenue growth of 6.2%.
  - Strong ROW[4] revenue growth of 20.5% on a statutory basis and 10.7% on a constant currency basis.
- Adjusted EBITDA double digit growth of 12.7%, 7.4% on a constant currency basis.
- Statutory profit before tax increased 22.7% to £120.5m.
- Adjusted profit before tax[2] increased by 14.5% to £127.5m.
- Basic EPS (rights adjusted)[5] increased by 19.7% to 16.4p.
- Adjusted diluted EPS (rights adjusted)[5] increased by 12.3% to 17.3p.
- The Group maintained its dividend pay-out ratio for another year, increasing the full year cash dividend paid by 14.5%.
- Net cash generated from operating activities of £184.8m.
- Net debt reduced to £278.3m with Adjusted EBITDA to net debt ratio reduced at 1.4 times.

Operational Highlights

- Growth in total admissions of 3.5% to 103.8m.
- Acquisition of 16 screen Empire Newcastle site completed.
- Nine new site openings, four in the UK and five in the ROW, adding 109 screens, bringing the total number of screens to 2,217 at 31 December 2017.
- Six major refurbishments completed in 2017, four in the UK and two in the ROW.
- Leading technological innovation with two new IMAX screens and 11 new 4DX screens.
- Announcement in December and completion post year end of the acquisition of Regal Entertainment Group, making Cineworld the second largest cinema chain in the world (by number of screens).

p10 Chief Executive Officer's Review
p16 Strategy and Key Performance Indicators

(1) Adjusted EBITDA is defined as Operating profit before depreciation and amortisation, onerous leases and other non-cash items, impairments and reversals of impairments, transaction and reorganisation costs, gains and losses on disposals of assets and subsidiaries and the settlement of the defined benefit pension liability. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance; items adjusted to arrive at Adjusted EBITDA are considered to be outside of the Group's ongoing trading activities.

(2) Adjusted profit before tax is calculated by adding back amortisation of intangible assets (excluding acquired movie distribution rights), and certain non-cash items and foreign exchange as set out in Note 5 to the financial statements. Adjusted profit before tax is used an internal measure 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.

(3) To provide information on a comparable basis, where percentage change vs prior year information includes performance generated in currencies other than Sterling, the percentage is presented on a constant currency basis. Constant currency movements have been calculated by applying the 2017 average exchange rates to 2016 performance.

(4) ROW is defined as the Rest of the World and includes Poland, Israel, Romania, Hungary, Czech Republic, Bulgaria and Slovakia.

(5) In accordance with IAS33 the basic and diluted EPS figures have been adjusted for the bonus element rights issue as part of the Regal Entertainment Group acquisition.

Technological leaders

We are technological leaders in the industry, offering our customers the latest audio and visual technology.

We invest in a wide range of new and exciting technologies including digital laser projectors, 4DX and IMAX screens.

p17 For more information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Engaged employees

Our people are the face of our business. They are focused on ensuring that our customers receive the best experience from the very start of their cinema visit.

Learning, development and employee engagement are areas of which we are immensely proud. We are committed to ensuring our people have the opportunity to develop themselves and reach their full potential.

p23 For more information

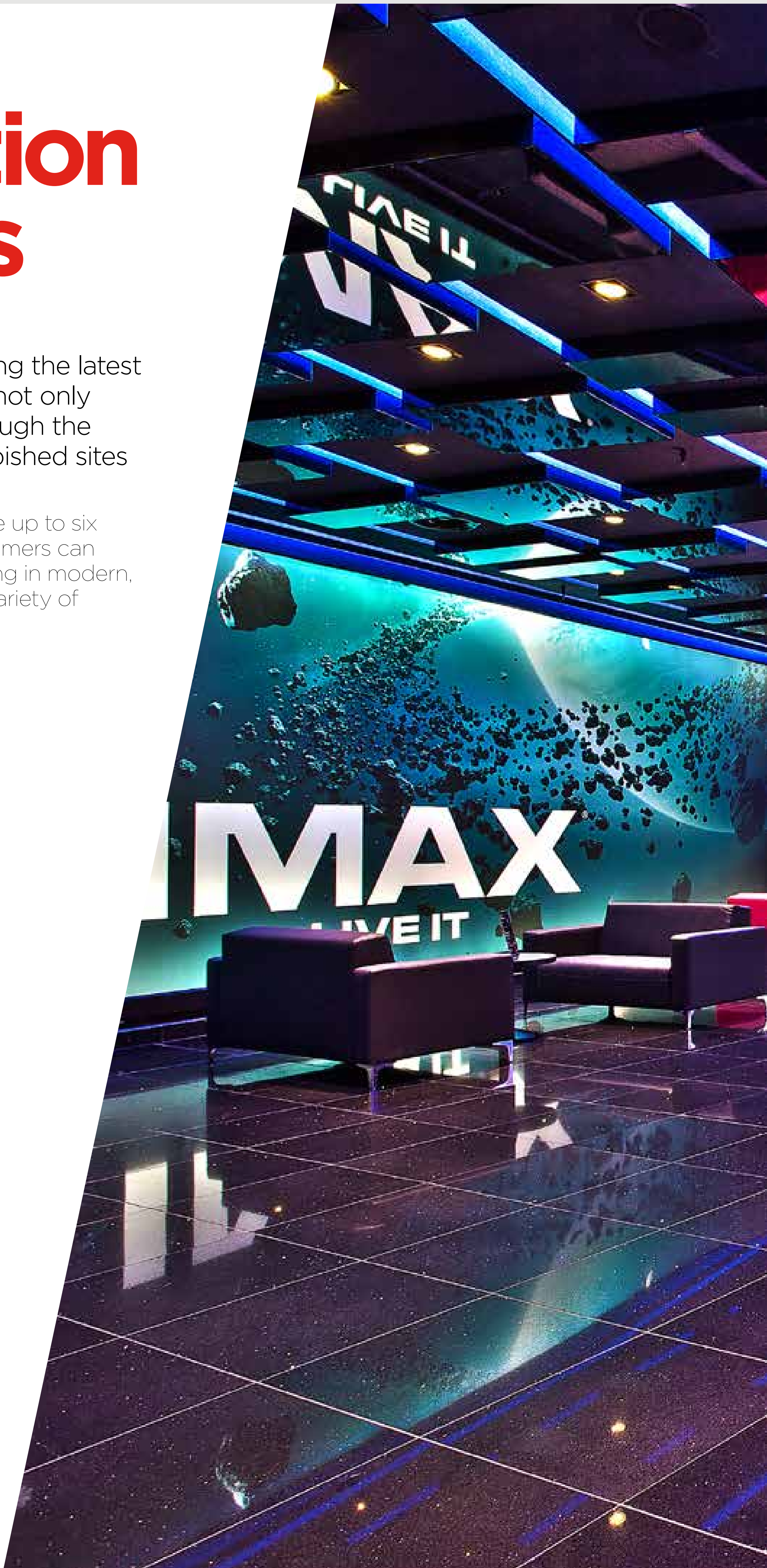

cineworld

Next generation cinemas

We are always striving to bring the latest innovation to our cinemas – not only through technology but through the design of our new and refurbished sites and retail offerings.

Our next generation cinemas have up to six different formats of how our customers can watch a movie with stadium seating in modern, well designed multiplexes and a variety of retail offerings.

p16 For more information




PIXAR
COCO
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Another record year

Overview
2017 was an exciting year for the Cineworld Group – the most momentous since its formation in 1995.

For the year ended 31 December 2017, the Group's operations in the UK and ROW once again posted record results and then in December we announced the acquisition of Regal Entertainment Group ("Regal") which successfully completed on 28 February 2018.

Group revenue for the year increased by 11.6% to £890.7m (2016: £797.8m), and Adjusted EBITDA rose to £198.2m (2016: £175.8m). The strong operating performance was driven by the implementation of the Group's Operating Strategic Plan, adopted by the Executive Management Team in 2014 after the combination with Cinema City. This entails:

- opening new cinemas in areas which were considered to have the potential to achieve double digit growth rates;
- the pursuit of suitable acquisition opportunities;
- the refurbishment of the existing estate by introducing state-of-the-art design and installing the latest cutting edge screening and other technology;
- a consistent focus on reducing costs;
- implementing a continuous programme to optimise the customer experience; and,
- ensuring that we live up to our vision to be "The Best Place To Watch a Movie".

I am pleased to report that these objectives were met during the year and we will continue with their implementation in the UK, ROW and US in the forthcoming year.

As at 31 December 2017, the Group's Balance Sheet was strong with the Adjusted EBITDA to net debt ratio at 1.4 times. It should be noted that this ratio significantly decreased in the four years after the Cinema City transaction, an achievement demonstrating the strong cash flows in the business and an ability to reduce debt, which is likely to have played a major part in the willingness of our banks to provide the finance and underwriting arrangements for the Regal transaction.

On the strength of the Balance Sheet and an increase in statutory profit after tax to £100.6m (2016: £82.0m), the Board increased the cash dividend paid for the full year by 14.5%. The proposed final dividend per share is 15.4p (3.1p on a rights adjusted basis).

Regal Acquisition
The acquisition of Regal completed on 28 February 2018. Due to the size of the proposed acquisition it was classed as a reverse takeover under the Listing Rules.

The acquisition of Regal will provide Cineworld with a major presence in the US cinema market, the largest box office market in the world. The North American box office grossed over US$11.0bn in 2016 with annual attendance of approximately 1.3bn, and represented approximately 29% of global box office revenue. The US cinema market is also of major importance as the home to some of the world's largest and most influential movie production studios.

Following completion, the enlarged Group became a global cinema exhibition business of significant scale, with operations in ten countries covering an addressable market of approximately 500m people. In the 12 months to 30 June 2017, the enlarged Group would have had over 310m annual admissions, pro forma revenues of US$4,370m (£3,173m) and pro forma Adjusted EBITDA of US$907m (£659m). As at 16 January 2018 the enlarged Group would have had 9,538 screens across the US and Europe, making it the second largest operator in the world (by number of screens).

The enlarged Group's diverse geographic footprint will help to mitigate year on year volatility in the global cinema industry resulting from regional, economic, weather and movie performance variables and enable the Group to diversify its movie offerings. The Board believes that the enlarged Group will generate strong total returns for shareholders through top-line growth, delivery of operational improvements and dividends.

The Regal acquisition is an ambitious and bold move which was very carefully considered by the Board which took a wide array of advice from professionals in the accounting, legal, strategic consultancy and environmental fields. We are confident that there is significant potential for value creation, and I have high expectations for the future of the Group. It is particularly gratifying that the Regal acquisition received strong support from our shareholders – 87.3% of votes cast were in favour of the acquisition at the General Meeting on 2 February 2018, and a 96.3% acceptance rate in respect of the subsequent rights issue.

Board and Management

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

I would like to express appreciation to our Executive Management Team and all the Group employees for their dedication, commitment and hard work during the year. They are competently led by our CEO, Mooky Greidinger, and Israel Greidinger, our Deputy CEO – whose experience, competence and professionalism are recognised throughout the industry. Importantly they are substantial shareholders in the Company and accordingly their interests are fully aligned with those of all shareholders. Their confidence in the Regal acquisition was demonstrated by the fact that they took up all their rights in the rights issue by the Company.

Complementing them is a highly dedicated team of Senior Management at the Vice President level who have a long tenure within the Group. This deep experience in the industry is invaluable.

Our management and employees are our greatest asset and performed exceptionally well during the 2017 financial year – it was a significant achievement to produce record results and at the same time to identify, negotiate and complete a $3.4bn acquisition in the US.

The following Board changes took place at the start of the year:

- 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.
- Nisan Cohen was appointed as Chief Financial Officer and joined the Board as an Executive Director. Nisan has been part of the Cineworld Group, and formerly the Cinema City Group for 17 years.
- Dean Moore, the previous interim Chief Financial Officer, 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 was 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.

It has been a pleasure working with both Nisan and Dean during 2017 as they took on their new roles.

Outlook

As we go into 2018, I look forward with confidence at the prospects for the enlarged Group. We will have an excellent geographically diversified estate, and the movie release slate looks strong. We will continue to implement our strategic objectives in the UK and ROW, and begin to implement them in the US. We will focus on maximising cash flow to expand and refurbish our cinemas, while at the same time reducing borrowing levels and maintaining our well established dividend policy. I am aware that this is a formidable challenge but am confident that we have the people and resources to meet it.

Anthony Bloom
Chairman
15 March 2018

Ipswich pre and post refurbishment in 2017.

A strategy that delivers real results

Our Strategy

2017 has seen the Group make great strides in delivering on our strategy and vision to be "The Best Place to Watch a Movie".

Our strategy is to:

- deliver the best cinema experience for all cinemagoers every time – give our customers a choice of how to watch a movie, with a range of retail offerings, all underpinned by the best customer service;
- be technological leaders in the industry – to offer the latest audio and visual technology;
- expand and enhance our estate – to provide consistent, high quality, modern cinemas; and,
- drive value for shareholders – by delivering our growth plans in an efficient and effective way.

An overview of our key achievements in 2017 is provided below.

Customer Experience

We want to provide our customers with a choice of how to watch a movie. Our cinemas offer up to six different formats of how to watch movies: regular screens, 3D, 4DX, IMAX, Superscreen and VIP offerings. Through both our expansion and our refurbishment programme, we are focused on ensuring as many of our sites provide a range of these formats for our customers.

We believe it's the Tiny Noticeable Things that our people do which make the difference to our customers' experience. We want to ensure our customers return to our cinemas again and again. We are very proud of our internal training programmes. We are committed to ensuring our people have the opportunity to develop themselves and reach their full potential. We continue to nurture our talent and promote internally wherever possible.

Integral to our people strategy is our fair wage policy – we are among the highest payers in the industry and we pay more than our statutory obligations, across all age groups and in all territories.

As well as developing our exhibition offerings and ensuring first class customer service 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 2017, the Group has opened five new Starbucks coffee outlets in the UK, in Hemel Hempstead, South Ruislip, Solihull, Basildon and Leeds, taking the total number to 29 at 31 December 2017. We have expanded the number of VIP locations 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 locations were opened during the year in Zichron (Israel), Chodov (Czech Republic) and Wroclaw (Poland). At 31 December 2017 we had 12 VIP locations across 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 strongly during 2017.

Our wider communities are also important to us. Every year we undertake a range of activities and initiatives with charities, schools and community groups. We were proud to partner with the BBC's Children in Need fundraising initiative for the second year, where we raised over £450,000.

Technology and Innovation

We continued to invest in the latest audio and visual technology to ensure we remain fit for the future. In 2017 we opened a further 11 4DX screens, seven in the UK and four across the ROW, two IMAX screens, one in the UK and one in the ROW, and two Superscreens in the UK. Many customers have now experienced 4DX in the UK since we launched the first screen in Milton Keynes in 2015. The 4DX experience is constantly evolving to give cinema-goers an even more immersive experience.

In the UK, more tickets are now purchased online than in our cinemas, with 20% of the online purchases being made on mobile applications.

Expansion and Refurbishments

We opened nine additional cinemas, a total of 109 screens, during 2017, four in the UK and five in the ROW.

One year on from the acquisition of the five Empire cinemas we have completed the refurbishment of Hemel Hempstead, which now includes a Starbucks, and Basildon, which now has a 4DX screen and a Starbucks, and we have started work on the Leicester Square and Bromley sites.

We have continued to proactively manage our existing estate through our refurbishment and selective site closure programme. During 2017 we completed four refurbishments in the UK and two in Poland. At the year end there were a number of refurbishments ongoing, including two in London, in Leicester Square and The O2.

During 2017, we closed three sites, two in the UK (Chelsea and Stockport) and one in the ROW (MOM Park, Hungary) as the lease terms expired and it was not commercially beneficial or feasible to renew these leases. We also handed over the Haymarket site in the UK to Empire as part of the agreed 2016 Empire acquisition consideration.

We have a further 75 screens scheduled to open in 2018. New sites will be opened across both the UK and ROW.

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 growth in revenue and earnings, for selective merger and acquisition opportunities and to grow the dividend. During 2017 we have been able to reward shareholders with growth of 12.3% in the rights adjusted, adjusted diluted earnings per share. The Group maintained its dividend pay-out ratio for another year, increasing the full year cash dividend paid by 14.5%. The proposed final rights adjusted dividend is 3.1p per share.

Future Outlook

Towards the end of 2017 we announced the Regal acquisition which completed on 28 February 2018. Cineworld Group is now the second largest circuit in the world operating over 9,500 screens in almost 800 locations in ten countries. Although a huge challenge, we as management are confident that our team together with the Regal team will successfully lead the Group to new achievements. Through our success and experience in the UK we have learnt and proved that the potential in a mature market is at least as big as in the emerging markets.

The US is the biggest cinema market in the world and we believe that by combining new sites with refurbished sites to enhance the "cinema experience" for our customers this new addition will be a great success. In addition we are finalising our integration plan which has already started, and we are confident in achieving our goals on both sides of the Atlantic.

Through the year the media paid a lot of attention to the early P-VOD release period, known as the "window". Despite many rumours and much speculation it seems now that most of the big players in the industry support and believe in the importance of the cinemas being the platform to exclusively release movies. I believe the studios will continue to provide great content, while our commitment is to provide the infrastructure and the great service that will keep the big screen as the best way to watch a movie.

There is a strong movie slate for 2018, which includes "Jurassic World: Fallen Kingdom", "Fantastic Beasts: The Crimes of Grindelwald", "Avengers: Infinity War", "Incredibles 2", "Mamma Mia! Here We Go Again", "Solo: A Star Wars Story", "Deadpool 2", "Fifty Shades Freed", "Mary Poppins Returns" and many more.

Without our motivated and engaged teams we would not be able to achieve our vision 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 across all departments and territories during 2017. I look forward to continuing to work alongside the existing and enlarged team in 2018.

Moshe Greidinger
Chief Executive Officer
15 March 2018

Our values and culture

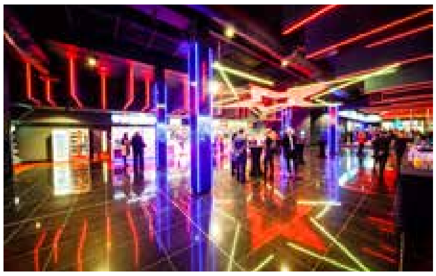
Underpinning our strategy and vision are the Group's values and cultures. These focus on us having an energy and passion for all aspects of our business.

Passion for our people

We are passionate about nurturing our talent and aim to promote internally wherever possible.

Passion for innovation

We are passionate about providing the latest technology and being leaders in the industry.



Passion for achieving

We are passionate about reaching our goals, both financial and non-financial, to make us "The Best Place to Watch a Movie".

p23 Resources and Relationships

Addressing our biggest opportunities and challenges

Market drivers	What is happening?	The impact
Technology and innovation	Developments in technology have brought new innovative audio and visual experiences to the cinema industry.	Technology impacts the whole customer journey from booking tickets to purchasing concessions as well as the audio and visual experience. The digitalisation of cinemas has resulted in both a greater range of films being offered and also the streaming of live events such as opera, theatre and ballet.
Property market and development	The rate of new cinema openings is often 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.	The local market conditions impact the rate and feasibility of new openings as well as which sites which can be refurbished.
Market maturity	Where a market is in the maturity continuum this impacts the level and trend of cinema admissions per capita.	The more 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 expansion potential for the Group.
Competing media and leisure activities	Throughout the decades the cinema industry has always faced competition from other forms of media delivering content, for example video, DVD and Blu-ray.	Although online streaming and downloading of films at home is increasingly popular, an outing to the cinema provides a unique experience which cannot be replicated at home, especially with superior experiences offered by technologies such as IMAX and 4DX. 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. Visiting the cinema remains a convenient, affordable out-of-home activity, especially when compared with other leisure activities such as concerts and sporting events.
GDP and the economic environment	The cinema industry is dependent on 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 cinema industry 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.
Consolidation of the industry	The cinema industry globally has recently seen an increase in acquisition activity and consolidation within the market.	In 2016 AMC Entertainment acquired Odeon in the UK and the Nordic Cinema Group in Stockholm. In Europe, 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.
Cinematic window	There have been ongoing discussions for a number of years about the cinematic window, the period between the release of a film in a cinema and on any other platform.	A material reduction in the cinematic window could reduce the cinema admissions per capita.

How our strategy is optimised to respond

Investment in technology is key pillar of the Group's strategy – we want to be leaders in this field. The Group was the first to launch 4DX in the UK in 2015 and continues to invest and open more 4DX, IMAX and Superscreens every year. The Group is continually reviewing and analysing the latest technology available to ensure the right technology is selected.

The Group is also evolving its IT systems to provide customers with the ability to book online more easily and through mobile applications.

The Group has been successful in opening 17 new sites over the past two years. As the estate is generally older in the mature markets, refurbishment of existing cinemas, in particular in the UK, is a key focus for the Group. Where there are site closures, especially of older sites in the UK, this also provides further opportunities for new investments.

The geographic spread of the Group provides diversification benefits and opportunities across both the more mature and growth markets. This includes the opportunity to open new sites as well as refurbish older sites, particularly in the more mature markets where the estate is generally older.

The Group continues to invest in new technology to ensure the experience is unique while remaining an affordable activity for the whole family. Going to the cinema has also become more than just watching a movie, and that is why the Group has invested in its retail offerings such as Starbucks and our VIP offerings.

The Group monitors local and national markets to ensure ticket and concession prices remain a competitively priced form of entertainment. The Group invests in both the estate and technology to ensure customers receive a positive experience during every visit while getting value for money.

The Group's strategy includes identifying potential profitable opportunities to grow and expand the business. This has included the acquisition of five Empire cinemas in the UK in 2016 and the Empire Newcastle cinema in 2017.

Following completion of acquisition with Regal post year end the enlarged Group is now the second largest operator in the world (by number of screens).

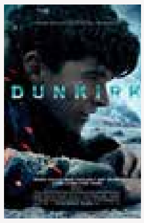
There is no expectation that the current cinema window will significantly change in the near future, however, the Group continually monitors the status of this and regularly engages with the distributors to discuss this subject.

p16 Strategy and Key Performance Indicators
p19 Principal Risks and Uncertainties

Top ten grossing films for the UK and UK box office totals

£72m
Beauty and the Beast

£68m
Star Wars: The Last Jedi



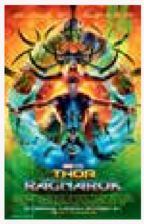
£57m
Dunkirk

£48m
Despicable Me 3

£41m
Guardians of the Galaxy Vol. 2

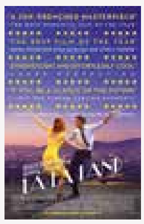
£38m
Paddington 2

£32m
It



£31m
Thor: Ragnarok

£30m
Spider-Man: Homecoming

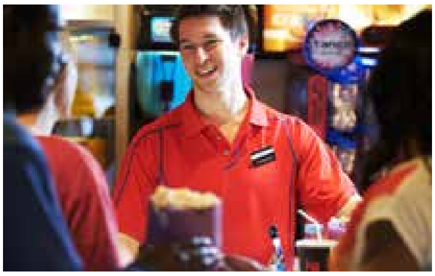


£30m
La La Land

Creating long-term value

Our vision
To be "The Best Place to Watch a Movie".

Our purpose
To provide our customers with a choice of how to watch a movie, in modern state-of-the-art cinemas with the latest technology and a variety of retail offerings, all underpinned by great customer service.



5. What we do, we do well
We have optimal management structures supported by effective staff planning in our cinemas allowing teams to be focused on operational excellence and maximising face time with customers. We believe it's the Tiny Noticeable Things that our people do which make the difference.

p23 For more information

4. Innovation
We are always striving to bring the latest innovation to our cinemas – not only through technology but through the design of our new and refurbished sites and retail offerings. We achieve this through the considerable in-house experience we have across our teams.

Our business is underpinned by

Our people
Our people are the face of our business. They are focused on ensuring that our customers feel more from the very start of their cinema experience. A well established training and development programme is used to maintain and continually improve standards.

p23 For more information

Our trusted commercial relationships
Delivering a high quality film slate is one of the key external drivers of our business. While we do not have control over the content, 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.

p23 For more information

Our financial strength
Focus on cost enables us to maintain healthy margins, which in turn drives the cash flow needed to continue to invest in and expand our estate. This continued investment ensures that we are able to reach as many customers as possible with the high quality experience we believe in. We manage investment in our estate in conjunction with the maintenance of a strong Balance Sheet, making the business financially secure, flexible and able to make returns to shareholders.

p26 For more information

1. Diversification of markets and brands

The geographic spread of our business reduces exposure to volatility in individual markets. It also provides opportunities across both mature and growth markets. In the UK we also cater for different consumer tastes with our combination of modern multiplexes and arthouse cinemas.

IFC For more information

2. Latest technology

We are technological leaders in the industry, offering our customers the latest audio and visual technology. We have six different formats in which our customers can watch a movie: regular screens, 3D, 4DX, IMAX, Superscreen and VIP auditoriums. We set our prices according to the format the customer chooses and not the movie they choose.

38 4DX screens

35 IMAX screens

12 VIP auditoriums

3. Our Unlimited programme

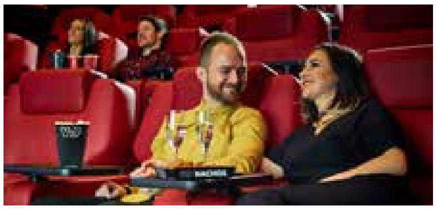
We continue to run the longest standing loyalty scheme of its type in the UK market, Unlimited. Our UK customers' positive reaction to the scheme led us to extend it to our Polish market at the end of 2015.

Risk management and governance

Maintaining and monitoring an effective system of risk management and internal control ensures that our business, people and assets are safeguarded and that material financial errors and irregularities are prevented or detected.

p18 For more information

Value for our Stakeholders



Customers

By delivering our vision to be "The Best Place to Watch a Movie", we are ensuring that our customers feel more and will want to come back to our cinemas again and again.

3.5% admission growth year on year

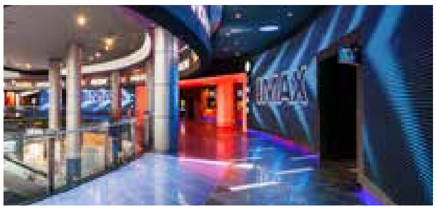
Wider communities

We give back to our local communities through a range of activities and initiatives from partnering with distributors on charity screenings, providing free shows for organisations and working with local schools and organisations. For the second year we have partnered with BBC's Children in Need, raising £450,000.

Employees

The investment we make in our people, particularly through learning and development and the way we operate is key to maintaining our happy and motivated workforce.

8 years average length of manager service



Investors

We remain focused on driving revenues, increasing earnings and prudently managing our cash position, to ultimately provide returns to shareholders. 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.

+12.7% Adjusted EBITDA growth

p26 For more information

The right strategy to grow our business

Provide the best cinema experience

...to give our customers a choice of how to watch a movie, with a range of retail offerings, all underpinned by the best customer service

Our people are key to delivering a great 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 them, the type of venue they watch them in and a variety of retail offerings provided to cater for all demographics.

What we achieved

→ Admissions continued to grow in both the UK and ROW.

→ Opened five new Starbucks sites in the UK.

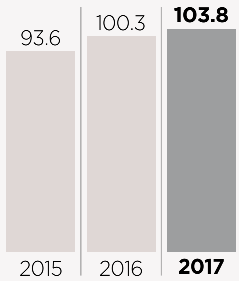
→ Opened three new VIP locations.

→ Our "BeMore" programme, which supports our top talent displaying potential and fulfils our internal succession requirements, saw the promotion of 21 junior managers.

Measuring our progress

Admissions m

+3.5%



Expand and enhance our estate

...to provide consistent, high quality, modern cinemas

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

What we achieved

→ Acquisition of the Empire Newcastle cinema in June 2017 with 16 screens.

→ Opening of nine new sites, four in the UK and five in the ROW:

UK

— Ely – 6 screens
— South Ruislip – 11 screens
— Bracknell – 12 screens
— Leeds – 11 screens

ROW

— Zichron (Israel) – 12 screens
— Chodov (Czech Republic) – 18 screens
— Wroclaw (Poland) – 20 screens
— Białołeka (Poland) – 11 screens
— Galata (Romania) – 8 screens

→ A further six refurbishments were completed in the following locations:

UK

— Hemel Hempstead
— Ipswich
— Northampton
— Solihull

ROW

— Arkadia (Poland)
— Mokotow (Poland)

Measuring our progress

Number of new screens

125

2016: 142

Total number of screens

2,217

2016: 2,115

Number of major refurbishments completed

6

2016: 9

Be technological leaders in the industry

…to offer the latest audio and visual technology

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

What we achieved

- We currently have the largest number of IMAX screens across Europe.
- The Group is the only provider of 4DX in the UK and an extensive provider in Europe.
- We continued to develop and roll out our own Superscreen format with 11 across the Group at the end of 2017.

Measuring our progress

Number of premium formats

IMAX

35

2016: 33

4DX

38

2016: 27

Drive value for shareholders

…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.

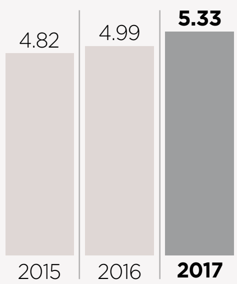
What we achieved

- Delivered double digit revenue and Adjusted EBITDA growth for the third consecutive year post the Cinema City combination.
- Adjusted diluted EPS (before rights adjustments) increased by 12.1% to 38.9p.
- The Group maintained its dividend pay-out ratio for another year, increasing the full year cash dividend paid by 14.5%.
- Completion of the Regal acquisition on 28 February 2018.

Measuring our progress

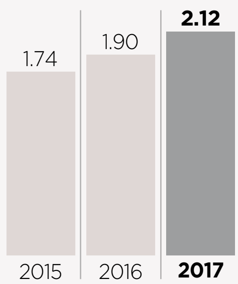
Average ticket price £

+6.8%



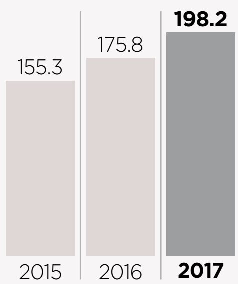
Retail spend per person £

+11.6%



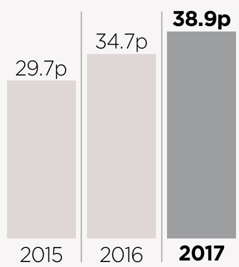
Adjusted EBITDA £m

+12.7%



Adjusted diluted EPS
(before rights adjustment) p

+12.1%



Supporting growth through effective risk management

Principal Risks and Uncertainties
Operating as a cinema chain that is now in ten different territories presents a number of risks and uncertainties that continue to be the focus of the Board's ongoing attention.

Risk Management Approach
The Group's approach to risk management and internal control is designed to manage risk at all levels. Where possible, the Group has implemented appropriate mitigation strategies to reduce the overall risk exposure in line with the Board's risk appetite. For further details please see the Group approach to risk management set out on pages 42 and 43.

During the year the Group further strengthened the components of the Risk Management Framework with the introduction of an executive Risk Committee (consisting of the Deputy CEO, CFO, Head of Risk and Assurance and alternating business representatives) that meets quarterly. This has helped ensure that the risk profile remains up-to-date and accurately reflects the Group's risk exposure.

Principal Risk Assessment
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. For further details please see the Group's viability statement on page 22.

The acquisition of Regal will have a direct impact on the principal risks of the enlarged Group over this time-frame horizon and therefore consideration is being given by the Board as to its impact on the existing principal risks and the requirement for any additional principal risks that should be added.

Two examples of the additional risk factors being considered include: integration of the enlarged Group; and the economic and environment conditions of operating in the US.

In addition, the Board remains vigilant on the possible impact of Brexit, but currently does not believe the UK's exit from the European Union will have a significant impact on the underlying trading performance of the Group going forward. This is on the basis that we do not trade across borders but within territories, we are an attractive place to work and therefore have many applications for roles, and the nature of our business has a proven consumer appeal throughout all economic cycles.

Appetite
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. For further details please see the Group approach to risk management set out on pages 42 and 43.

Viability
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 page 22.

Principal Risks

Risk	Strategic Relevance	Trend	Owner
1. Technology and Data		↔	Deputy CEO
2. Availability and Performance of Film Content		↔	CCO
3. Expansion and Growth of Our Cinema Estate		↔	CEO
4. Viewer Experience and Competition		↔	COO
5. Revenue from Retail/Concession Offerings		↔	CCO
6. Cinema Operations		↔	COO
7. Regulatory Breach		↔	CFO
8. Strategy and Performance		↔	Deputy CEO
9. Retention and Attraction		↔	Deputy CEO
10. Governance and Internal Control		↔	CFO
11. Terrorism and Civil Unrest		↔	COO

Key

- Provide the best cinema experience – give our customers a choice of how to watch a movie, with a range of retail offerings, all underpinned by the best customer service
- Expand and enhance our estate – to provide consistent, high quality, modern cinemas
- Be technological leaders in the industry – to offer the latest audio and visual technology
- Drive value for shareholders – by delivering our growth plans in an efficient and effective way

1. Technology and Data

A critical system interruption or major IT security breach encountered

Risk trend	Link to strategy	Risk owner
←→		Deputy CEO

Impact

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.

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.
- 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.

Changes in the year

- The number of international cyber attacks has shown how all companies are vulnerable in the current climate. Although we have not experienced any breaches from these, cyber risk has been a Board focus throughout the year.
- The impending introduction of the General Data Protection Regulation ("GDPR") in 2018 has meant a review has been undertaken of all relevant systems, processes and procedures. To set out and monitor the journey to compliance a road map has been developed.

Opportunity

- Continuing the programme of investment in systems and ensuring our processes are robust will strengthen the day-to day operations across the Group.

2. Availability and Performance of Film Content

Lack of access to high quality, diverse and well publicised movie product

Risk trend	Link to strategy	Risk owner
←→		CCO

Impact

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

Mitigation activity

- We work closely with distributors to acquaint ourselves, as early as possible, with the upcoming film slate in order to forecast likely movie performance.
- Although access to the latest movie slate is reliant on our relationship with the distributors, the Group's strategy is to show a wide range of movies over and above the traditional Hollywood blockbusters. This allows us to capitalise on specific local area demand for type and content of movies shown.

Changes in the year

- The level of admissions in 2017 has continued to demonstrate an undiminished appetite for cinema attendance.
- In the ROW territories locally produced movies continue to be very popular, often outperforming the Hollywood blockbusters, especially in Poland.

Opportunity

- There is a strong movie release programme for 2018 and therefore we expect these to drive continued growth in admissions.
- The increase in geographic footprint will further enhance our ability to mitigate against year on year volatility to the individual cinema markets.

3. Expansion and Growth of Our Cinema Estate

Unsuccessful delivery of estate expansion that offers profitable opportunities to grow

Risk trend	Link to strategy	Risk owner
←→		CEO

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.

Mitigation activity

- The Group devotes a considerable amount of time assessing new site opportunities as 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.

Changes in the year

- The Group grew the estate as a further nine new cinemas, four in the UK and five in the ROW, opened during the year.
- In addition, the acquisition of Empire Newcastle has added a further 16 screens.
- Four smaller sites, originally scheduled for Q4 2017, will now open in early 2018.
- The Group proactively managed its existing estate through the refurbishment and selective closure of certain sites.

For further details please see the Chief Executive Officer's Review on page 10.

Opportunity

- The acquisition of Regal will provide a platform for entering into a new territory and be transformational in terms of the growth in the estate.

4. Viewer Experience and Competition

The quality of products and services offered fails to meet the needs of the customer and deliver an enhanced viewer experience

Risk trend	Link to strategy	Risk owner
←→		COO

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 and the technology we use to a friendly farewell on departure, could result in loss of customers to competitors and/or other leisure/entertainment attractions.

Mitigation activity

- Our strategy is focused on continually improving the quality of services we offer to customers and making a visit to our cinemas a unique experience.
- This includes increasing the efficiency of online booking, cutting edge cinema design, removing clutter from the foyers, investing in technical innovation and premium offerings (4DX and other large screen formats), upgrading seating options (further rollout of the VIP offering to 12 sites in total) and improving retail offers.
- We also focus on our approach to customer interaction with the Group outside of the cinema environment.

Changes in the year

- Our investment in ensuring we can offer as many screen formats as possible continued with a further eleven 4DX screens, two IMAX screens and two Superscreens added across the Group during 2017.
- The increasing popularity of our VIP offering across the twelve sites where it is available.

Opportunity

- Introduction of further technology such as virtual reality into the cinema experience.

5. Revenue from Retail/Concession Offerings

Delivery of a retail/concession offering that does not meet the requirements and preferences of our customers

Risk trend	Link to strategy	Risk owner
←→		CCO

Impact

Retail/concession sales generally fluctuate in line with admissions and the genre 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 cost of items such as energy and foodstuffs as well as the potential introduction of the Soft Drinks Industry Levy has a direct impact on price.

Mitigation activity

- Through our ongoing monitoring of various metrics, including spend per person, we have the ability to understand and react quickly to the changing customer needs.
- A key strategy for the Group is to maintain a strong relationship with the principal retail suppliers.
- We run targeted promotions and 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.
- We are working closely with our drinks partners to reduce and where possible mitigate the potential impact of the proposed Soft Drinks Industry Levy. We are doing this by broadening our ranges of diet and sugar free options along with water and trialing innovation with reformulated products whilst still providing consumer choice based on preferences.

Changes in the year

- Retail revenue remains a function of admissions and spending trends in each local market. This has been positively impacted by the expansion of the Group's retail offerings including five new Starbucks and three new VIP sites.

For further details see the Chief Executive Officer's Review on page 10 and Financial Officer's Review on page 26

Opportunity

- Ongoing review and enhancement of the customer retail journey.

6. Cinema Operations

Failure to maintain and operate well run and cost effective cinemas

Risk trend	Link to strategy	Risk owner
←→		COO

Impact

Operating cinemas well is pivotal to the overall success of the Group. Key to this is to ensure that cinema 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.

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.
- Ongoing evolution and updating of cinema operational processes and procedures.

Changes in the year

- There is continual improvement in the operating effectiveness of the cinemas in the Group underpinned by continual investment in learning and development programmes
- A restructure of operational delivery structures was completed during the year.

For further details please see Resources and Relationships on page 23.

Opportunity

- Further sharing of operational best practice, systems and processes across the Group.

Key

Provide the best cinema experience – give our customers a choice of how to watch a movie, with a range of retail offerings, all underpinned by the best customer service

Expand and enhance our estate – to provide consistent, high quality, modern cinemas

Be technological leaders in the industry – to offer the latest audio and visual technology

Drive value for shareholders – by delivering our growth plans in an efficient and effective way

7. Regulatory Breach

A major statutory, regulatory or contractual compliance breach

Risk trend	Link to strategy	Risk owner
←→		CFO

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.

Mitigation activity

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

Changes in the year

- 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.
- One focus in the year has been on working towards compliance with GDPR that will be mandatory from May 2018. A combination of data audits and data mapping exercises have been undertaken across the Group to help prioritise key areas for improvement.

For further details please see Risk Management and Internal Controls section pages 42 and 43.

Opportunity

- Continue the evolution of our approach to managing compliance to ensure it is embedded in our day-to-day operations and therefore ensures efficient processes and procedures.

8. Strategy and Performance

The approach to setting, communicating, monitoring and executing a clear strategy fails to deliver long-term objectives

Risk trend	Link to strategy	Risk owner
←→		Deputy CEO

Impact

Although the overall strategy for the Group is not a complex one, it is key that this is executed.

Any diversion from this strategy could result in loss of market share to competitors, failure to capitalise on emerging market opportunities, reduction in potential revenue/profits and therefore loss in shareholder value.

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 (emails, meetings and conferences) used to ensure the strategic goals of the Group are clearly understood and executed by Senior Management.

Changes in the year

- On 28 February 2018 the Group completed the acquisition of Regal. The enlarged Group is now a global cinema exhibition business of significant scale.

Opportunity

- Continual focus on and review of strategy ensures the Board are well placed to assess value adding opportunities as they arise.
- The acquisition of Regal has resulted in the enlarged Group becoming the second largest operator in the world (by number of screens).

9. Retention and Attraction

Failure to attract and retain Senior Management and/or other key personnel

Risk trend	Link to strategy	Risk owner
←→		Deputy CEO

Impact

The Group's performance and its ability to mitigate significant risks within its control depend 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.

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.
- 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.

Changes in the year

- There have been a number of additional Senior Vice Presidents promoted and/or recruited to help support the expanded Executive Management Team.
- As the requirements for individuals with specific skills and experience becomes more focused, recruitment of the level of talent required has been a challenge for some departments.

For further details please see Resources and Relationships on page 23.

Opportunity

- As the Group grows there are increasing opportunities for further internal promotion, and transfers.

Key

- Provide the best cinema experience – give our customers a choice of how to watch a movie, with a range of retail offerings, all underpinned by the best customer service
- Expand and enhance our estate – to provide consistent, high quality, modern cinemas
- Be technological leaders in the industry – to offer the latest audio and visual technology
- Drive value for shareholders – by delivering our growth plans in an efficient and effective way

10. Governance and Internal Control

A critical internal control and/or governance failing occurs

Risk trend	Link to strategy	Risk owner
←→		CFO

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.

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;
  - regular consultation and advice from external advisors;
  - 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.

Changes in the year

- Continued evolution of the Group's risk management programme and the delivery of supporting assurance activity are providing ongoing improvements to the overall system of internal control.

For further details please see Risk Management and Internal Control report on pages 42 and 43.

Opportunity

- Continue to further enhance the use of technology for embedding automated controls and providing ongoing live assurance.

11. Terrorism and Civil Unrest

Inability to respond to a major incident

Risk trend	Link to strategy	Risk owner
←→		COO

Impact

Cinema businesses could be affected by civil unrest or terrorist acts/threats, resulting in the public avoiding going to the cinema. 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.

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.
- Should an incident occur at one of the Group's sites, business continuity and disaster recovery plans are in place to ensure that management can react appropriately.
- Appropriate insurance is in place to mitigate the financial consequences.

Changes in the year

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

Opportunity

- Continuous review of processes which can identify areas for operational improvement and improve overall safety at our sites.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the enlarged Group over a period longer than one year, taking into account the Group's current position, the recent acquisition of Regal and the potential impact of the principal risks and uncertainties set out on pages 19 to 22.

The Directors have determined that a three year period from the date of approving the financial statements constitutes an appropriate period over which to provide its viability statement. Three years was determined based on the visibility of the future film slate, the enlarged Group's property expansion and renovation plans, investment in technology and relationships with the film distributors.

The Group's business model and strategy, which are not expected to change significantly as a result of the Regal acquisition, other than to be implemented in the US following the completion of acquisition, are central to an understanding of the Group's prospects, and details can be found on pages 14 to 15. The nature of the enlarged Group's activities are 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 enlarged Group's viability, the Directors identified that, of the principal risks detailed on pages 19 to 22 are the most important to the assessment of the viability of the enlarged Group: availability and performance of film content, viewer experience and competition, and the expansion and growth of our cinema estate.

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

- reducing both admissions, as a result of lack of film content/or increased competition through the emergence of new technology or alternative formats to watch movies,
- reducing average ticket price, as a result of lack of film content, and/or increased competition through the emergence of new technology or alternative formats to watch movies,
- no further expansion of the cinema estate, and
- a combination of the above.

In performing the scenario assessments the enlarged 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 enlarged Group may face, the Directors consider that the scenario-based assessment prepared on the enlarged Group's prospects is reasonable in the circumstances given 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 the solvency of the enlarged Group and are confident that management are able to sufficiently mitigate certain situations should they arise. Mitigating actions that could be taken include reducing capital expenditure, reducing dividend payments and reducing variable costs.

Based on this robust assessment, and having considered the established and expected controls for the risks and the available mitigating actions, the Directors confirm that they have a reasonable expectation that the enlarged Group will be able to continue in operation and meet its liabilities as they fall due over the period.

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

Gender Breakdown – Board of Directors

Male	**8**
Female	**2**

Gender Breakdown – Senior Managers[1]

Male	**7**
Female	**5**

Gender Breakdown – Total Employees

Male	**5,295**
Female	**4,937**

(1) Senior managers are those people who report directly to an Executive Director at a Group level. Data is based on the average headcount for 2017.

Introduction

The Group's key relationships 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 10,000 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). 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.

Anti-Bribery and corruption

The Group has in place a range of governance related policies which are regularly reviewed and communicated

Our 12 Ethical Principles

to employees. These include Whistleblowing, Gifts and Hospitality, and Health and Safety. The Group fully supports the requirements of the UK Bribery Act as well as similar legislation in all its business regions. The company has implemented policies and procedures to ensure it is prepared, to the extent possible, to prevent and deter corrupt practices across our business relationships (including an Anti-Fraud Policy, a Whistleblowing Policy, an Ethics Policy, and a Policy for the Acceptance of Gifts). The Group maintains such policies and procedures which assist its businesses in monitoring and preventing potential Bribery and Corruption and in dealing with such practices appropriately if they are discovered. The Group endeavours to conduct its business with integrity, and aims to be a responsible employer and adopt values and standards designed to help guide our staff in their conduct and business relationships.

Our Customers

Our customers are fundamental to our success. We focus on providing them with a wide variety of movie genres, as well as a choice of how to watch the movie in modern state-of-the-art cinemas with the latest technology and a variety of retail offerings, all underpinned by great customer service.

We also have initiatives which aim to extend the relationship with the customer beyond a single visit. In the UK, we have the long established Unlimited membership service for a fixed monthly (or annual) subscription enabling customers to watch as many 2D films as they wish. This scheme was successfully extended to Poland at the end of 2015. 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.

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 also 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 to which it caters. A wide range of snacks and meals are available, many of which include ingredients sourced from local producers and suppliers.

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.

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.

The Group promotes a philosophy of access for all by offering accessible cinemas for the disabled 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.

Our People

Once again, 2017 saw considerable investment and focus in a number of people related areas.

We continued to focus on the whole area of reward and, yet again, we made considerable investment in pay and bonus schemes meaning our rates of pay are among the highest in the industry and above all statutory minimums.

We restructured our cinema leadership teams which enabled us to further increase our customer focus, while also ensuring our people have more meaningful roles and increased rewards. These changes allowed over 500 employees to move from zero hours contracts to fully contracted hours.

We rolled out a new Human Resources system which has amongst its features a self-serve facility. Each one of our Cineworld UK employees now has more control over their personal details and quicker access to key information such as hours and pay. The implementation included a mobile platform to ensure the system was accessible to our ever more "tech savvy" workforce. We are continuing to develop this platform to enable managers and employees across the Group to have a one-stop shop for HR related matters.

Learning, development and employee engagement are areas of which we are immensely proud. We are committed to ensuring our people have the opportunity to develop themselves and reach their full potential. Through our succession related development programme, BeMore, internal candidates are well placed to secure advancement when vacancies arise and this also

beReady starting your career

The BeReady programme 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 supporting your development

The BeGreat programme 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 workshop format.

beMore supporting your progression

The BeMore programme supports the top talent displaying potential and fulfils our internal succession requirements.

Zoe Simpson, one of our apprentices was shortlisted for the Retail Week Rising Stars Awards where she achieved runner-up, winning the 'Mark of Excellence' Award in the Above & Beyond category.

"The skills I gained from the apprenticeship gave me the confidence to apply for a supervisor position and progress within the Company. After being a Supervisor for over a year I was then put on the BeMore programme at Wembley. At the start of 2017 I transferred over to Hemel Hempstead where I worked closely with the Deputy General Manager and General Manager in developing my skills to become a Cinema Manager. By constantly pushing myself and using the skills I had gained from the apprenticeship and my experience as a supervisor. I was promoted to a Cinema Manager – I firmly believe the apprenticeship was successful in helping forge my Cineworld career."

Ranjeet Nanrah

→ In 2017, for the second year, we partnered with BBC's Children in Need initiative, where as a team we raised £450,000.

means that Cineworld retains its most talented people. In 2017, we saw 21 BeMore candidates promoted or transferred to more complex cinemas.

Our 24 month apprenticeship programme has gone from strength to strength since its introduction in 2013. It aims to promote the cinema industry as a viable career option and it attracts school leavers who are not in full-time education and are looking for an alternative route to pursuing a career. In 2017, we saw one of our apprentices, Zoe Simpson, shortlisted for the Retail Week Rising Stars Awards where she achieved runner-up, winning the 'Mark of Excellence' Award in the Above & Beyond category.

We are also very proud of Ranjeet Nanrah and Raymond Prkye who were part of the first apprentice cohort in 2013 and are the first apprentices to become Cinema Managers in 2017.

In summary, we strive for excellence in our approach to attracting, retaining and developing our people because we recognise they are vital to ongoing business success.

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.

Our Commercial Relationships

As well as our customers, having strong commercial relationships is key to operating our business successfully.

With years of experience in the cinema industry our teams have worked hard to develop strong working 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 2017 the Group awarded a total of 19 out of a possible 35 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.

Building relationships with developers, landlords and local planners is very important to be able to ensure we can maintain an appropriate pipeline of new sites for the future and undertake our refurbishment programme.

We also work very 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 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.

During the year we worked with a variety of partners to deliver a wide range of educational screenings and talks for primary and secondary schools and community groups which are further detailed below.

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 2017, for the second year, Cineworld partnered with BBC's Children in Need initiative, where as a team we raised £450,000.

Examples of the programmes we run are: Saturday morning Kids' Club Screenings, Toddler Time, Autism Friendly Screenings, Dementia Friendly Screenings, Adult Education and our Schools Programme.

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.

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 68 to 72.

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.

Delivering strong growth

"The Group Adjusted EBITDA increased by 12.7% to £198.2m"

Performance Overview

	Year ended 31 December 2017			Year ended 31 December 2016		
	UK & Ireland	**Rest of the World**	**Total Group**	Total Group	Statutory movement	Constant currency movement
Admissions	53.0m	50.8m	**103.8m**	100.3m	3.5%	–
	£m	**£m**	**£m**	£m	%	%
Box office	345.0	208.7	**553.7**	500.9	10.5	6.4
Retail	125.8	94.6	**220.4**	190.8	15.5	11.1
Other income	53.7	62.9	**116.6**	106.1	9.9	5.4
Total revenue	**524.5**	**366.2**	**890.7**	797.8	11.6	8.0

Cineworld Group plc results are presented for the year ended 31 December 2017 and reflect the trading and financial position of the UK and Ireland and the Rest of the World ("ROW") operating segments (the "Group"). The post-acquisition results of the Empire cinemas which were acquired on 11 August 2016 and 15 June 2017 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 2017 average exchange rates to 2016 performance.

Total revenue for the year ended 31 December 2017 was £890.7m, an increase of 11.6% on a statutory basis, and 8.0% on a constant currency basis. Overall admissions increased by 3.5%, and average ticket pricing increased on a constant currency basis to £5.33, resulting an overall increase in total box office revenues of 6.4%. Spend per person increased by 7.6% to £2.12 resulting in retail revenue growth of 11.1%. Other revenues increased by 5.4%.

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 movies 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

The results for the UK and Ireland include the two cinema chain brands in the UK, Cineworld and Picturehouse, and also include the six Empire cinemas acquired (five sites were acquired in 2016 and one in 2017).

Box Office

Box office revenue represented 65.8% (2016: 65.6%) of total revenues for the UK and Ireland. Admissions in the year increased by 2.3%, which is reflective of the movie slate as well as the additional cinemas acquired and opened in 2016 and 2017. The increased admissions combined with an increase in the average ticket price of 4.1% this resulted in total revenue growth of 6.5%. This is a pleasing result as admissions in the UK and Ireland cinema industry as a whole were up only 1.4% during the same period (Source: UK Cinema Association).

The overall box office performance in 2017 was underpinned by a strong film slate, despite a weaker Q3 compared with 2016. In 2017, in the UK overall, the top three films grossed £197.4m ("Beauty and the Beast" – £72.4m, "Star Wars: The Last Jedi" – £68.3m and "Dunkirk" – £56.7m) compared with the top three films in 2016 which 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).

The average ticket price achieved in the UK and Ireland increased to £6.51 (2016: £6.25). 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 and a result of the renovation programme we started three years ago. The most popular IMAX films during the year were "Star Wars: The Last Jedi" and "Dunkirk" and 4DX films were "Star Wars: The Last Jedi" and "The Fate and the Furious".

Retail
Food and drink sales are the second most important source of revenue and represented 24.0% (2016: 23.8%) of total revenues for the UK and Ireland. Total retail revenues in the UK and Ireland were £125.8m (2016: £117.5m) increasing by 7.1%.

Net retail spend per admission increased by 4.4% in the year to £2.37 (2016: £2.27). This was partly due to the film mix, but predominantly reflects the expansion of our cinemas' retail offerings, strong promotions and operational improvements. A further five Starbucks outlets were opened during the year taking the total to 29 at 31 December 2017.

Other Income
Other Income includes all revenue streams other than box office and retail and represents 10.2% (2016: 10.6%) of total revenue. It increased to £53.7m (2016: £52.5m) and grew by 2.3%.

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 2017 the advertising revenues were higher than in 2016. In February 2017 the Group disposed of a small element of the Group's distribution arm in Picturehouse. This distribution income is recorded in other income and therefore has reduced the overall growth from the prior period. Also included within other income is the online booking fee. The trend towards booking online continues with more than half of tickets now purchased online.

UK and Ireland

	Year ended 31 December 2017	Year ended 31 December 2016	Statutory Movement	Constant Currency Movement
Admissions	53.0m	51.8m	2.3%	N/A
	£m	£m	%	%
Box office	345.0	324.0	6.5	N/A
Retail	125.8	117.5	7.1	N/A
Other income	53.7	52.5	2.3	N/A
Total revenue	**524.5**	**494.0**	**6.2**	**N/A**

Rest of the World ("ROW")

	Year ended 31 December 2017	Year ended 31 December 2016	Statutory Movement	Constant Currency Movement
Admissions	50.8m	48.5m	4.7%	N/A
	£m	£m	%	%
Box office	208.7	176.9	18.0	8.2
Retail	94.6	73.3	29.1	18.7
Other Income	62.9	53.6	17.4	8.3
Total revenue	**366.2**	**303.8**	**20.5%**	**10.7%**

Rest of the World
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 57.0% (2016: 58.2%) of total revenues for the ROW. Admissions in the year increased by 4.7%, and average ticket prices increased on a constant currency basis to £4.11 resulting in an overall increase in box office revenues of 8.2%. Admissions growth was achieved in Poland, Romania, Israel and Slovakia. Admissions have increased in these territories as a result of the opening of new sites in the prior and current year, investment in the latest technologies, the strong film slate for the period and the growth in the local economies. Hungary experienced a slight decline in admissions as a result of two site closures, one in the period and one in the prior year, however on a like for like basis growth was achieved. There were marginal declines in admissions in Bulgaria and Czech Republic due to the nature of the movie slate and the higher base in 2016.

The average ticket price increase has been driven by a mixture of expanding our premium offerings, inflationary price increases alongside the growth of the local economies and the movie slate. Movie performance was underpinned by the success of films that also performed strongly in the UK such as "Star Wars: The Last Jedi" and "Beauty and the Beast" as well a locally produced movies which continued to be popular particularly in Poland where "Listy Do Movie 3" and "Botoks" were the top performing movies for the year.

Food and drink sales are the second most important source of revenue and represent 25.8% (2016: 24.11%) of total revenues for the ROW. Total retail revenues were £94.6m (2016: £73.3m) increasing by 18.7%.

Retail spend per admission increased by 13.4% to £1.86 (2016: £1.64 constant currency). The increase was predominantly driven by the film mix and growth of the local economies but also the expansion of offerings, with three new VIP sites, one in Israel – Zichron, and two in Poland – Chodov and Wroclaw, as well as ongoing operational improvements.

Other Income
Other income includes distribution, advertising and other revenues and represents 17.2% (2016: 17.7%) of the total revenues. Forum Film is the Group's film distribution business for the 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 2017, predominantly as a result of the increase in admissions. The distribution revenues were broadly inline year on year.

The following commentary focuses on Group profitability, cash flow and the Statement of Financial Position except where stated.

Adjusted EBITDA and Operating Profit
Overall, the Group's Adjusted EBITDA increased by 12.7% to £198.2m (2016: £175.8m). the Adjusted EBITDA margin remained broadly consistent with the prior year at 22.3% (2016: 22.0%).

Adjusted EBITDA generated by the UK and Ireland increased by 2.7% during the year to £99.7m (2016: £97.1m). The UK and Ireland Adjusted EBITDA margin of 19.0% represented a 0.7 percentage point decline from 2016, largely as a result of no Virtual Print Fee ("VPF") income during the year and increases in business rates. Adjusted EBITDA generated by the ROW increased by 25.2% to £98.5m (2016: £78.7m). The Adjusted EBITDA margin of 26.9% represented a 1.0 percentage point improvement from 2016, predominantly driven from the increase in admissions, growing economies and higher retail spend per person and our continued efforts on cost management.

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.

Operating profit of £128.2m was 13.7% higher than the prior year (2016: £112.8m). Operating profit included a number of non-trade related items that have a net negative impact of £1.9m (2016: £4.4m). These primarily related to the following:

- Transaction and reorganisation costs of £7.8m (2016: £1.5m) – £3.6m related to the UK operations restructuring and redundancy costs (2016: £0.8m), £0.6m of cost was incurred on the acquisition of the six Empire cinemas (2016: £0.5m), and £2.8m (2016: £nil) incurred with respect to the acquisition of Regal and £0.8m (2016: £nil) of costs in respect of the termination of contracts.
- A charge of £1.3m (2016: net credit £1.5m) primarily relating to a change in trading assumptions for specific onerous lease provisions.
- A one-off gain of £2.0m relating to the profit on disposal of Picturehouse Entertainment of £1.8m and the gain on the transfer of Haymarket of £0.2m (2016: £nil).
- A net credit in relation to impairments of £5.2m (2016: net credit of £0.4m) – £5.6m related to the writeback of capital expenditure for sites previously impaired where performance has improved and £0.4m related to the write off of capital expenditure for sites which were not performing satisfactorily.
- There are no one-off costs in 2017 related to the MGM defined benefit pension scheme buyout which occurred in 2016 (2016: £4.8m).

Financial Performance

	Year ended 31 December 2017			Year ended 31 December 2016
	UK & Ireland	Rest of the World	Total Group	Total Group
Admissions	53.0m	50.8m	**103.8m**	100.3m
	£m	£m	£m	£m
Box office	345.0	208.7	**553.7**	500.9
Retail	125.8	94.6	**220.4**	190.8
Other Income	53.7	62.9	**116.6**	106.1
Total revenue	**524.5**	**366.2**	**890.7**	797.8
Adjusted EBITDA(1)	**99.7**	**98.5**	**198.2**	175.8
Operating profit			**128.2**	112.8
Financial income			2.0	3.0
Financial expense			(9.8)	(17.6)
Net financing costs			**(7.8)**	(14.6)
Share from joint venture			0.1	–
Profit on ordinary activities before tax			**120.5**	98.2
Tax on profit on ordinary activities			(19.9)	(16.2)
Profit for the year attributable to equity holders of the Group			**100.6**	82.0

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

The total depreciation and amortisation charge (included in administrative expenses) in the year totalled £68.1m (2016: £58.6m). Of this, £32.8m related to depreciation and amortisation in the UK and Ireland (2016: £28.9m) and £35.3m related to depreciation and amortisation in the ROW (2016: £29.7m). The increase year on year is predominantly due to the additional number of sites in the Group and the foreign exchange in the ROW.

Finance Costs

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 respectively. In August 2016 the Group extended the single currency revolving credit facility of £190.0m to £215.0m to partly fund the Empire acquisition.

At 31 December 2017 the facility remained subject to the existing two covenants: the ratio of Adjusted EBITDA (as defined in Note 1 to the financial statements) 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 applicable to the Group were 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 2017, the Group had three (2016: seven) interest rate swaps, two GBP denominated swaps which hedged 81% (2016: 82%) of the Group's variable rate GBP unsecured term loan, and one Euro denominated swap hedging 83% (2016: 100%) of the Euro denominated unsecured loan. Net financing costs totalled £7.8m during the year (2016: £14.6m) which is a net decrease of £6.8m. In the prior year there was a £6.1m negative impact on foreign exchange, primarily relating to the translation of the Euro term loan at the Balance Sheet date. In the second half of 2016 the Group entered into a net investment hedge in respect of the Euro term loan and the gains and losses are now recognised directly in other comprehensive income, in line with current accounting practice and standards.

Finance income of £2.0m (2016: £3.0m) included a gain of £1.3m (2016: £1.9m) primarily from foreign exchange gains on monetary assets and £0.7m (2016: £0.7m) related to interest income. As the defined benefit pension scheme was bought out by Aviva at the end of 2016 there was no finance income on assets held by defined benefit pension schemes (2016: £0.4m).

Finance expense of £9.8m (2016: £17.6m) included £6.3m in respect of interest on bank loans and overdrafts (2016: £7.8m), with the decrease being the result of the reduction of the term loans and £0.6m relating to foreign exchange losses on monetary assets. In 2016 the finance expenses included a £6.1m loss on the Euro term loan. Other net finance costs of £2.9m (2016: £3.1m) included amortisation of prepaid finance costs of £1.5m (2016: £1.4m) and £1.4m (2016: £1.7m) in respect of the unwind of discount and interest charges on property related leases.

Taxation

The overall tax charge during the year was £19.9m giving an overall effective tax rate of 16.5% (2016: 16.5%).The consistent rate reflects the Group's geographical mix of profits. The corporation tax charge in respect of the current year was £24.1m (2016: £16.5m) and the deferred tax credit was (£2.6m) (2016: £1.3m charge), resulting in a current year effective tax rate of 17.9% (2016: 17.8%). The deferred tax credit principally related to movements on temporary differences relating to fixed assets, intangible assets and employee benefits.

In the medium term we expect our effective tax rate to remain at a similar level for the existing markets in which we operated at 31 December 2017.

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 £100.6m (2016: £82.0m). The profit after tax has increased as a result of the growth in Adjusted EBITDA, partly netted by the increase in depreciation and amortisation charges in the year, the reduction year on year of the one-off items and the overall reduction in net finance costs.

The rights adjusted basic earnings per share amounted to 16.4p (2016: 13.7p). Eliminating the one-off, non-trade related items described above (totalling £7.0m within operating profit), amortisation of intangibles of £5.1m, transaction and reorganisation costs of £7.8m, the profit on disposals of £2.0m, the net impairment reversal of £5.2m and the onerous lease charge of £1.3m, the rights adjusted, adjusted diluted earnings per share were 17.3p (2016: 15.4p).

Business Combinations

On 15 June 2017 the Group completed the acquisition of the Empire Newcastle cinema from Cinema Holdings Limited by means of an acquisition of 100% of the shares. Cash consideration was paid on acquisition and there is also an element of contingent consideration to be paid based on the performance of the site over a 24 month period post completion of the refurbishment.

Disposals

On 7 February 2017 the Group sold 100% of the shares in Picturehouse Entertainment Limited, a Company which operated an element of the Group's distribution arm in the UK. The consideration received was £2.0m, resulting in a gain on disposal of £1.8m.

Balance Sheet

Overall, net assets have increased by £112.0m, to £775.4m since 31 December 2016. This is due to the acquisition of the Empire Newcastle cinema with net assets of £10.3m, movements in other non-current assets of £82.2m, which predominantly relates to the foreign currency gains on translation and the opening of new sites, refurbishments completed during the year and movements in other net liabilities and current assets of £18.9m.

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 £172.8m (2016: £150.1m). Net cash spent on investing activities during the year was £110.7m (2016: £130.3m), £7.0m for the acquisition of the Empire Newcastle cinemas, £106.2m on the development of new sites, refurbishments and technology, £2.0m was received from the proceeds of the disposal of Picturehouse Entertainment Limited and £0.6m related to interest received.

Net debt decreased by £4.0m to £278.3m at 31 December 2017 (2016: £282.3m). The main movements were due to the repayments during the year on the term loans (net of foreign exchange movements), of £7.5m, net cash inflows of £11.2m (net of foreign exchange movements) an additional finance lease liability of £0.9m and fair value gains in respect of financial instruments of £1.2m. Net debt at the year end represented 1.4 times the rolling 12 month Adjusted EBITDA figure for the Group.

Dividends

The Board has proposed a final dividend of 15.4p per share (3.1p on a rights adjusted basis), in respect of the year ended 31 December 2017. The interim dividend of 6.0p per share was paid in September 2017. The record date for the final dividend is 8 June 2018 and the payment date will be 6 July 2018.

Post Balance Sheet Events

On 5 December 2017, the Group announced the acquisition of Regal by means of an acquisition of the entire issued, and to be issued, share capital of Regal. The acquisition was based on an implied enterprise value of US$5.8bn.

Due to the size of the acquisition it was classed as a reverse takeover under the UK Listing Rules. The acquisition of Regal completed on 28 February 2018.

Consideration for the acquisition of $3.4bn was settled fully in cash, funded by the proceeds of the fully underwritten rights issue at the rights issue price of 157.0p per New Ordinary Share, which raised £1.7bn plus an additional US$4.1bn was raised through committed Debt Facilities. The restructured debt arrangement consists of a USD and Euro term loan totalling $4.1bn and a $300.0m revolving credit facility. The previous financing arrangements in place as at 31 December 2017 for the Group and Regal have been terminated and superseded with the new financing arrangements from 28 February 2018.

As the consideration was entirely paid in cash the acquisition is expected to be accounted for as an acquisition under IFRS 3 rather than as a reverse takeover acquisition under IFRS 3, notwithstanding the size of the acquisition.

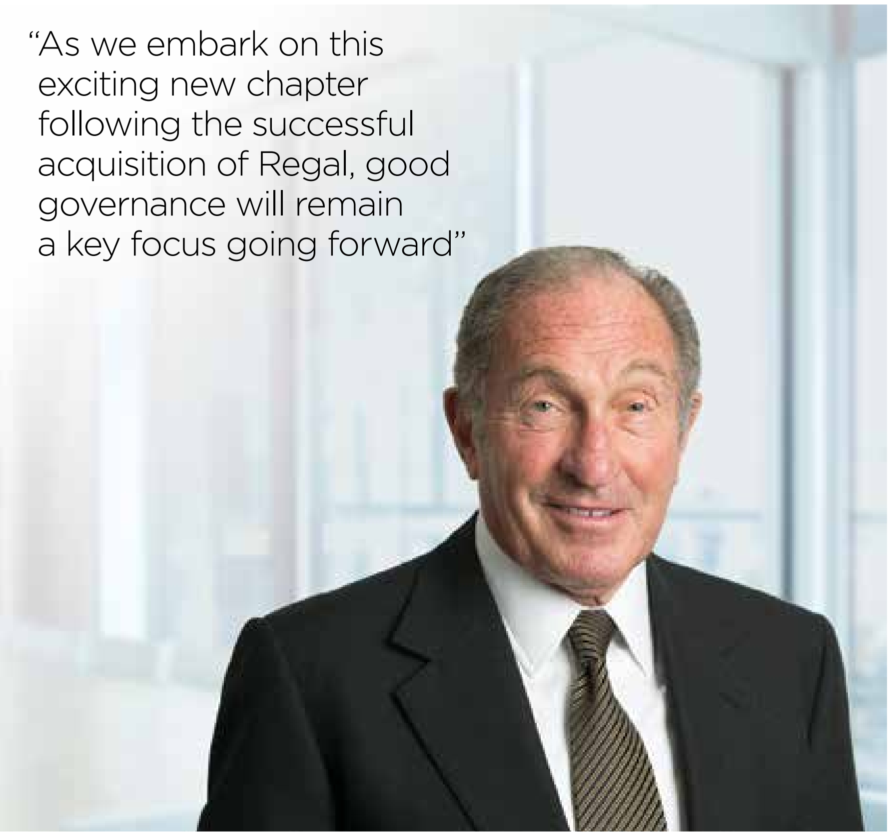
Nisan Cohen
Chief Financial Officer
15 March 2018

The Strategic Report is set out on Pages 1 to 29.

By order of the Board

Moshe Greidinger	**Israel Greidinger**
Chief Executive Officer	**Deputy Chief Executive Officer**
15 March 2018	

A strong and effective governance structure



Dear Shareholders
I am pleased to present the Corporate Governance Statement for 2017.

One of our core objectives is ensuring that we make good governance an essential part of our corporate culture. It supports the implementation of our strategy, helps ensure we can meet our business goals, and provides the foundation for creating long-term value for shareholders.

Good governance is a discipline that is particularly important during times of growth and, as we embark on this exciting new chapter for the Group, following the successful acquisition of Regal, it will remain a key focus going forward.

However, strong corporate governance is only part of the equation for success. It must be underpinned by a sound culture, and how we "get things done", how our people act in their day-to-day roles, is a matter that is of importance to the Board. It is important for the Board to understand how our people feel about working for the Company, and what they think we could do better. So I am very pleased to report that our employee engagement survey for 2017 showed that employee engagement across the circuit continued to increase. We know from previous tracking that there is a clear link between employee engagement and customer experience, as our customer satisfaction scores are consistently higher where employee engagement is highest. Clearly, engagement has a real impact on Cineworld being the 'Best Place To Watch a Movie'. More details of how we engage with our key stakeholders are set out on page 40.

Our shareholders are a vital part of our broad stakeholder base. In the context of the Regal acquisition, we were delighted to receive strong support from shareholders in approving the transaction, and by strong levels of take-up in respect of the rights issue: over 96%. As stated previously, on behalf of the Board, I would like to express appreciation to shareholders for this support, and to reiterate the confidence that the Board has in this important development for the Group.

As for the composition of our Board, we made a number of changes to membership early in 2017. Nisan Cohen was appointed as CFO, and joined the Board as an Executive Director. Dean Moore, who had been interim CFO, was appointed as an independent Non-Executive Director. Both Nisan and Dean bring extensive experience to the Board, something we have already seen in action since their appointments. Also in the reporting year, Martina King stepped down as a Non-Executive Director and we are grateful to Martina for her valuable contribution to the Company over the six years she served on the Board. Further details of the work of the Nomination Committee throughout the year may be found on page 41.

During the year we undertook an internal evaluation of the composition and effectiveness of the Board, and I am pleased to report that it supported the view that the Board and its Committees are operating efficiently and productively. An external evaluation is conducted at least every third year, in accordance with the UK Corporate Governance Code (the "Code").

Good governance means ensuring we have rigorous risk management and control procedures. Details of the annual risk review are contained in the Accountability section starting on page 42. The Audit Committee plays a key role in overseeing our internal control and risk management systems, which this year included a comprehensive review of the effectiveness of our internal audit systems and controls, in accordance with the requirements of the Code. In addition, this year the Audit Committee engaged with the Financial Reporting Council ("FRC") in relation to its thematic review of significant accounting judgements and sources of estimation uncertainty. More details of the outcome of the review are set out in the Audit Committee Report on page 44, but no material financial reporting changes were required.

The Remuneration Committee conducted a full review of the Company's Remuneration Policy and, following a detailed consultation process, proposes to make some changes to the Policy this year to ensure it remains fit for purpose in the context of the Regal acquisition. Further details of the work of the Remuneration Committee in this area may be found on pages 48 to 67.

Anthony Bloom
Chairman
15 March 2018

Board of Directors

Anthony Bloom 78
Chairman
Date appointed as Chairman: October 2004
Tenure on Board: 13 years 2 months
Independent: No
Committee memberships:
No formal memberships, but has attended all meetings by invitation
Relevant skills, qualifications and experience:
- Bachelor of Commerce and Bachelor of Law, University of Witwatersrand, South Africa
- Master of Law, Harvard Law School
- Sloan Fellow, Graduate School of Business, Stanford University
- Doctor of Law (H.C.), University of Witwatersrand, awarded for his contribution towards a non-racial society in South Africa

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

Principal external appointments:
- Non Executive Director London Symphony Orchestra and Non Executive Director TechnoServe, Inc.

Moshe (Mooky) Greidinger 65
Chief Executive Officer
Date appointed to Board: February 2014
Tenure on Board: 3 years 10 months
Independent: No
Committee memberships:
None
Relevant skills, qualifications and experience:
- Over 40 years' senior executive experience in the industry in Europe and Israel
- 1994–2014 Cinema City International N.V.
- Cinema City Group, various executive positions since 1984
- 2004 "Exhibitor of the Year Award", ShoWest, Las Vegas
- 2011 "International Exhibitor of the Year Award", CineEurope, Amsterdam
- 2016 "Global Achievement in Exhibition Award", CinemaCon, Las Vegas

Principal external appointments:
- Director of Israel Theatres Limited
- Co-Chairman of the Cinema Owners Association, Israel
- Head of the Board of Trustees, the Hebrew Reali School of Haifa

Israel Greidinger 56
Deputy Chief Executive Officer
Date appointed to Board: February 2014
Tenure on Board: 3 years 10 months
Independent: No
Committee memberships:
None
Relevant skills, qualifications and experience:
- Over 20 years' senior executive experience in the industry in 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
- 1992 – 1994 President and Chief Executive Officer of Pacer C.A.T.S. Inc

Principal external appointments:
- Director of Israel Theatres Limited since 1994
- Chairman of the Israeli Friends of Rambam Health Care Campus

Alicja Kornasiewicz 66
Non-Executive Director
Date appointed to Board: May 2015
Tenure on Board: 2 years 7 months
Independent: Yes
Committee memberships:
Audit Committee
Relevant skills, qualifications and experience:
- Harvard Business School, Boston
- University of Economics Pozna, P.h.D in Economics
- 2011–2016 Managing Director Head of Poland & CEE Investment Banking at Morgan Stanley
- 2011–2012 Chairwomen of the Supervisory board of Bank PKOSA
- 2010–2011 President of the Management Board of Bank PKOSA
- 2000–2010 Executive Management roles at UniCredit Group
- 1997–2000 Secretary of State – First Deputy Minister for the Ministry of the State Treasury of the Republic of Poland
- 1992–1997 Senior Banker at European Bank for Reconstruction and Development London, United Kingdom

Principal external appointments:
- Senior Advisor for Investment Banking Division at Morgan Stanley
- Non Executive Director of Get Back

Scott S. Rosenblum 68
Non-Executive Director
Date appointed to Board: February 2014
Tenure on Board: 3 years 10 months
Independent: No
Committee memberships:
Nomination Committee
Relevant skills, qualifications and experience:
- Dartmouth College (AB) and University of Pennsylvania Law School (JD)
- 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 of Kramer Levin Naftalis & Frankel LLP, New York since 1991; Managing Partner 1994–2000
- Director and advisor to the boards of various public and private companies

Arni Samuelsson 75
Non-Executive Director
Date appointed to Board: February 2014
Tenure on Board: 3 years 10 months
Independent: Yes
Committee memberships:
Nomination Committee
Relevant skills, qualifications and experience:
- SAMfélagið (Samfilm) – a cinema exhibitor and film distributor in Iceland, of which he has been joint owner and Chief Executive Officer since 1975
- 1972–1982 Director and owner of Vikurbaer 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

Nisan Cohen 45
Chief Financial Officer

Date appointed to Board: January 2017
Tenure on Board: 1 year
Independent: No

Committee memberships:
None

Relevant skills, qualifications and experience:
- Part of the Cineworld Group for 16 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

Eric (Rick) Senat 68
Non-Executive Director and Senior Independent Director

Date appointed to Board: July 2010
Tenure on Board: 7 years 5 months
Independent: Yes

Committee memberships:
Nomination Committee (Chairman)
Remuneration Committee

Relevant skills, qualifications and experience:
- 1976–2001 Warner Bros, becoming Senior Vice President for Business Affairs in Europe
- 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

Julie Southern 58
Non-Executive Director

Date appointed to Board: May 2015
Tenure on Board: 2 years 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, working across multiple industry sectors
- 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, Rentokil-Initial Plc
- Non-Executive Director, DFS Furniture Plc
- Non-Executive Director, NXP Semiconductors N.V.
- Non-Executive Director, Stagecoach Group Plc

Dean Moore 60
Non-Executive Director

Date appointed to Board: January 2017
Tenure on Board: 1 year
Independent: Yes

Committee memberships:
Remuneration Committee (Chairman)
Audit Committee

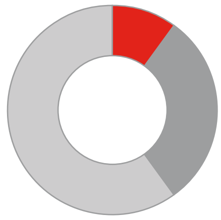
Relevant skills, qualifications and experience:
- 2004–2015 Chief Financial Officer of N Brown Group plc
- Chief Financial Officer of T&S Stores plc
- 1996–1999 Chief Financial Officer of Graham Group plc
- Chartered Accountant (ICAEW) and graduate of University of Aston (Business Management BSc)

Principal External Appointments
- Non-Executive Director of Volex Plc

The right skills and experience

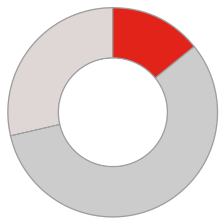
All Directors have a good understanding of the markets, regions, regulatory and risk management frameworks within which the Group operates, as well as the technology it uses. The biographies of the Directors highlight the skills and experience each Director brings to the Board.

Balance of the Board



Chairman	1
Executive Directors	3
Non-Executive Directors	6

Length of tenure of non-Executve directors



Less than one year	1
1-2 years	0
2-5 years	4
6 years+	2

Martina King 56
Non-Executive Director

Martina King stepped down from the Board on 11 January 2017

Date appointed to Board: July 2010
Tenure on Board as at 11 January 2017: 6 years 5 months
Independent: Yes

Committee memberships:
Audit Committee
Remuneration Committee (Chair)

Board Statements

Requirement	Board statement
Compliance with the UK Corporate Governance Code	The principal governance rules applying to companies with a premium listing for the year covered by this statement are contained in the Code published by the UK Financial Reporting Council in April 2016, and a copy is available on its website www.frc.org.uk. For the year ended 31 December 2017, the Board considers that the Company was compliant with the provisions of the Code.
Going Concern	The Directors consider that the Group (as enlarged by the Regal acquisition) has adequate resources to continue in operational existence for at least 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 29 and the Principal Risks and Uncertainties on pages 18 to 22. 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 26 to 29. Financial risk management objectives, details of financial instruments and hedging activities, and exposure to credit risk and liquidity risk are described in Note 21 to 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, the Regal acquisition, and the potential impact of the principal risks and uncertainties set out on pages 18 to 22. 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 enlarged Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to 2020. For more information on the viability assessment, please see page 22.
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 18 to 22 for further information on the Company's principal risks and uncertainties, and their impact on the prospects of the Group.
Review of Internal Control and Risk Management	The Directors have carried out a review of internal control and risk management. Please refer to pages 42 to 43 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 45.

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 Disclosure Guidance and Transparency Rule ("DTR") 7.2.6 is set out in the Directors' Report on pages 68 to 72 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 session) 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 Officer 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 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 page 41.

B.3 Time Commitment

On appointment, Directors are notified of the time commitment expected from them and details are set out in their letters 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 internal evaluation of their respective performances. Details of the evaluation can be found on page 39.

B.7 Re-election of Directors

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

C. Accountability

C.1 Financial and Business Reporting

The Strategic Report is set out on pages 1 to 29 and provides information about the performance of the Group, the business model, strategy, 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 44.

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 the Risk and Assurance team (including with support from PwC). 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 advisors 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 48 to 67.

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.

Membership of the Audit, Nomination and Remuneration Committees

At the start of the financial year, membership of the Audit, Nomination and Remuneration Committees 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

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. The revised Committee Membership, as set out below, remained the same through to the end of the financial year.

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

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

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 29.

The Board meets regularly at least six times a year and also once for a strategy session. 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 Executive Management team are given to the Board, to deepen the collective understanding of the business, leading in turn to more effective debate.

Governance Framework

The Board
Implementation of the Group's long-term strategy

Audit Committee
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.

Chair **Julie Southern**

p44 Audit Committee Report

Nomination Committee
The Committee 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.

Chair **Rick Senat**

p41 Nomination Committee Report

Remuneration Committee
The Committee makes 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 Senior Management, and for the design of performance related pay schemes and long-term incentive plans ("LTIPs").

Chair **Dean Moore**

p48 Remuneration Committee Report

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. Further details of the respective responsibilities are set out on page 38.

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).

Roles and Responsibilities of the Directors

Role	Name	Responsibilities
Chairman	Anthony Bloom	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 when appropriate, discusses matters with the Non-Executive Directors without the Executive Directors being present.
Chief Executive Officer	Moshe (Mooky) Greidinger	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 Management Team.
Non-Executive Directors	Alicja Kornasiewicz, Scott S. Rosenblum, Arni Samuelsson, Eric (Rick) Senat, Julie Southern, Dean Moore	The Non-Executive Directors provide objective, rigorous and constructive challenge to management and meet during the year in the absence of the Executive Directors. They play a key role in reviewing proposals, in particular in respect of strategy.
Senior Independent Director	Eric (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.
Company Secretary	Fiona Smith	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.

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 session)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year		7	4	4	2
	Independent	Attended	Attended	Attended	Attended
Directors for the whole year					
Anthony Bloom	No	7/7(1)	4/4(2)	4/4(2)	2/2(2)
Nisan Cohen	No	7/7	N/A	N/A	N/A
Israel Greidinger	No	7/7	N/A	N/A	N/A
Moshe Greidinger	No	7/7	N/A	N/A	N/A
Alicja Kornasiewicz	Yes	7/7	4/4	N/A	N/A
Scott Rosenblum	No	7/7	N/A	N/A	2/2
Dean Moore	Yes	7/7	4/4	4/4(1)	N/A
Arni Samuelsson	Yes	7/7	N/A	N/A	2/2
Rick Senat	Yes	7/7	N/A	4/4	2/2(1)
Julie Southern	Yes	7/7	4/4(1)	4/4	N/A

(1) Chairman of Board/Board Committee.

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

Directors and Directors' Independence

At the start of the year, the Board was composed of nine members, five of whom were considered independent. On 11 January 2017, Martina King stepped down from the Board, and Dean Moore and Nisan Cohen were appointed to the Board (as Independent Non-Executive Director and Chief Financial Officer respectively). At the end of the year, the Board was therefore composed of ten members, five of whom were considered 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.

Scott Rosenblum is not viewed as independent because of his previous business dealings with the Greidinger family and its interests, and as he is the GCT appointee under the Relationship Agreement as described on page 69 of the Directors' Report. The names of the Directors at the year end, together with their biographical details, are set out on pages 32 to 33.

For a FTSE 350 company, the Code recommends that a majority of non-executive members of the Board of Directors (excluding the Chairman) 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, Alicja Kornasiewicz, Dean Moore, Arni Samuelsson, Rick Senat and Julie Southern were, for the year (or the portion of the year in which they served as Non-Executive Directors), independent Non-Executive Directors.

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 Policy.

The independent Non-Executive Directors bring an objective viewpoint and range of experience to the Group 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

Towards the end of the year, a performance evaluation was carried out in respect of the Board, the Audit, Remuneration and Nomination Committees and each individual Director, including the Chairman. As an external facilitator had been engaged for the 2016 performance evaluation, the Board decided to carry out the exercise without external assistance in 2017. The process adopted involved the completion of assessment questionnaires by each of the Directors and Committee members. The results were then collated by the Company Secretary, and a summary presented to the relevant Committee and the Board. The process was constructive and confirmed that the Board and its Committees are operating effectively.

Re-election

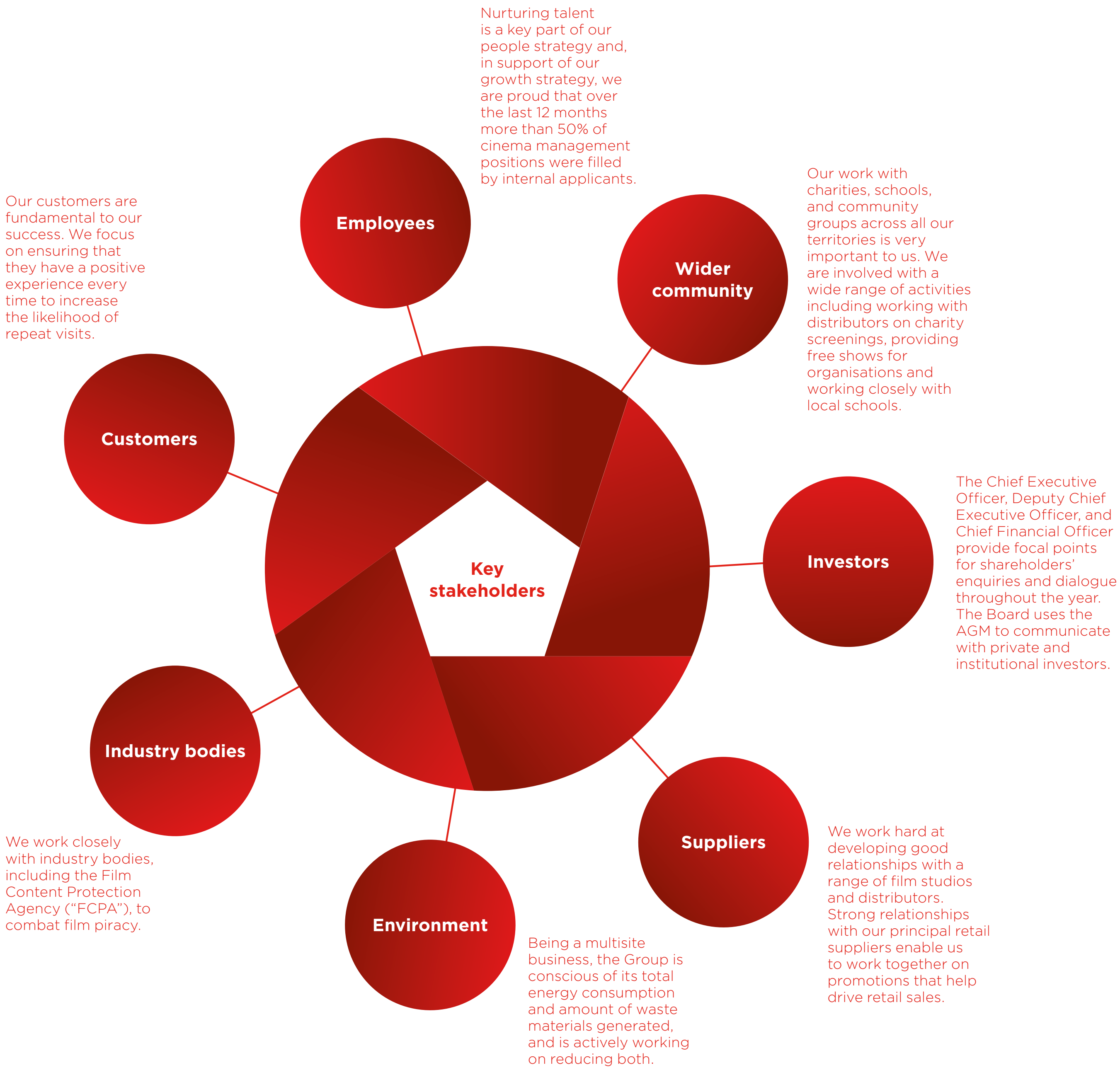
All the Directors will be retiring and will be offering themselves for re-election at this year's AGM, reflecting current best practice under the Code. Biographical details of all the current Directors are set out on pages 32 and 33. In view of the performance evaluation, the Board is satisfied that each Director standing for re-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 Group's business and operations and played a key role in the Company's combination with Cinema City in 2014 and the recently completed acquisition of Regal. 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.

Engaging with our stakeholders and shareholders



Stakeholder Engagement

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.

Chair	**Rick Senat**
Committee members	**Scott Rosenblum** **Arni Samuelsson**
Number of meetings held in 2017	**2**
The Company Secretary acts as Secretary to the Committee	

Chair's Introduction

Dear Shareholders

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

One of the key roles of the Committee is to assist the Board in discharging its responsibilities relating to the composition of the Board. We spend time as a Committee considering and evaluating the balance of skills, knowledge and experience on the Board and its size, structure and composition. We made a number of changes to membership of the Board in early 2017, announcing the appointment of Nisan Cohen as the new Chief Financial Officer ("CFO") in January. The Committee played a key role in the planning process for this nomination, working at the time in conjunction with the Chair of the Audit Committee.

Also, in January 2017, we 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. Dean Moore brings with him a wealth of financial and commercial experience and skills, which the Committee felt would be of tremendous benefit to the Board and the Group, something that we have already seen in action since his appointment.

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.

Rick Senat
Chairman of the Nomination Committee

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 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 ad hoc 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 Policy

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, including different ethnic backgrounds, should be considered and, where reasonably possible, shortlists should comprise candidates of different genders. At the start of the year, there was over 30% female representation on the Board. However, this percentage lowered following Martina King's stepping down in January 2017, and the appointments of Nisan Cohen and Dean Moore.

Recruitment Process for Board Directors

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, 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 is implemented using the principles of the Three Lines of Defence model, as illustrated in the diagram below.

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.

The ongoing review and evaluation of risk management and internal control is undertaken by the Risk and Assurance team whose key responsibilities are:

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

The Board confirms that, in accordance with the Code:

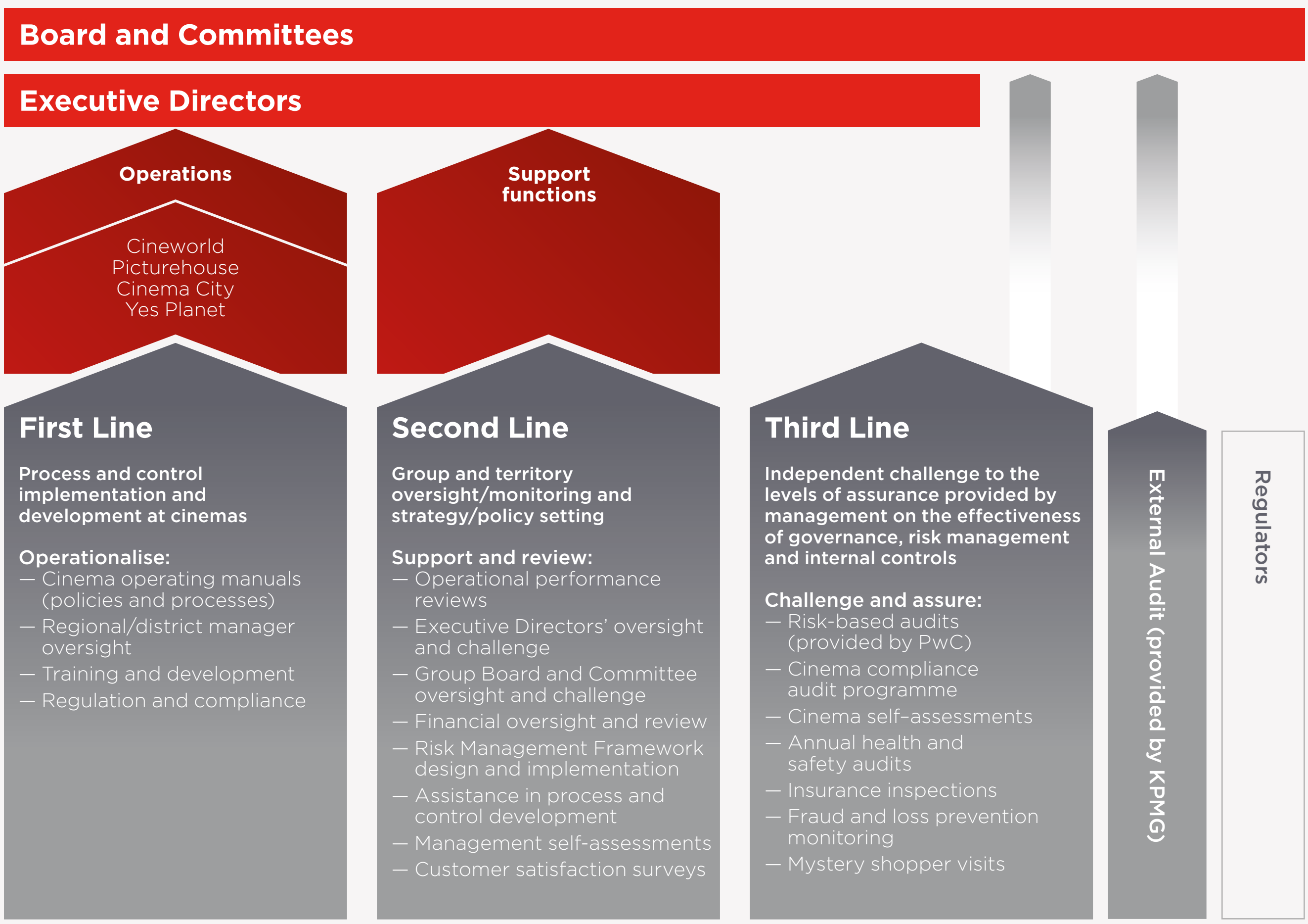
- there is an ongoing and robust process for identifying, evaluating and managing the principal risks faced by the Group (for more details please see Principal Risks and Uncertainties on pages 18 to 22);
- the Company's systems of risk management and internal control have been in place for the year under review, 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.

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 and processes for monitoring and reporting of risk within the Group, and facilitates the following objectives for risk management:

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

Our Three Lines of Defence



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

Oversight structure and accountability – The risk management oversight and accountability structure has ensured that risk consideration is from both a "top-down" and "bottom-up" perspective. The Group maintains a Principal Risk Register as well as operational risk registers for support functions, cinema operations and specific projects.

Ongoing process – At each level the risk assessment process is based on five key steps:

1. Risk identification (using cause and effect analysis)

2. Assessment of inherent risk severity

3. Identification of existing controls and assessment of effectiveness

4. Assessment of residual risk severity

5. Development and implementation of risk mitigation

Details of the Group's principal risks and how they are being managed or mitigated are provided on pages 18 to 22.

As part of this process, risk appetite is considered by the Board annually for each of the principal risks, allowing them to clearly set out the nature and extent of the risk the Group is willing to accept, and the level of investment in control 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 and Audit Committee. During the year an executive Risk Committee was introduced to provide quarterly checks and challenge for the principal and operational risks.

Culture – To support embedding the application of the Risk Management Framework into the culture and behaviours of the Group, ongoing training and communication have been delivered by the Risk and Assurance team.

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 their 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 is undertaken by the Risk and Assurance team, which is supported by specialist advisors as required.

Details of the activities the Audit Committee during 2017 are set out on pages 44 to 46.

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. The Risk and Assurance team is supported by PwC to deliver the plan.

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.

Quarterly management reporting of key themes and trends help support the Group to make continued improvements.

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, 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 it assesses in the course of its work. Its 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 their Senior Management teams 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 the 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 a programme of internal audit reviews is undertaken for compliance validation.

Other assurance activities – A programme of health and safety audits (delivered by outsourced providers) takes place for each cinema throughout the year as well as an annual self-assessment.

Customer surveys and mystery shopper visits also take place to ensure customers are receiving the optimum viewer experience.

Due to the upcoming changes in data protection under the "GDPR" in 2018, additional assurance activity has also been undertaken in the form of a readiness assessment, data audit and data mapping exercises.

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. For more details of the Group's policies see "Anti-bribery and Corruption" on page 23.

Chair	**Julie Southern**
Committee members	**Alicja Kornasiewicz** **Dean Moore**
Number of meetings held in 2017	**4**
The Company Secretary acts as Secretary to the Committee	

Chair's Introduction

Dear Shareholders

I am pleased to present this report on the activities of the Audit Committee for 2017.

The Committee supports the Board in its oversight and monitoring of the robustness and integrity of financial reporting, and the supervision of the External Auditor. The Committee is also tasked with providing assurance to the Board in respect of the effectiveness of the Group's risk management and internal control systems. The report below describes the work that we have undertaken as a Committee during the reporting year, in order to achieve these objectives.

An area of focus for the Committee in 2017 was the consideration of the significant risks, issues and areas of judgement in relation to the financial statements. As you will see in the report on page 45, the number of areas which we consider to be of significant risk has reduced for the reporting year, with only "Property, Plant and Equipment" being identified. We spent time as a Committee analysing the reports from management and the External Auditor in relation to significant risks, to ensure that we have understood the issues involved, and in order to form our own view on how these should be addressed.

In addition, the Committee engaged during the year with the FRC in relation to its thematic review of significant accounting judgements and sources of estimation uncertainty (which was conducted in respect of our 2016 accounts). More details of the outcome of the review are set out in the report on page 45, but there were no material financial reporting changes required as a result of the review.

In 2017, the Committee received reports from management in respect of planning for the implementation of various upcoming changes to accounting standards, in particular in relation to IFRS 15 (revenue recognition) and IFRS 16 (lease accounting). This project, led by management and supported by external advisors, will continue to be monitored by the Committee, to ensure a smooth transition process to the new standards. We also reviewed and assessed management's proposals in relation to the Going Concern and Viability Statements.

A significant portion of the Committee's time was dedicated to the area of risk management. Supported by the Risk and Assurance team, we have reviewed our principal risks and uncertainties, and considered the potential impact of these risks on our business model, future performance, solvency and liquidity. Details of our principal risks and uncertainties may be found on pages 18 to 22, including details of how we consider these risks in the context of our strategic objectives. The work of the Risk and Assurance team is supported by the internal audit team at PwC, which focuses specifically on risk-based audits, and the Committee continued to review the effectiveness of the Group's system of risk management and internal controls. More details of our work in these areas may be found on page 45 and also in the Accountability section starting on page 42. Indeed, the Committee will need to carefully consider this key area of risk management and internal control going forward, in light of the acquisition of Regal, and the Risk and Assurance team has already instigated this process.

As for Committee membership, we made some changes in early 2017, welcoming Dean Moore as a member following the stepping down of Martina King. The Committee is already benefitting from Dean's extensive commercial and financial experience. Lastly, I would like to extend my thanks to Martina, for her significant contribution to the Committee during her membership.

Julie Southern
Chair of the Audit Committee

Composition

For the duration of the year, the Committee comprised three independent Non-Executive Directors. At the start of the year, Committee members were Julie Southern (Chair), Martina King, and Alicja Kornasiewicz. On 11 January 2017, independent Non-Executive Director Dean Moore took up a place on the Committee, following the stepping down of Martina King. Both Julie and Dean are Chartered Accountants, and are considered by the Board to have recent and relevant financial experience. The Committee as a whole is considered to have competence relevant to the sector in which the Company operates.

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 the Internal and External Auditors' activities, and the work of the Risk and Assurance team, 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 2017

The Committee met four 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 the Committee's own understanding, the risks reflect the issues that concern the Group, the discussion of performance properly reflects the relevant period, and there is a clear link between all the areas of disclosure;
- received and discussed (in the absence of management, where appropriate) reports from the External Auditor in respect of its review of the interim results, the internal 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, its 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 the Risk and Assurance team (including input from PwC), 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;
- communicated with the FRC regarding the Company's Annual Report for the year ended 31 December 2016, in relation to their thematic review of significant accounting judgements and sources of estimation uncertainty. The letter from the FRC and the Group's responses were reviewed by the Committee. There were no major financial reporting changes arising from this communication. However, some areas previously reported as significant accounting judgements or sources of estimation uncertainty have been removed in the 2017 Annual Report, and for other areas further clarity has been provided to explain why items are deemed to be significant. The FRC's review only covered the specific disclosures relating to this thematic review and provides no assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements;
- considered the combined Prospectus and Circular in relation to the acquisition of Regal;
- reviewed the accounting papers provided by management on the upcoming changes to IFRS accounting standards and their potential impact on the Group's financial statements;
- monitored the implementation of the Group's internal audit plan for 2017, including further embedding the Risk Management Framework, the risk-based assurance plan for the financial control environment, and the 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, oversaw the Group's relations with the External Auditor, determined its 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 and carried out a performance evaluation as required by the Code. The results of the evaluation confirmed that the Committee is performing satisfactorily and providing strong support to the Board.

Going Concern

In recommending the adoption of the going concern basis for preparing the financial statements, the Committee considered the business activities, as well as the Group's principal risks and uncertainties, as set out on pages 18 to 22, the financial position of the Group (as enlarged by the Regal acquisition), 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 26 to 29 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 to the financial statements.

Viability

Part of the 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. The Directors' Viability Statement, together with details of the assessment work, is set out on page 22 (with a summary on page 34, "Board Statements").

Significant Issues Considered in Relation to the Financial Statements

During the year the Committee, management and the External Auditor considered and concluded what the significant risks and issues were in relation to the financial statements and how these would be addressed. In relation to the 2017 Group financial statements, only one significant risk has been identified, being the Valuation of Property, Plant and Equipment ("PPE").

Valuation of Property, Plant and Equipment

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 unit ("CGU") basis, predominantly at cinema site level.

At each Balance Sheet date, management prepares an assessment which estimates the value in use of the CGUs 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 CGU.

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 rates, 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, including focusing particularly on one site in Israel with a large carrying value, which is expected to mature over a longer period than most of the Group's sites. 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 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.

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 its effectiveness as External Auditor. The effectiveness of the 2016 audit was assessed by reference to the following:

- the effectiveness of the lead audit, engagement partner, including the support provided to the 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 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;
- KPMG's reputation and standing, including its independence and objectivity and its 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 the 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 Committee last conducted a tender process in February 2016 and, following that process, decided to recommend to the Board that KPMG be reappointed as External Auditor.

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 its professional opinion, it is 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 work and the associated fees need to be approved by the Committee if the value of such work is likely to be greater than £30,000.

During 2017 the Group initiated the process which led to its recent Rights Issue and its acquisition of Regal on 28 February 2018. This process involved a significant amount of regulatory and other reporting that the Committee considered that KPMG in its role as the Group's auditor was in the best position to provide. KPMG's fees for its non-audit work in respect of capital markets assurance services and corporate finance services in connection with this process were £1.30m, reflecting the unusually large scale of this transaction. The Committee determined that work in relation to tax advice and synergistic benefits arising from the acquisition should best be performed by advisors another than KPMG. KPMG's work on this project was performed between October 2017 and February 2018. £0.4m of the above fees have been reflected in the Group's 2017 financial statements and the balance will be included in 2018.

The only other non-audit service provided by KPMG to the Group during 2017 related to its review of the Group's interim statement, for which fees of £0.04m were agreed.

The Committee is satisfied that the above work was best undertaken by KPMG and that its objectivity as auditor has not been impaired by reason of this further work. An analysis of audit and non-audit fees may be found in Note 4 to 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 the Company's 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 independent Non-Executive Directors. At the start of the year, the Committee members were Martina King (Chair), Rick Senat, and Julie Southern). On 11 January 2017, Martina King stepped down from her role as a Non-Executive Director and as Chair of the Remuneration Committee, and Dean Moore was appointed in her place and is the Chair of the Committee. The Committee met four times during the year and, in addition, held a number of ad hoc meetings to deal with specific issues.

Roles and Responsibilities

The activities of the Committee are covered in the Directors' Remuneration Report on pages 48 to 67, and are incorporated into this Corporate Governance Statement by reference.

The 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 Committee appointed Willis Towers Watson as external advisors in November 2008 and took advice from it during the year until September 2017. In September 2017, the Committee appointed PwC as advisors to the Committee following a competitive selection process, replacing Willis Towers Watson.

Willis Towers Watson had 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.

PwC has no other connections with Cineworld except the provision internal audit support to the Risk and Assurance team. The Committee is satisfied that the advice provided by PwC is objective and independent.

The Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence. On appointment as advisors, the Committee reviewed the potential for conflicts of interest and judged that there were no conflicts or potential conflicts arising.

The Company receives advice in relation to the Remuneration Policy and its implementation in respect of the Chairman, Executive Directors, Company Secretary and Senior Management.

The terms of engagement with both Willis Towers Watson and PwC are available on request from the Company Secretary.

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 48 to 67.

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

By order of the Board

Anthony Bloom
Chairman
15 March 2018

A remuneration philosophy aligned to long-term value creation

Annual Statement

Dear Shareholders

As Chair of Cineworld's Remuneration Committee (the "Committee"), I am pleased to present our Remuneration Report for the year to 31 December 2017, including a revised Remuneration Policy for which we will be seeking your approval at our Annual General Meeting in May 2018.

2017 Performance and Remuneration

The Group delivered a successful year of trading in 2017 with total revenue increasing 11.6% to £890.7m (2016: £797.8m), and Adjusted EBITDA up 12.7% at £198.2m (2016: £175.8m). 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 Adjusted EBITDA performance against budget and the achievement of stretching individual objectives, paid out at the level of 78.6%, 78.6% and 44.4% of base salary for the Chief Executive Officer ("CEO"), Deputy CEO and Chief Financial Officer ("CFO") respectively. As EPS performance targets for the PSP were reached in full over the three year period 2015–2017, 100% of the awards made in 2015 will vest.

The Company receives advice in relation to the Remuneration Policy and its implementation in respect of the Chairman, Executive Directors, Company Secretary and Senior Management. In September 2017, the Committee appointed PwC as advisors to the Committee following a competitive selection process, replacing Willis Towers Watson. Further details are provided on page 60.

2018 Remuneration Policy

Cineworld's current Remuneration Policy (the "Policy") was approved by shareholders at the AGM in 2017 and was based on the profile of Cineworld before the acquisition of Regal. As such, the Committee considered that it was an appropriate time to review the Policy and, following a detailed analysis of our current arrangements, taking into account developing market practice, feedback received from shareholders, and the transformational nature of the Regal transaction, will be putting a new Policy forward for shareholder approval at our AGM this year.

The Committee believes it is appropriate to amend the Remuneration Policy for the following key reasons:

- Scale and complexity of the new business – The acquisition of Regal is anticipated to move the Group from a multinational operation onto a truly global platform. Given the significant impact the deal will have on the scale and complexity of the Group, the Committee believes it is appropriate that the remuneration structure incentivises management to achieve the expected combined growth story and cost savings.
- Focus on long-term performance – The proposed changes to the Policy are weighted towards the variable elements of the package, albeit we are also proposing to make changes to the base salaries to reflect the enlarged scope of the roles.
- Delivery of synergies – The bonus arrangements will be linked to the effective integration of Regal into the Group and the synergies which are expected to be delivered as a result.

Activities over the Year

The Remuneration Committee met four times during 2017 and its key activities were as follows:

	February 2017	March 2017	May 2017	September 2017
Overall remuneration				
Considering the remuneration arrangements across the Group	✓			
Determining the salary increases to be awarded to Executive Directors			✓	
Annual bonus				
Deciding the targets for the annual bonus scheme	✓			
Determining bonus payments to be awarded		✓		
LTIP				
Making awards under the Performance Share Plan ("PSP")		✓		
Approving vesting of awards under the PSP and the 2010 Company Share Option Plan ("CSOP")		✓		
Governance				
Reviewing the 2017 AGM voting figures and considering the views of shareholders			✓	
Starting preparation of this Directors' Remuneration Report				✓
Reviewing the Committee's external, independent advisor			✓	✓

Summary of Changes

Having carefully reviewed our base salary and incentive arrangements, the Committee has decided to make the following salary changes and adjustments to the Policy:

- Salary increases from £577,844 to £630,000 for the CEO, from £393,984 to £505,000 for the Deputy CEO and from £290,000 to £395,000 for the CFO. The proposed base salaries reflect the substantial increase in the scale and complexity of the Group as a result of the Regal acquisition and the pursuant responsibilities of the Executive Directors, as well as the CFO's progression in role since his appointment last year.
- Increase in the maximum annual bonus potential to 150% of salary with any bonus earned above 100% of salary deferred into shares for a period of two years. The majority of the annual bonus will continue to be based on performance against financial targets.
- The Committee does not propose to increase the long-term incentive plan ("LTIP") opportunity; however, it does intend to utilise the maximum opportunity of 200% of salary in future years. The LTIP will continue to measure performance against stretching EPS growth targets over a three year period.

This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the UK Corporate Governance Code. The report is split into three parts:

- This Annual Statement, together with an At a Glance section.
- The proposed Policy that is being put forward for approval by shareholders at the 2018 AGM.
- The "Annual Report on Remuneration" which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2017 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the AGM on 16 May 2018.

The Committee has always aimed to be clear and transparent in matters of remuneration, and we hope that this report continues this approach. Should you have any queries or comments on this report, or more generally in relation to the Company's remuneration, then please do not hesitate to contact me via the Company Secretary.

I hope that you find this report informative, and I look forward to your continued support at the Company's AGM.

Dean Moore
Chairman of the Remuneration Committee
15 March 2018

At a Glance

Summary of Remuneration Policy

The Directors' Remuneration Policy (the "Policy") was approved by shareholders at the AGM on 18 May 2017 (95.6% of votes being cast in favour) and became effective from that date.

The table below summarises the current Policy, how this was implemented in 2017, and the proposed changes to each element of the Policy for 2018. The current Policy is detailed in the 2016 Annual Report, which can be found in the "Investors" section under "Reports and Presentations" on the Company's website.

Our strategy

- Provide the best cinema experience – to give our customers a choice of how to watch a movie, with a range of retail offerings, all underpinned by the best customer service
- Expand and enhance our estate – to provide consistent, high quality, modern cinemas
- Be technological leaders in the industry – to offer the latest audio and visual technology
- Drive value for shareholders – by delivering our growth plans in an efficient and effective way

	Element of reward			
	Base salary and pension benefits	Annual bonus	LTIP	Shareholding requirement
Purpose	To provide a core level of remuneration and market competitive benefits to enable the Group to attract and retain skilled, high-calibre executives to deliver its strategy.	To incentivise the annual delivery of financial and operational targets.	To encourage sustainable profitability over a period of time aligned to the overall objective of achieving sustainable growth.	To provide alignment between Executive Directors and shareholders.

	2017	2018	2019	2020	2021	2022	Key features of Policy	Implementation of Policy in 2017	Planned changes for 2018	Link to strategy
Base salary, pension and other benefits	→						Salaries may be adjusted and any increase will ordinarily be in line with those across the Group. Employer pension contribution up to 20% of base salary. Executives may opt out of the Group pension scheme and instead receive a cash pension allowance. Market competitive benefits including provision of a company car or car allowance, private mileage, life insurance, permanent health insurance and private medical insurance.	Salaries for Executive Directors (other than the CFO, due to his appointment being in January 2017) were increased by 2.5% in line with the wider workforce as follows with effect from 1 July 2017: → CEO – £577,844 → Deputy CEO – 393,984 The CFO's salary was £290,000. Pension contributions of 20% were paid to the CEO and the Deputy CEO and 14.8% to the CFO.	Salaries for Executive Directors will be increased as follows with effect from 28 February 2018: → CEO – £630,000 → Deputy CEO – £505,000 → CFO – £395,000 No change to the permitted maximum pension contributions.	
Annual bonus	→						Maximum opportunity of 100% of salary. Based on Adjusted EBITDA and personal performance. Discretion to apply malus provisions.	Performance conditions were approximately set as follows: → 80% based on performance against budgeted Adjusted EBITDA. → 20% based on individual performance against strategic objectives. No bonus payable if a minimum threshold of 90% of budgeted Adjusted EBITDA is not achieved. Maximum of 110% of budgeted Adjusted EBITDA and exceptional performance.	Increase in the maximum annual bonus opportunity to 150% of salary, balanced with the introduction of an element of deferral. The annual bonus will continue to be based primarily on financial performance. Any bonus earned above 100% of salary will be deferred into shares for a period of two years.	

	2017	2018	2019	2020	2021	2022	Key features of Policy	Implementation of Policy in 2017	Planned changes for 2018	Link to strategy
LTIP							Normal maximum opportunity equal to 150% of base salary. Vesting subject to EPS growth performance over a three year performance period and reviewed annually to ensure the targets are sufficiently stretching in light of both internal and external performance expectations. Clawback provisions apply.	Vesting linked to EPS growth performance. 25% of the award will vest at threshold performance. 100% of the award will vest at stretch performance. On vesting, participants will receive dividend equivalents in the form additional shares or a cash sum.	Utilisation of the maximum opportunity to 200% of base salary. The LTIP will continue to be based on EPS growth performance.	
Shareholding requirements							Each Executive Director is expected to build up a shareholding equal to 150% of their base salary.	Executive Directors are expected to retain 50% of any shares they acquire under the PSP or on exercise of options until such a holding has been built up.	No change.	
Cineworld Group Sharesave Scheme							Maximum level is consistent for Executives and staff and is in line with the limit under legislation (currently £500 per month).	Employees are eligible to acquire Cineworld shares at a discount of up to 20% of the market value at grant if they enter into a three year savings contract.	No change.	

Remuneration Policy

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 2018. If approved it will come into effect from the date of the AGM and is intended to apply for a period of three years. 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.

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.

Changes to the remuneration policy that was approved by shareholders at the 2017 AGM

The Committee has undertaken a review of the existing remuneration policy in light of the acquisition of Regal and is proposing a revised remuneration policy that reflects the scale and complexity of the enlarged Group. The acquisition is transformational for the Group and is expected to deliver significant value to shareholders from an earnings perspective. To reflect this, the Committee proposes to increase the maximum opportunity under the annual bonus plan (together with a deferral on a portion of the award) and increase the normal maximum opportunity under the long term incentive plan within the limit of the current policy, as outlined below.

Component	Current policy	Amendment to policy	Reason for change
Base salary, benefits and allowances	No significant changes.	No significant changes.	N/A
Pension	No significant changes.	No significant changes.	N/A
Annual bonus plan	→ Maximum opportunity equal to 100% of base salary. → The level of bonus is determined by a matrix of budgeted Adjusted EBITDA and personal performance levels. The weighting of measures is circa 80% budgeted Adjusted EBITDA and 20% personal performance. → Bonuses are paid in cash following the approval of the Group Annual Report.	→ Maximum opportunity equal to 150% of base salary. → Two-thirds of the bonus is determined by a matrix of budgeted Adjusted EBITDA and personal performance levels. The weighting of measures for this element is circa 80% budgeted Adjusted EBITDA and 20% personal performance. → The final third of the bonus is based on performance against strategic targets, which for FY18 and FY19 will be based on the delivery of synergy benefits as a result of the acquisition of Regal Entertainment. → Bonus earned up to 100% of salary will be paid in cash; any bonus earned above 100% of salary will be deferred into shares for a period of two years.	→ To align with typical incentive levels in the wider market. → To continue focus on rewarding for exceptional financial performance in year and to align the annual bonus with the effective integration of Regal into the Group over the next two years. → Introduction of bonus deferral aligns with market best practice and ensures that performance is sustained over the longer term.
LTIP	No significant changes to policy, however it is intended that the maximum opportunity of 200% of salary will be made available to Executive Directors.	No significant changes.	N/A
Share Ownership Guidelines	No significant changes.	No significant changes.	N/A

Policy table

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

The table below summarises the Policy for each element of pay.

Our strategy

Provide the best cinema experience – give our customers a choice of how to watch a movie, with a range of retail offerings, all underpinned by the best customer service	Expand and enhance our estate – to provide consistent, high quality, modern cinemas	Be technological leaders in the industry – to offer the latest audio and visual technology	Drive value for shareholders – by delivering our growth plans in an efficient and effective way

	Element of reward			
	Base salary and pension benefits	Annual bonus	LTIP	Shareholding requirement
Purpose	To provide a core level of remuneration and market competitive benefits to enable Cineworld to attract and retain skilled, high-calibre executives to deliver its strategy.	To incentivise the annual delivery of financial and operational targets.	To incentivise sustainable profitability over a period of time aligned to the overall objective of achieving sustainable growth.	To provide alignment between Executive Directors and shareholders.

Element and link to strategy	Opportunity	Operation
Base 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.

Element and link to strategy	Opportunity	Operation
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 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.
Annual bonus		
To incentivise the annual delivery of financial and operational targets	Maximum opportunity for Executive Directors of 150% of salary.	Two-thirds of the bonus is based on overall Group performance in meeting its primary financial objectives in Adjusted EBITDA for the financial period. The level of this element of the bonus is determined by a matrix of budgeted Adjusted EBITDA and personal performance levels. The weighting of these measures is circa 80% Adjusted EBITDA and 20% personal performance which incorporates the reduction in net debt. The Committee seeks to ensure that the Adjusted EBITDA budget is challenging and so there is a clear link between the short-term Group performance and payout under the arrangements: → None of this element of the bonus is payable if a minimum threshold of 90% of budgeted Adjusted 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 level of this element of the bonus is only payable if both 110% of budgeted Adjusted EBITDA and exceptional performance against individual objectives is achieved. The remaining third of the bonus is based on performance against strategic targets, which for FY18 and FY19 will be based on the delivery of synergy benefits as a result of the acquisition of Regal Entertainment. 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. The bonus will be paid in cash save for any bonus earned above 100% of salary which will be deferred into shares for a period of two years. 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.

Element and link to strategy	Opportunity	Operation
LTIP		
To encourage sustainable profitability over a period of time aligned to the overall objective of achieving sustainable growth	Maximum opportunity for Executive Directors of 200% of base salary.	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. Since the AGM in 2017, The Cineworld Group plc 2017 Long Term Incentive Plan has been in force and all future awards will be made under this 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. 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, it would be expected that the Company would have significantly outperformed the relevant market and/or 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.
Share Ownership Guidelines		
To provide alignment between Executive Directors and Shareholders	N/A	Each Executive Director is expected to build up a shareholding 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.
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.

Element and link to strategy	Opportunity	Operation
Non-Executive Director fees		
To attract and retain high calibre Non-Executive Directors	The 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.

Malus and clawback

The Remuneration Committee reserves the discretion to apply 'malus' by reducing or withholding annual bonus payments from the formulaic outcome based on Adjusted 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 LTIP 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 found (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 LTIP, 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.

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

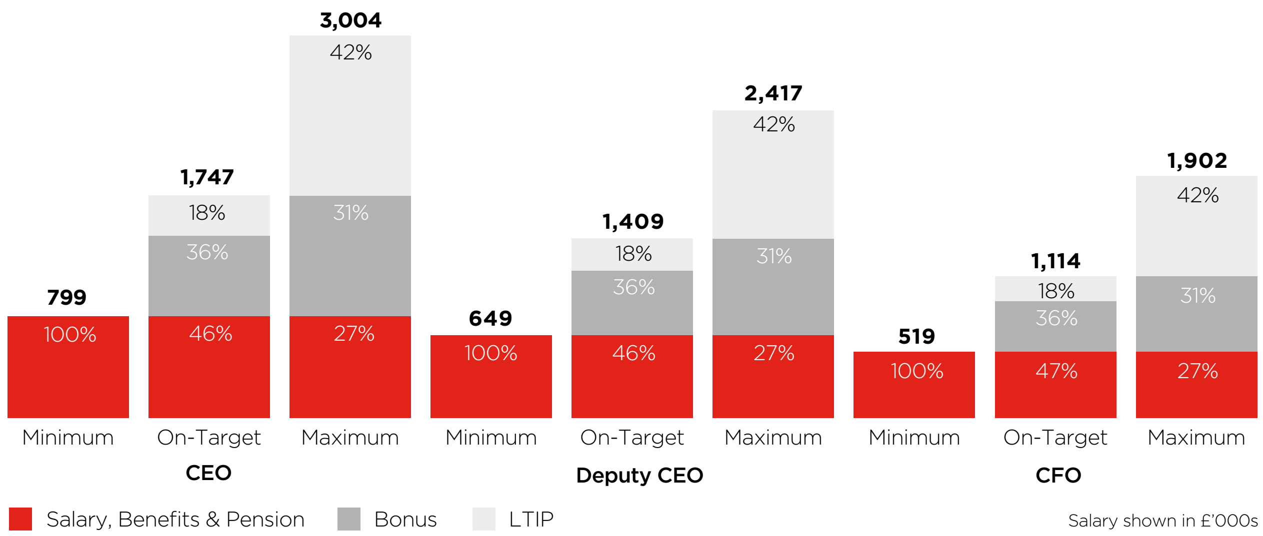
- In any ten-year period, the number of shares which may be issued under the LTIP, the PSP and under any other executive share or option scheme established by the Company, and operated on a discretionary basis, may not exceed 5% of the issued ordinary share capital of the Company from time to time.
- 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 the date of the 2018 AGM. Bonus opportunity and LTIP award levels are the maximum levels 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 2017 for each Executive Director.
- For target performance, assumptions of bonus payout of 67% of maximum and threshold vesting (25%) for LTIP awards have been made.
- For maximum performance, assumptions of bonus payout of 100% of maximum and maximum vesting (100%) for LTIP awards 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 150% of salary and the maximum performance share award will be 200% of salary.

For external appointments, although there are 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][2]	12 months	12 months	12 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.

(2) In order to align with the Chief Executive Officer, the notice period for the Deputy Chief Executive Officer and Chief Financial Officer will be increased to 12 months with effect from the date of the AGM.

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 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 have 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.

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.

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.

Non-Executive Directors

Letters of Appointment

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

Non-Executive 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

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.

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 Wider Employee Pay

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Team, the Remuneration Committee takes into account average levels of salary increases awarded to employees generally. Salary increases will normally be broadly in line with those for other employees.

Whilst the Company does not formally consult employees in relation to the Remuneration policy, thorough consideration is given to the wider employee workforce when setting executive pay and ensuring appropriate alignment with executives. In addition, 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 considering the proposed changes to this Policy, the Remuneration Committee has taken into account feedback received from some shareholders. We also consulted with major shareholders on the proposed changes to the previous Policy introduced in 2017.

Annual Report on Remuneration

The Remuneration Committee and its Role

The Company's Remuneration Committee comprises Dean Moore, Julie Southern and Rick Senat, who are all considered to be independent. The Chair of the Committee is Dean Moore, who took over from Martina King on 11 January 2017.

The 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 LTIPs.

The full terms of reference of the 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 38.

Remuneration Committee Advisors

The Company receives advice in relation to the Remuneration Policy and its implementation in respect of the Chairman, Executive Directors, Company Secretary and Senior Management. In September 2017, the Committee appointed PwC as advisors to the Committee following a competitive selection process, replacing Willis Towers Watson. The terms of engagement with Willis Towers Watson and PwC are available on request from the Company Secretary.

Willis Towers Watson attended three scheduled meetings during the year at the request of the Committee. Willis Towers Watson's fees for advice to the Committee in 2017 were £44,322 (2016: £80,428). Following the appointment of PwC, there were no further scheduled meetings for the remainder of the year. However, PwC will attend scheduled meetings going forward at the request of the Committee. No fees were payable to PwC in 2017.

As founder members of the Remuneration Consultants Group, Willis Towers Watson and PwC operate under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. Additionally as a member firm of the ICAEW, PwC complies with the ICAEW's ethical guidelines. As a result, both PwC and Willis Towers Watson operate under rigorous rules on independence, compliance and quality assurance.

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 Committee is satisfied that the advice that Willis Towers Watson provided on executive remuneration was objective and independent and that no conflict of interest arose as a result of these other services.

PwC has no other connections with Cineworld except as providing internal audit support to the Company's Risk and Assurance team. The Committee is satisfied that the advice provided by PwC is objective and independent. The Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence. On appointment as advisors, the Committee reviewed the potential for conflicts of interest and judged that there were no conflicts or potential conflicts arising.

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), the 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 2017

As announced last year, on 11 January 2017, Martina King stepped down from the Board, and Nisan Cohen and Dean Moore were appointed to the Board. Nisan Cohen became Chief Financial Officer and Dean Moore was appointed as an independent Non-Executive Director and Chair of the Remuneration Committee and a member of the Audit Committee.

Remuneration for 2017

This section covers the reporting period from 1 January 2017 to 31 December 2017 and provides details of the implementation of the Company's Remuneration Policy during the period.

Single Total Figure Table (audited information)

The table below gives a single figure for the total remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2017 financial year. Comparative figures for the 2016 financial year have also been provided.

	Financial year	Base salary and fees £000	Benefits[1] £000	Annual Bonus £000	PSP £000	Pension £000	Total £000
Executive Directors							
Moshe Greidinger	2017	571	78	448	1,180[2]	114	2,391
	2016	557	84	437	1,804[5]	91	2,973
Israel Greidinger	2017	389	84	306	804[2]	78	1,661
	2016	380	77	298	1,230[5]	60	2,045
Nisan Cohen[3]	2017	281	43	129	23[2]	42	518
	2016	–	–	–	–	–	–
Non-Executive Directors							
Anthony Bloom	2017	175	–	–	–	–	175
	2016	175	–	–	–	–	175
Dean Moore[3]	2017	58	–	–	–	–	58
	2016	–	–	–	–	–	–
Alicja Kornasiewicz	2017	50	–	–	–	–	50
	2016	50	–	–	–	–	50
Martina King[4]	2017	2	–	–	–	–	2
	2016	60	–	–	–	–	60
Scott Rosenblum	2017	50	–	–	–	–	50
	2016	50	–	–	–	–	50
Arni Samuelsson	2017	50	–	–	–	–	50
	2016	50	–	–	–	–	50
Rick Senat	2017	65	–	–	–	–	65
	2016	65	–	–	–	–	65
Julie Southern	2017	70	–	–	–	–	70
	2016	70	–	–	–	–	70

Notes:

(1) See page 62 for details of the other benefits provided to the Executive Directors.

(2) The value of PSP shares vesting in respect of the period has been calculated using a share price of £6.349 being the average price for the last three months of the period (as the PSP will not vest until 23 April 2018), 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 £89,625, the dividend equivalent payment to Israel Greidinger would amount to £61,108, and the dividend equivalent payment to Nisan Cohen would amount to £1,711.

(3) Nisan Cohen and Dean Moore were appointed to the Board on 11 January 2017.

(4) Martina King left the Company on 11 January 2017.

(5) Details of the actual gains made are set out on page 66. The actual figures set out in the table above differ from those included in the 2016 Annual Report as last year an estimated value of £5.525 per share was used to calculate the theoretical gain, as the awards had not yet vested. The figures above reflect the share price of £7.00 on the date of vesting, 6 June 2017.

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 2017. Following his appointment to the Board in January 2017, the CFO did not receive a base salary increase during the year. Average salaries across the Group were increased by 2.5%.

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

Moshe Greidinger	£577,844 p.a.[1]
Israel Greidinger	£393,984 p.a.[1]
Nisan Cohen	£290,000 p.a.

(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 Executive Directors have elected not to participate in this scheme and instead receive a cash pension allowance. For 2017 this was 20% of salary for the CEO and Deputy CEO, and 14.8% of salary for the CFO.

Company pension contributions/allowances for the period were:

	£000
Moshe Greidinger	114
Israel Greidinger	78
Nisan Cohen	42

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	Nisan Cohen
Car/car allowance	14,000	14,000	–
Permanent health insurance/private medical cover	1,676	1,676	2,590
Life assurance	27,826	22,180	–
Disturbance allowance	40,000	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. The decision was taken to also pay a disturbance allowance to Nisan Cohen of £40,000 for the period to reflect the significant amount of travel he was required to undertake as part of the Regal acquisition process.

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, the annual bonus for the year was determined by a matrix of Adjusted EBITDA compared to budget, and the achievement of specified individual objectives. 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 weighting between the Group's financial performance and personal performance was circa 80%:20%. The Committee retains the absolute discretion to apply "malus" by reducing or withholding annual bonus payments from the formulaic outcome based on Adjusted EBITDA performance (for example, in the event of misconduct or misstatement of financial results).

Personal Objectives
The individual performance element for the CEO, Deputy CEO and CFO for 2017 focused on the strategic growth agenda of the Group. For the CEO and Deputy CEO, emphasis was placed on the identification and development of acquisition targets. In addition, objectives focused on the successful opening of new cinemas on time and on budget, and the subsequent management of those new sites from an operational point of view, the successful delivery of results from the Group's renovation programme, the effectiveness of steps taken to improve the customer experience, the introduction of the latest technology, and maintaining strong employee relations. For the CFO, objectives also included ensuring that appropriate financial controls and systems are maintained across the Group, maintaining focus on investor relations, and ensuring that the Group's financial Key Performance Indicators are driven and monitored, based on the Group's strategy.

Performance Against Objectives
The Committee judged the individual objectives to have been achieved at the top level out of five for the CEO, Deputy CEO, and the CFO. In making this assessment, the Committee considered a number of factors, including the transformational acquisition of Regal Entertainment, the continued profitable growth of the Company, the nine additional cinemas (a total of 109 screens) that were opened across the Group during 2017, the completion of four refurbishments in the UK and two in Poland, the introduction of a further 11 4DX screens, two new IMAX screens and two new Superscreens, and the progress made in implementing the Group's IT programme. For the customer focused element of the objectives, the continued drive in improving the customer experience was considered, including the opening of five new Starbucks sites in the UK, and the expansion of the VIP locations (now 12 across the Group). In addition, the strong shareholder support for the Regal acquisition was taken into account in relation to the investor focused element of the CFO's objective, and work in relation to the further strengthening of the finance team and the success of the shared service centre in Poland, delivering significant cost savings to the Group.

The table below shows the Adjusted EBITDA targets and performance achieved against them in 2017.

	Adjusted 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	102.2	570.8	78.6	78.6	448.4
Israel Greidinger	102% of budgeted EBITDA achieved	Above and Beyond	69.7	389.2	78.6	78.6	305.7
Nisan Cohen	102% of budgeted EBITDA achieved	Above and Beyond	28.0	156.6	82.2	44.4	128.8

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

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

Awards Vesting Following the End of the Performance Period Ending 31 December 2017

Awards under the PSP made in April 2015 are due to vest on 23 April 2018. The performance condition applicable to these awards is summarised below:

EPS growth performance	Vesting level
Less than 8% p.a.	Nil
8% p.a.	30%
16% p.a.	100%
Between 8% and 16% p.a.	Straight-line basis

The adjusted diluted EPS figure for the year represented compound average annual growth of 17.4% 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 66 of this report.

Awards Made in the Year

Awards were made to the Executive Directors under the PSP in April 2017. The vesting of these awards will be based on Cineworld's three year EPS growth performance, as summarised in the table below.

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

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 66 of this report.

Non-Executive Directors' Fees (audited information)

The table below sets out the fees payable to Non-Executive Directors.

Position held	Fees as at 1 January 2017 and at 31 December 2017
Chairman	£175,000 p.a.
Senior Independent Director	£10,000 p.a.
Non-Executive Director (base fee)	£50,000 p.a.
Audit Committee Chair	£20,000 p.a.
Remuneration Committee Chair	£10,000 p.a.
Nomination Committee Chair	£5,000 p.a.
Committee member	£nil

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

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

Payments to Past Directors
Philip Bowcock left the Company on 31 October 2015. A total of 20,401 shares are due to vest under the PSP on 23 April 2018. Based on the average share price for the last three months of the period (£6.349) the estimated value of this award is £140,175 including 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 (£10,649).

External Appointments
Moshe and Israel Greidinger are both directors of Israel Theatres Limited. In relation to these roles, they did not receive any fees. They do not receive any fees in relation to their additional respective non-executive roles (as set out in their biographies on page 32).

Directors' Shareholdings at 31 December 2017 (audited information)

	Ordinary shares at 31 December 2017	Share options subject to performance conditions at 31 December 2017(1)
Executive Directors		
Moshe Greidinger	76,871,622(2)	448,267
Israel Greidinger	76,793,579(2)	305,635
Nisan Cohen	–	36,708(4)
Non-Executive Directors		
Anthony Bloom	2,208,006(3)	–
Dean Moore	–	–
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 2015, 2016 and 2017 as the vesting of the 2015 awards described above will not happen until April 2018. No performance conditions apply to Nisan Cohen's PSP awards granted in 2015 and 2016 as these were granted before he became a Director.

(2) Includes ordinary shares held by the Global City Theatres B.V ("Major Shareholder"). Shares in the Major Shareholder are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger (Israel Greidinger's entire interest in the Major Shareholder was transferred to a trust for the benefit of his children on 6 September 2015 and Moshe Greidinger's entire interest in the Major Shareholder 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 Committee has determined that they will both be considered as meeting the shareholding requirement under the Policy. Figures stated above also include individual shareholdings of Moshe and Israel Greidinger following the exercise of their PSP awards in June 2017.

(3) Shares are held by a nominee for trusts of which Anthony Bloom is one of the potential discretionary beneficiaries.

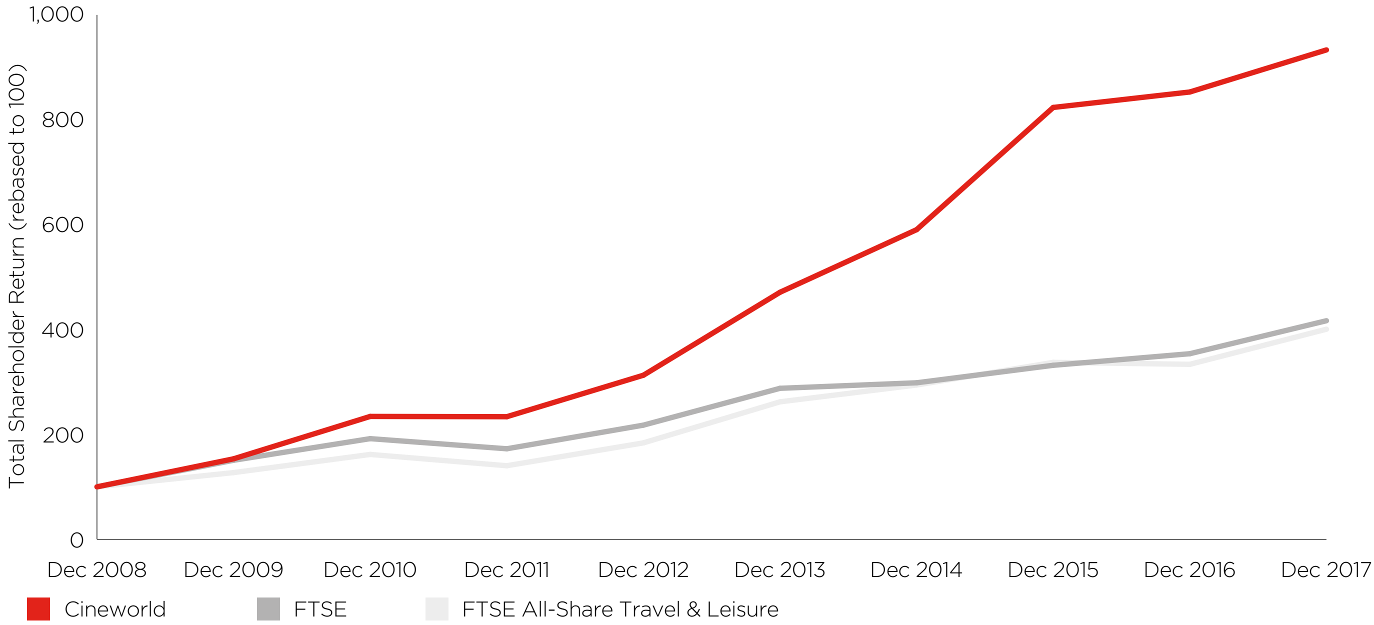
The interests of Directors and their connected persons in ordinary shares as at 31 December 2017, including any interests in shares and share options provisionally granted under the PSP are presented above.

As described in the Policy, each Executive Director is expected to build up, over a period of time, a holding in shares equal to 150% of their base salary. Given the family connection described above in Footnote 2 of the table above, the Remuneration Committee has determined that the CEO and Deputy CEO will both be considered as meeting the shareholding requirement.

Executive Directors	Shareholding guidelines (% 2017 salary)	Shares owned outright (at 31 December 2017)	Current shareholding (% of salary as at 31 December 2017)	Guidelines met
Moshe Greidinger	150%	119,254	124%	Yes
Israel Greidinger	150%	81,310	124%	Yes
Nisan Cohen	150%	–	–	No

Nine-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 & Leisure indices over the past nine financial years. The Remuneration Committee believes these to be the most appropriate comparators as Cineworld is a member of both indices.



Financial year	CEO single figure of total remuneration £000[1]	Bonus as proportion of maximum opportunity	LTI vesting as proportion of maximum opportunity
2017	£2,391	79%	100%
2016	£2,973[2]	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) 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.

(2) 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 increased due to the significant increase in the Company's share price over the vesting period.

(3) Moshe Greidinger, CEO, did not have an LTIP which vested in this 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 2016 and 2017 for the CEO and employees generally are set out in the table below:

	CEO[1]	Employees[2]
Salary	2.5%	2.5%
Non-pension benefits	(7.1)%	4.6%
Annual bonus	No change	No change

(1) Moshe Greidinger's salary increased by 2.5% with effect from 1 July 2017.

(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 Spend on Pay

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.

	2017	2016	% change
Staff and employee costs	**£126.4m**	£112.9m	12.0%
Of which, Directors' remuneration costs	**£5.1m**	£5.2m	(1.9)%
Corporation tax paid	**£12.0m**	£9.8m	22.4%
Dividends paid	**£53.8m**	£47.0m	14.4%
Retained earnings	**£159.5m**	£110.5m	44.3%

Shareholder Voting Results from 2017 AGM

The Directors' Annual Report on Remuneration and the Remuneration Policy were subject to a shareholder vote at the AGM on 18 May 2017, the results of which were as follows:

Remuneration Report	Number of votes	% of votes cast
For	199,034,420	93.43%
Discretionary	17,206	0.01%
Against	13,971,462	6.56%
Total votes cast	213,023,088	100%
Votes withheld(1)	2,301,461	–

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

Remuneration Policy	Number of votes	% of votes cast
For	199,892,737	95.61%
Discretionary	17,206	0.01%
Against	9,167,526	4.38%
Total votes cast	209,077,469	100%
Votes withheld(1)	6,247,080	–

(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 CEO, Deputy CEO and CFO equivalent in value to 150%, 150% and 60% of their base salaries respectively on 12 April 2017 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 as set out on page 63.

CSOP: No share options were granted under the CSOP in 2017.

Awards granted or vesting during the year:

Cineworld Group Performance Share Plan

Details of awards made and vesting during the period are:

Name of Director	At 1 January 2017	Awarded during year	Vested during year	Exercised during year	Lapsed during year	At 31 December 2017	Exercise price	Market value at date of exercise(1)	Exercise period(2)	Gain(3)
Current Directors										
Israel Greidinger	382,329	85,925(4)	162,619	162,619	–	305,635	£Nil	£6.78	6 months	£1,194,273.94
Moshe Greidinger	560,751	126,024(4)	238,508	238,508	–	448,267	£Nil	£6.78	6 months	£1,751,602.75
Nisan Cohen	19,792	25,931	9,015	–	–	45,723	£Nil	–	11 months(5)	–
Past Directors										
Philip Bowcock	96,119	–	75,718	75,718	–	20,401	£Nil	£6.78	6 months	£556,072.99

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

(2) Subject to satisfaction of the relevant performance conditions (details of which, for the awards made in 2017, are set out on page 63).

(3) Mid-market closing price of a Cineworld Group plc share on 12 April 2017, the last business day before grant, was £6.71. The face value of the awards to Israel Greidinger, Moshe Greidinger and Nisan Cohen were £577,000, £846,000 and £174,000 respectively. All awards were granted as nil cost options.

(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 £91,717.12 for Israel Greidinger, £134,518.51 for Moshe Greidinger, £5,084.46 for Nisan Cohen and £42,704.95 for Philip Bowcock.

(5) Due to regulatory restrictions imposed as a result of the Regal acquisition, the Committee agreed to extend the exercise period for Nisan Cohen until after the end of the closed period. The awards were exercised in January 2017 as reported by an RNS announcement at the time.

Details of the awards vesting in April 2018:

Name of Director	Date awarded	Number awarded	Vesting date	Number vesting	Number lapsing	Exercise price	Exercise period
Current Directors							
Israel Greidinger	23/04/15	117,065	23/04/18	117,065	–	£Nil	23/04/18 – 22/10/18
Moshe Greidinger	23/04/15	171,696	23/04/18	171,696	–	£Nil	23/04/18 – 22/10/18
Nisan Cohen	23/04/15	3,277*	23/04/18	3,277	–	£Nil	23/04/18 – 22/10/18
Past Directors							
Philip Bowcock	23/04/15	117,065	23/04/18	20,401	96,664	£Nil	23/04/18 – 22/10/18

* Nisan Cohen's PSP awards granted in 2015 are not subject to the EPS performance conditions.

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 2018 financial year.

Cineworld Group Sharesave Scheme

No Directors currently participate in the Company's Sharesave Scheme.

Implementation of Policy in 2018

The Remuneration Committee intends to implement the Policy for 2018 as set out below.

The new salaries of the Executive Directors will be as follows, with increases being effective from 28 February 2018, being the closing date of the Regal acquisition:

Moshe Greidinger	£630,000
Israel Greidinger	£505,000
Nisan Cohen	£395,000

For the 2018 financial period the benefits of the Executive Directors will be reviewed in the usual manner.

The maximum annual bonus opportunity will be 150% of salary for the CEO and Deputy CEO and 100% of salary for the CFO. In line with the Policy, two-thirds of the bonus will be based on performance against Adjusted EBITDA targets and individual strategic objectives, with the remaining third being based on strategic targets, which for FY18 and FY19 will be based on the delivery of synergy benefits as a result of the Regal acquisition. Bonus payments will be subject to Committee discretion to apply "malus". 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 granted under the LTIP in 2018 will be 200% of salary for the CEO and Deputy CEO and 150% of salary for the CFO. The calibration of targets for these awards is set out in the table below.

EPS growth performance	Vesting level
Less than 8% p.a.	Nil
8% p.a.	25%
15% p.a.	100%
Between 8% and 15% 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 based on the enlarged Group following the acquisition of Regal. 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 retail price index inflation is a less directly relevant factor and will therefore express the targets as absolute growth levels.

As with the 2017 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 LTIP 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 Advisors" also form part of the Corporate Governance Statement, and are incorporated into that statement by reference.

By order of the Board

Dean Moore
Chair of the Remuneration Committee
15 March 2018

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2017. The comparative period is the year ended 31 December 2016.

Management Report

This Directors' Report, together with the Strategic Report on pages 1 to 29, form the Management Report for the purposes of rule 4.1.8R of the Disclosure Guidance 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	Page 46
Corporate Governance Statement	Pages 30 to 47
Diversity, human rights and our people	Pages 23 to 25 (Resources and Relationships)
Directors' biographies	Pages 32 and 33
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 118
Going Concern Statement	Page 34
Key Performance Indicators	Pages 16 and 17
An indication of likely future developments in the business affecting the Company	Pages 1 to 29 (Strategic Report)
Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements	Page 73
Viability Statement	Pages 22 and 34
Important Post-Balance Sheet Events	Page 29

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 on 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 2017 are presented under International Financial Reporting Standards ("IFRSs") 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 FRS 101 "Reduced Disclosure Framework". The results for the year are set out in the Consolidated Statement of Profit or Loss on page 79.

An interim dividend of 6.0p per share was paid on 21 September 2017. The Directors are recommending a final dividend of 15.4p per share (3.1p on a rights adjusted basis) which, if approved by the shareholders at the Annual General Meeting ("AGM"), will be paid on 6 July 2018 to shareholders on the register on 8 June 2018.

Events Affecting the Company Since Year End

On 5 December 2017, the Group announced the proposed acquisition of Regal by means of an acquisition of the entire issued, and to be issued, share capital of Regal. The acquisition completed on 28 February 2018 and was settled in cash, funded by a fully underwritten rights issue and committed debt facilities. More details may be found on page 29 in the Financial Review.

Financial Risk Management

The Board regularly reviews the financial requirements of the Group and the risks associated therewith. Full details are set out in 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 26 to 29. 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.

Substantial Shareholdings

At 31 December 2017, the Group had been notified, pursuant to the Disclosure Guidance 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 B.V.(2)	76,626,344	27.98	Direct

(1) Percentages are stated as at the time of notification. The total number of voting rights at 31 December 2017 was 273,915,718.

(2) Shares are held by Global City Theatres B.V., a wholly owned subsidiary of Global City Holdings B.V. ("GCH"). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

The following notifications were received in the period from 1 January 2018 up to the date of this report:

Shareholder	Voting rights	% of total voting rights(1)	Nature of holding
Global City Holdings B.V.(2)	76,626,344	27.97	Indirect
Aviva plc and its subsidiaries	58,894,844	4.30	Direct and Indirect
Polaris Capital Management, LLC	9,172,000	3.35	Indirect

(1) Percentages are stated as at the time of notification and show the latest notification details. With the exception of the shareholdings of Aviva plc and its subsidiaries, all notifications were made prior to the 4 for 1 Rights Issue of the Company announced on 17 January 2018.

(2) Shares are held by Global City Theatres B.V., a wholly owned subsidiary of Global City Holdings B.V. ("GCH"). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

Major Shareholder Voting Arrangements

Global City Theatres B.V. ("GCT") is interested in aggregate in 28% of the rights to vote at general meetings of the Company. The Company and GCT entered into a relationship agreement dated 5 December 2017 to regulate the relationship between them. This agreement replaces the agreement between Global City Holdings and the Company of 10 January 2014 and is on the same terms as the previous relationship agreement. 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 GCT will be on arm's length terms. The relationship agreement contains 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 were 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 18 May 2017, shareholders gave authority for the allotment of shares up to an aggregate nominal value of £897,000 subject to certain conditions. This authority will expire at the 2018 AGM of the Company or on 17 August 2018, whichever is earlier.

Between 1 January 2017 and 31 December 2017, a total of 6,334,529 shares were issued. Further details of the 6,334,529 shares issued in this period are set out in Note 20.

At the AGM held on 18 May 2017, shareholders gave authority for the purchase of up to 26,900,000 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 at Year End

	Ordinary shares held directly		Ordinary shares held by companies in which a Director has a beneficial interest or is connected	
Director	31 December 2016	**31 December 2017**	31 December 2016	**31 December 2017**
Anthony Bloom	–	**–**	2,208,006(1)	2,208,006(1)
Nisan Cohen(3)	–	**–**	–	–
Israel Greidinger	–	**81,310**	76,626,344(2)	76,626,344(2)
Moshe Greidinger	–	**119,254**	76,626,344(2)	76,626,344(2)
Alicja Kornasiewicz	–	**–**	–	–
Dean Moore(3)	–	**–**	–	–
Scott Rosenblum	16,877	**16,877**	–	–
Arni Samuelsson	–	**–**	–	–
Rick Senat	53,874	**53,874**	–	–
Julie Southern	–	**–**	–	–

(1) Shares are held by a nominee for trusts of which Anthony Bloom is one of the potential discretionary beneficiaries.

(2) Shares are held by Global City Theatres B.V., a wholly owned subsidiary of Global City Holdings B.V. ("GCH"). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

(3) Dean Moore and Nisan Cohen joined the Board in January 2017.

Directors' Interests at the Latest Practicable Date

Director	Ordinary shares held directly	Ordinary shares held by companies in which a Director has a beneficial interest or is connected
Anthony Bloom	-	5,208,006(1)
Nisan Cohen(3)	**17,352**	–
Israel Greidinger	**406,550**	383,131,720(2)
Moshe Greidinger	**596,270**	383,131,720(2)
Alicja Kornasiewicz	-	–
Dean Moore(3)	**15,000**	–
Scott Rosenblum	**84,385**	–
Arni Samuelsson	-	–
Rick Senat	**269,370**	–
Julie Southern	-	–

(1) Shares are held by a nominee for trusts of which Anthony Bloom is one of the potential discretionary beneficiaries.

(2) Shares are held by Global City Theatres B.V., a wholly owned subsidiary of Global City Holdings B.V. ("GCH"). GCH is owned by trusts for the benefit of the children of Moshe Greidinger and Israel Greidinger.

(3) Dean Moore and Nisan Cohen joined the Board in 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 in the table 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 page 64. 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:

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 must retire (excluding as Chairman of the Board 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 2017, 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 GCT (described further in the Major Shareholder Voting Arrangements section above), GCT 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 48 to 67.

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' 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.

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 23 to 25. 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 2017 are shown in Table 2 below in tonnes of carbon dioxide equivalent (tCO_2e).

Table 2: 2017 GHG Emissions

Ref	Category	tCO_2e 2016	tCO_2e 2017
A1	Fuel combustion (stationary)	21,915(2)	**20,127**
A2	Fuel combustion (mobile)	1,150	**1,911**
B	Facility operation	1,849	**347**
C	Purchased electricity	126,088(2)	**121,722**
Total		151,002	**144,108**

(1) 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.

(2) Due to a correction in certain data in relation to electricity in Romania in these categories, these numbers have been corrected and differ from the figures reported in the 2016 Annual Report (previously reported as 22,855 and 132,181 respectively).

Estimates and Exclusions
A minimal amount of estimated data was used for electricity and gas emissions for some UK meters for December 2017. This affects less than 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 161.8 tonnes CO_2e per £m turnover.

For comparison, 2016's emissions were 151,002 tonnes CO_2e at an intensity of 189.3 tonnes CO_2e per £m turnover (using corrected figures).

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 the 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 16 May 2018, 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.

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
15 March 2018

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 International Financial Reporting Standards as adopted by the European Union ("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, relevant, reliable 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply 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 Officer
15 March 2018

to the Members of Cineworld Group plc

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Cineworld Group plc ("The Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1 of the Group financial statements and note 26 of the Company financial statements:

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the directors on 23 August 2004 prior to the Company becoming a public interest entity. The period of total uninterrupted engagement is for the 11 financial years ended 31 December 2017 as a public interest entity and 14 years in total. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Potential impairment of property, plant and equipment, in relation to an individual site in Israel. Risk vs 2016 ←→ Refer to page 44 (Audit Committee Report), page 84 (accounting policy) and page 101 (financial disclosures).	**Forecast-based valuation** 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. One particular cinema in Israel is in a developing market that is highly sensitive to external social and political conditions. As such, its low valuation headroom presents a risk that its carrying value will not be supported by the continuing operations. Impairment testing valuations are based upon highly judgmental input assumptions. The key sensitivities in the calculation are the difficulties in accurately predicting site performance, some of which are due to external uncontrollable factors. In particular, the valuation of the site in Israel is materially sensitive to future growth assumptions for revenue.	Our procedures included evaluating the Group's key assumptions and methodology used in the value in use calculations supporting the carrying value of the properly, plant and equipment. **Our sector experience:** Evaluating assumptions used, in particular those relating to forecast revenue growth and profit margins, based on our existing knowledge of the business. **Historical comparisons:** Challenging growth assumptions and cash flow projections by comparing to recent historical trading performance. Assessing the Group's forecasting process through comparison of previous forecasts to actual results and considering whether the forecasts used in the most recent impairment tests appropriately take into account actual performance during 2017. **Benchmarking assumptions:** Comparing the Group's assumptions to internally and externally derived data in relation to key inputs such as projected economic growth rates, cost inflation and discount rates. **Sensitivity analysis:** Performing breakeven analysis on growth rate for admissions. **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of property, plant and equipment. **Our results** We found the Group's assessment of potential impairment of property, plant and equipment, in relation to the specific cinema site in Israel to be acceptable (2016: acceptable).
Parent Company financial statements: Valuation of investments £901.1m (2016: £741.4m) and recoverability of intercompany receivables £363.8m (2016: £343.2m). Risk vs 2016 ←→ Refer to page 88 (accounting policy) and page 127 (financial disclosures).	**Low risk, high value** The carrying amount of the Company's investments in subsidiaries held at cost less impairment and intercompany receivables represent 99% of the Company's total assets. We do not consider the valuation of these investments and recovery of intercompany receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit.	Our procedures included: **Tests of detail:** Comparing a sample of the investment and intercompany receivables carrying value to the net assets of the investment to identify whether the net asset values of the subsidiaries, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams, where possible, on that sample of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. Where the subsidiary is not subject to component audit for Group reporting purposes or a statutory audit, we considered the results of analytical procedures performed by the Group team, on those subsidiaries' profits and net assets. For the investments where the carrying amount exceeded the net asset value of the subsidiary, our procedures included evaluating key assumptions and methodology used in the value in use calculations of the underlying Cash Generating Units. **Our sector experience:** Challenging the growth assumptions and cash flow projections using our knowledge and historic experience of the profitability of the underlying trading Group. **Benchmarking assumptions:** Comparing the Group's assumptions to internally and externally derived data in relation to key inputs such as projected economic growth rates and discount rates. **Sensitivity analysis:** Performing breakeven analysis on growth rates and discount rates. **Our results** We found the Group's assessment of the recoverability of the investment in subsidiaries and intercompany receivables to be acceptable (2016: acceptable).

We continue to perform procedures over onerous lease provisions £3.6m (2016: £2.4m) but have not assessed it as one of the most significant risks in our current year audit as fewer leased cinemas are trading at a loss than in the past and as a result, the potential for a material error in this area has diminished. Therefore, it is not separately identified in our report this year.

Further, we have removed the key audit matter in relation to the acquisition of the five Empire Cinemas in 2016 as the acquisition accounting has been substantially completed. The only acquisitions in the current period have been on a much smaller scale, such that the potential for a material error is much smaller than it was last year.

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

Materiality for the Group financial statements as a whole was set at £5.2m (2016: £4.5m), determined with reference to a benchmark of Group profit before tax, of which it represents 4.3% (2016: 4.6%).

Materiality for the parent Company financial statements as a whole was set at £3.9m (2016: £3.4m), by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to net assets, and represents 0.5% of the Company's net assets (2016: 0.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £260,000 (2016: £225,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group operates in nine countries across the UK and Ireland, Central and Eastern Europe and Israel. Of the Group's 10 (2016: 10) reporting components, we subjected 4 (2016: 4) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 25% (2016: 25%) of total Group revenue, 29% (2016: 26%) of the total profits and losses that made up Group profit before tax and 14% (2016: 15%) of total Group assets is represented by 6 (2016: 6) reporting components. For these residual components, we performed analytical procedures over financial information at a component level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors 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 the following component materialities, having regard to the mix of size and risk profile of the Group across the components:

- UK component £3.9m (2016: £3.4m)
- Poland and Israel components £2.9m (2016: £2.5m)

Scoping and coverage

Group revenue

2017	
Group and component audited	75%
Out of scope	25%

Group revenue

2016	
Group and component audited	75%
Out of scope	25%

Total profits and losses that made up Group profit before tax

2017	
Group and component audited	71%
Out of scope	29%

Total profits and losses that made up Group profit before tax

2016	
Group and component audited	74%
Out of scope	26%

Group total assets

2017	
Group and component audited	86%
Out of scope	14%

Group total assets

2016	
Group and component audited	85%
Out of scope	15%

Most of the audit work on 3 of the 4 audited components (2016: 2 of the 4 components) was performed by component auditors although our work over impairment of property, plant and equipment, impairment of goodwill, onerous lease provisions and taxation was performed centrally for the entire Group by the Group audit team. The Group team performs the audit of the parent Company and the Group consolidation. In 2016 the Group team also performed the audit of the UK component.

The Group team visited the component locations in Poland (for the Poland component and certain processes relevant to the UK component performed in Poland), to assess the audit risk and strategy and gain an understanding of the local finance environment. Telephone conference meetings were held with each component auditor 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. Significant findings were discussed in more detail, and any further work deemed necessary by the Group team was then performed by the component auditor. The Group team inspected the audit files relating to each component audit.

4 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 34 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the viability statement on page 22 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether 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 period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 73, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's/Company's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

Hugh Green
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
15 March 2018

Consolidated Statement of Profit or Loss

for the Year Ended 31 December 2017

	Note	**Year ended 31 December 2017 £m**	Year ended 31 December 2016 £m
Revenue	2	**890.7**	797.8
Cost of sales		**(655.5)**	(584.8)
Gross profit		**235.2**	213.0
Other operating income	3	**3.5**	2.7
Administrative expenses		**(110.5)**	(102.9)
Operating profit	4	**128.2**	112.8
Analysed between:			
Adjusted EBITDA as defined in Note 1:		**198.2**	175.8
Depreciation and amortisation	4	**(68.1)**	(58.6)
Onerous leases and other charges	4	**(1.3)**	1.5
Impairments and reversals of impairments	4	**5.2**	0.4
Transaction and reorganisation costs	4	**(7.8)**	(1.5)
Gain on disposal of assets and subsidiaries		**2.0**	–
Settlement of defined benefit pension liability	18	**–**	(4.8)
Finance income	7	**2.0**	3.0
Finance expenses	7	**(9.8)**	(17.6)
Net finance costs		**(7.8)**	(14.6)
Share from jointly controlled entities using equity accounting method, net of tax		**0.1**	–
Profit on ordinary activities before tax		**120.5**	98.2
Tax charge on profit on ordinary activities	8	**(19.9)**	(16.2)
Profit for the year attributable to equity holders of the Group		**100.6**	82.0
Rights adjusted basic earnings per share (pence)	5	**16.4**	13.7
Rights adjusted diluted earnings per share (pence)	5	**16.3**	13.4

The Notes on pages 84 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

for the Year Ended 31 December 2017

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Profit for the year attributable to equity holders of the Group	**100.6**	82.0
Items that will not subsequently be reclassified to profit or loss		
Remeasurement of the defined benefit asset	**-**	(5.1)
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	**1.3**	0.5
Net change in fair value of cash flow hedges recycled to profit or loss	**-**	(1.9)
Movement in fair value of net investment hedge	**(1.4)**	(1.3)
Foreign exchange translation gain	**26.0**	88.2
Tax recognised on items that will be reclassified to profit or loss	**0.3**	–
Other comprehensive income for the year, net of income tax	**26.2**	81.4
Total comprehensive income for the year attributable to equity holders of the Group	**126.8**	163.4

Consolidated Statement of Financial Position

at 31 December 2017

	Note	31 December 2017 £m	31 December 2017 £m	31 December 2016 £m	31 December 2016 £m
Non-current assets					
Property, plant and equipment	9	**520.2**		445.4	
Goodwill	10	**675.5**		650.6	
Other intangible assets	10	**47.4**		54.2	
Investments in equity accounted investee	11	**1.2**		0.9	
Other receivables	14	**5.9**		6.0	
Total non-current assets			**1,250.2**		1,157.1
Current assets					
Inventories	13	**10.4**		9.8	
Assets classified as held for sale	9	**1.6**		–	
Trade and other receivables	14	**77.5**		74.0	
Cash and cash equivalents		**67.5**		55.8	
Total current assets			**157.0**		139.6
Total assets			**1,407.2**		1,296.7
Current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	16	**(14.9)**		(16.8)	
Bank overdraft		**(0.5)**		–	
Trade and other payables	17	**(145.1)**		(175.8)	
Current taxes payable		**(21.3)**		(10.5)	
Provisions	19	**(3.5)**		(6.3)	
Total current liabilities			**(185.3)**		(209.4)
Non-current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	16	**(330.5)**		(321.3)	
Other payables	17	**(95.7)**		(76.5)	
Provisions	19	**(7.8)**		(11.6)	
Employee benefits	18	**(2.3)**		(1.8)	
Deferred tax liabilities	12	**(10.2)**		(12.7)	
Total non-current liabilities			**(446.5)**		(423.9)
Total liabilities			**(631.8)**		(633.3)
Net assets			**775.4**		663.4
Equity attributable to equity holders of the Group					
Share capital	20		**2.7**		2.7
Share premium			**295.7**		306.4
Translation reserves	20		**64.9**		38.9
Merger reserve			**255.1**		207.3
Hedging reserves	20		**(2.5)**		(2.4)
Retained earnings			**159.5**		110.5
Total equity			**775.4**		663.4

These financial statements were approved by the Board of Directors on 15 March 2018 and were signed on its behalf by:

Nisan Cohen
Director

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2017

	Issued capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2016	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**
Profit for the year	–	–	–	–	–	100.6	100.6
Other comprehensive income							
Items that will subsequently be reclassified to profit or loss							
Movement in fair value of cash flow hedge	–	–	–	–	1.3	–	1.3
Movement in net investment hedge	–	–	–	–	(1.4)	–	(1.4)
Retranslation of foreign currency denominated subsidiaries	–	–	–	26.0	–	–	26.0
Tax on items that will be subsequently reclassified to profit or loss	–	–	–	–	–	0.3	0.3
Contributions by and distributions to owners							
Dividends	–	–	–	–	–	(53.8)	(53.8)
Transfer (Note 20)	–	(10.7)	10.7	–	–	–	–
Movements due to share-based compensation	–	–	–	–	–	1.9	1.9
Issue of shares	–	–	37.1	–	–	–	37.1
Balance at 31 December 2017	**2.7**	**295.7**	**255.1**	**64.9**	**(2.5)**	**159.5**	**775.4**

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2017

	Note	**Year ended 31 December 2017 £m**	Year ended 31 December 2016 £m
Cash flow from operating activities			
Profit for the year		**100.6**	82.0
Adjustments for:			
Financial income	7	**(2.0)**	(3.0)
Financial expense	7	**9.8**	17.6
Taxation	8	**19.9**	16.2
Share from jointly controlled entities		**(0.1)**	–
Operating profit		**128.2**	112.8
Depreciation and amortisation	4	**68.1**	58.6
Non-cash property, pension and remuneration charges		**0.5**	(0.1)
Impairments and reversals of impairments	4	**(5.2)**	(0.4)
Surplus of pension contributions over current service cost	18	**–**	(0.8)
Increase in trade and other receivables		**(3.7)**	(6.0)
Increase in inventories		**(0.5)**	(0.6)
Increase/(Decrease) in trade and other payables		**1.5**	(2.0)
Decrease in provisions and employee benefit obligations		**(4.1)**	(1.6)
Cash generated from operations		**184.8**	159.9
Tax paid		**(12.0)**	(9.8)
Net cash flows from operating activities		**172.8**	150.1
Cash flows from investing activities			
Interest received		**0.6**	0.7
Acquisition of subsidiaries net of acquired cash		**(7.0)**	(47.0)
Purchase of property, plant and equipment and intangible assets		**(106.2)**	(83.7)
Proceeds from disposal of assets and subsidiaries		**2.0**	–
Investment in equity accounted investee		**(0.1)**	(0.3)
Net cash flows from investing activities		**(110.7)**	(130.3)
Cash flows from financing activities			
Proceeds from share issue		**0.8**	0.3
Dividends paid to shareholders		**(53.8)**	(47.0)
Interest paid		**(6.6)**	(7.8)
Repayment of bank loans		**(11.1)**	(6.4)
Proceeds from bank loans		**17.4**	28.0
Payment of finance lease liabilities		**(1.3)**	(1.0)
Net cash flows from financing activities		**(54.6)**	(33.9)
Net (decrease)/increase in cash and cash equivalents		**7.5**	(14.1)
Exchange gains/(losses) on cash and cash equivalents		**4.2**	7.4
Cash and cash equivalents at start of year		**55.8**	62.5
Cash and cash equivalents at end of year		**67.5**	55.8

(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 FRS 101 Reduced Disclosure Framework; these are presented on pages 124 to 131.

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

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 10 and 11 and the Principal Risks and Uncertainties section on pages 18 to 22. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer’s Review on pages 26 to 29. In addition Note 21 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Going Concern

At the 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).

As a result of the Regal acquisition, on 28 February 2018 the Group restructured its debt arrangements. The previous financing arrangements in place as at 31 December 2017 for the Group and Regal Entertainment Group were terminated and superseded with the new financing arrangements for the enlarged Group which consist of a USD and Euro term loan totalling $4.1bn and a $300.0m revolving credit facility. The revolving credit facility is subject to springing covenants which are triggered above 35% utilisation.

The enlarged Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the enlarged Group should be able to operate within the level of its new facilities 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.

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.

1. Accounting Policies continued

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 EBITDA
- Adjusted profit before tax
- Adjusted profit after tax

The Group defines EBITDA as Operating profit before depreciation and amortisation. EBITDA is considered a consistent measure of the trading performance at a CGU level.

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

Adjusted profit before tax is calculated by adding back amortisation of intangible assets (excluding acquired movie distribution rights), and certain 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 the relevant 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.

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.

1. Accounting Policies continued

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.

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.

1. Accounting Policies continued

Business Combinations

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the 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 CGUs 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 the 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 is first allocated to goodwill, and then to remaining assets and liabilities on a 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.

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 CGU exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other intangible assets in the unit on a pro rata basis. A CGU 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 CGU to which the asset belongs.

1. Accounting Policies continued

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.

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.

1. Accounting Policies continued

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 advertisement 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 area of judgement.

Other Operating 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 Profit or Loss. Lease incentives received are recognised on a straight-line basis over the lease term 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 is 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 leaseback has been completed at fair value.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss and Other 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.

1. Accounting Policies continued

Operating Segments

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

Significant Accounting Judgements and Estimates

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

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.

Judgements

The key judgements are:

Business Combinations

When the Group undertakes a business combination, there are specific judgements 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. For the majority of the Group's leases the determinations are straight forward and the material judgements only relate to a few lease arrangements. There are some instances within the Group where the lease arrangements can be up to 99 years in length and therefore a judgement has to be made as to whether the lease term is for the major part of the economic life of the asset where the asset is not transferred at the end of the lease. In addition for these leases, calculations have to be undertaken to ascertain whether, at inception of the lease, the present value of the minimum lease payments represent substantially all of the fair value of the leased asset. Determining the present value of the lease payments and the fair value of the leased asset requires elements of estimation and judgement in respect of the forward-looking discount rate and assessing if extension options are likely to be exercised in the lease contract. The outcome of whether a lease is an operating or a finance lease can have a material impact on the Group's Consolidated Statement of Financial Position. The right of use asset and the finance lease liability on an individual lease could be a material asset based on a long lease and average annual rents. The Group is not intending to early adopt the new lease accounting standard, IFRS 16 "Leasing", which will be effective from 1 January 2019.

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 on at least an annual basis. This requires an estimate of the value in use of the CGUs to which the goodwill is allocated. To estimate the value in use, the Group estimates the expected future cash flows from the CGU 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). 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 CGUs, and that the discount rate used is appropriate given the risks associated with the specific cash flows. Although based on the sensitivity analysis performed there is no impairment charge to goodwill, it is considered appropriate to disclose this as an area of significant estimation due to the size of the balance and the fact that it could change as a result of future events.

1. Accounting Policies continued

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 CGUs 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 CGU.

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 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 CGUs, and that the discount rates used are appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 9).

Tax

In determining the income tax assets and liabilities recognised in the Consolidated Statement of Financial Position, the Group is required to estimate the outcome of multiple tax years remaining open to tax authority audit in each of the jurisdictions in which the Group has companies. The key judgement area for tax is the pricing of cross-border transactions between Group companies, in each of the jurisdictions in which the Group operates. In most countries transfer pricing law requires that taxable profits reflect arm's length pricing of intra-group transactions. Determining the arm's length price of a transaction and the likelihood of challenge by local tax authorities is inherently subjective. In making estimates for tax provisioning purposes management make use of in-house tax expertise, comparable third party studies prepared by professional advisors and any other information available. In the event of an audit the Group may liaise with the relevant taxation authorities to agree an outcome.

The tax liability provided for each tax year and jurisdiction is reassessed in each period to reflect our best estimate of the probable outcome in light of all the information available. A final position agreed with a tax authority or through expiry of a tax audit period could differ from the estimates made by us which would impact the current tax liability of £21.3m (2016: £10.5m) recognised in the Consolidated Statement of Financial Position.

Currently there are no significant ongoing tax audits. Should a tax audit commence this would give additional visibility over maximum potential exposures as the tax authorities' own position becomes clearer. Such developments would then further inform our best estimate in line with the approach above. Conversely should tax audit windows close without audits commencing this would enable tax provisions to be released. The amount of the current tax liability subject to significant uncertainty is £7.0m, being the reduction in the liability if all filed returns are agreed without adjustment. Conversely the liability may increase due to the outcome of tax audits or changes in our assessment. Five years of tax returns remain open to audit across multiple jurisdictions.

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. Although the deferred tax asset recognised may not be material, there is still estimation involved in those potential tax assets which remain unrecognised. The nature and amounts of unrecognised potential tax assets are disclosed in Note 8 and these are material for the Group. Although the Group does not believe that there is a significant risk of a material adjustment to deferred tax assets within the next financial year, there is a significant uncertainty existing at each year end and therefore the Group's overall tax position could change within the next 12 months.

1. Accounting Policies continued

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 2017 and have not had a material impact on the consolidated financial statements of the Group:

- Annual improvements to IFRSs
- Classification and Measurement of Share-based Payment Transactions (amendments to IFRS 2)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
- IFRIC 23 "Uncertainty over Income Tax Treatments"

The Group is currently assessing the impact of the following standards and interpretations which have been issued but are not effective for the year ended 31 December 2017. 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 2017 an initial impact assessment has been performed in respect of IFRS 9, IFRS 15 and IFRS 16.

In respect of IFRS 15 a review has been undertaken of the key revenue streams within the Group. For each of the revenue streams the five-step model under IFRS 15 has been applied to assess how the revenue stream should be recognised and whether this will result in a material change from the approach currently applied by the Group. A summary of the expected impact is outlined below for each of the Group's key revenue streams:

- Box office revenue – no changes are expected.
- Concessions revenue – no changes are expected.
- Advertising revenue – the analysis is currently being finalised; however, analysis to date suggests no material changes are expected.
- Distribution revenue – the analysis is currently being finalised; however, analysis to date suggests no material changes are expected.
- Membership revenue – the analysis is currently being finalised; however, analysis to date suggests no material changes are expected.
- Other income – no changes are expected.

On adoption of IFRS 9 this is not expected to have a material impact on the Group's current accounting in respect of financial instruments; however, it is expected there will be changes in the disclosure requirements. A review has been performed against IFRS 9 to assess the definitions and accounting treatment for financial assets, financial liabilities, fair value accounting, impairments of financial assets and hedge accounting. Particular focus was given to the Group's interest rate swaps, loans and financial liabilities, hedge accounting, receivables and payables balances.

The adoption of IFRS 16 is expected to materially affect the Group's lease accounting and financial statements. One of the first considerations is the transition method which the Group should adopt. There are three options: fully retrospective; modified; and modified retrospective. Each option has a slightly different impact on the financial statements on the initial transition date and going forward. Initial assessments have been undertaken for each of these options based on a sample of leases and management are in the process of concluding which will be the transition method selected. From the initial analysis performed the Group's profit after tax, operating profit, finance costs EBITDA and Adjusted EBITDA will be materially affected by the adoption of IFRS 16. The Group's finance costs and depreciation charge will materially increase; however, the rental charge for leases classified as finance leases under IFRS 16, which will substantially be all of the Group's property leases, will no longer be recognised in the Consolidated Statement of Comprehensive Income. The Group's Statement of Financial Position will be materially impacted in respect of total assets, total liabilities, net debt and equity. For all leases which fall under the scope of IFRS 16 a right of use asset and related lease liability will be recognised in the Statement of Financial Position.

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 2017			
Total revenues[1]	524.5	366.2	890.7
Adjusted EBITDA as defined in Note 1	99.7	98.5	198.2
Operating profit	51.9	76.3	128.2
Net finance (income)/expense	9.5	(1.7)	7.8
Depreciation and amortisation	32.8	35.3	68.1
Onerous leases and other charges	1.3	–	1.3
Impairments and reversals of impairments	(4.9)	(0.3)	(5.2)
Transaction and reorganisation costs	6.9	0.9	7.8
Profit before tax	**42.5**	**78.0**	**120.5**
Non-current asset additions – property, plant and equipment	65.3	52.6	117.9
Non-current asset additions – intangible assets	8.4	2.8	11.2
Investment in equity accounted investee	0.7	0.5	1.2
Non-current asset – goodwill	304.8	370.7	675.5
Segmental total assets	**645.8**	**761.4**	**1,407.2**
Year ended 31 December 2016			
Total revenues[1]	494.0	303.8	797.8
Adjusted EBITDA as defined in Note 1	97.1	78.7	175.8
Operating profit	52.6	60.2	112.8
Net finance costs	13.4	1.2	14.6
Depreciation and amortisation	28.9	29.7	58.6
Onerous leases and other charges	(0.5)	(1.0)	(1.5)
Impairments and reversals of impairments	0.8	(1.2)	(0.4)
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
Segmental total assets	**571.4**	**725.3**	**1,296.7**

(1) All revenues were received from third parties.

2. Operating Segments continued

Group-Wide Disclosures

Revenue by country	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
United Kingdom & Ireland	**524.5**	494.0
Poland	**114.2**	98.1
Israel	**77.6**	63.5
Hungary	**59.8**	49.7
Romania	**54.6**	42.6
Czech Republic	**35.1**	29.6
Bulgaria	**14.1**	11.9
Slovakia	**10.8**	8.4
Total revenue	**890.7**	797.8

UK and Ireland

Revenue by product and service provided	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Box office	**345.0**	324.0
Retail	**125.8**	117.5
Other	**53.7**	52.5
Total revenue	**524.5**	494.0

ROW

Revenue by product and service provided	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Box office	**208.7**	176.9
Retail	**94.6**	73.3
Other	**62.9**	53.6
Total revenue	**366.2**	303.8

3. Other Operating Income

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Rental income	**3.5**	2.7
Total other operating income	**3.5**	2.7

4. Operating Profit

Included in operating profit for the year are the following:

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Depreciation (see Note 9)	**56.3**	47.9
Impairments (see Notes 9 and 10)	**0.4**	1.3
Reversals of impairments (see Notes 9 and 10)	**(5.6)**	(1.7)
Amortisation of intangibles (see Note 10)	**11.8**	10.7
Onerous leases and other charges	**1.3**	(1.5)
Transaction and reorganisation costs	**7.8**	1.5
Gain on disposal of assets and subsidiaries	**2.0**	–
Hire of other assets – operating leases	**95.1(1)**	87.3(1)
Settlement of defined benefit pension liability	**-**	4.8

(1) £1.0m (2016: £1.0m) is included in administrative costs. The balance is included in cost of sales.

Onerous leases and other charges

In 2017 there is a charge of £1.3m (2016: gain of £2.7m) on onerous lease provisions following changes in trading assumptions. There were no other charges in 2017; in 2016 other charges included a gain on property provisions of £0.1m and the write off of £1.3m lease related assets no longer considered recoverable.

Gain on disposal of assets and subsidiaries

On 7 February 2017 the Group sold 100% of the shares in Picturehouse Entertainment Limited, a company which operated an element of the Group's distribution arm in the UK. The consideration received was £2.0m, resulting in a gain on disposal of £1.8m. A gain of £0.2m resulted from the disposal of the Group's Haymarket site as part of the consideration for the acquisition of five Empire cinemas in 2016.

Transaction and reorganisation costs

In 2017 transaction and reorganisation costs included £3.6m relating to the restructuring and redundancy costs (2016: £0.8m), £0.6m of costs incurred on the acquisition of six cinemas from Empire Cinemas Limited (2016: £0.5m), £2.8m (2016: £Nil) of costs incurred in respect of the ongoing transaction with Regal and £0.8m (2016: £Nil) of costs respect of the termination of contracts.

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 2017 £m	Year ended 31 December 2016 £m
Auditor's remuneration:		
Group – audit	**0.6**	0.6
Company – audit	**-**	–
Amounts received by auditors and their associates in respect of:		
– Audit of financial statements pursuant to legislation	**0.6**	0.6
– Audit related assurance services	**-**	–
– Tax compliance services	**-**	0.1
– Tax advisory services	**-**	0.1
– Other advisory services	**1.3**	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 Benefit 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 the weighted average number of any non-vested ordinary shares held by the Employee Benefit Trust and after adjusting for the effects of dilutive options.

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Earnings attributable to ordinary shareholders	**100.6**	82.0
Adjustments:		
Amortisation of intangible assets(1)	**5.1**	4.6
Transaction and reorganisation costs	**7.8**	1.5
Impairments and reversals of impairments	**(5.2)**	(0.4)
Onerous lease cost and other charges	**1.3**	(1.5)
Settlement of defined benefit pension scheme	**–**	4.8
Impact of foreign exchange translation gains and losses(3)	**–**	6.1
Exceptional finance credit(2)	**–**	(1.9)
Gain on disposal of assets and subsidiaries	**(2.0)**	–
Adjusted earnings	**107.6**	95.2
Tax effect of above items	**(1.4)**	(1.4)
Adjusted profit after tax	**106.2**	93.8

	Year ended 31 December 2017 Total	Year ended 31 December 2016 Total
Weighted average number of shares in issue	**271.4**	266.2
Basic earnings per share denominator (prior to rights adjustment)	**271.4**	266.2
Basic earnings per share denominator (rights adjusted)	**612.4**	600.7
Dilutive options (prior to rights adjustment)	**1.4**	4.4
Diluted earnings per share denominator (prior to rights adjustment)	**272.8**	270.6
Diluted earnings per share denominator (rights adjusted)	**615.6**	610.6
Shares in issue at year end	**273.9**	267.6
	Pence	Pence
Basic earnings per share (rights adjusted)(4)	**16.4**	13.7
Diluted earnings per share (rights adjusted)(4)	**16.3**	13.4
Adjusted basic earnings per share (rights adjusted)(4)	**17.3**	15.6
Adjusted diluted earnings per share (rights adjusted)(4)	**17.3**	15.4
Basic earnings per share (prior to rights adjustment)	**37.1**	30.8
Diluted earnings per share (prior to rights adjustment)	**36.9**	30.4
Adjusted basic earnings per share (prior to rights adjustment)	**39.1**	35.2
Adjusted diluted earnings per share (prior to rights adjustment)	**38.9**	34.7

(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 £6.4m (2016: £6.1m)).

(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 2017.

(3) Net foreign exchange gains and losses included within earnings comprises £6.1m foreign exchange loss recognised on translation of the Euro term loan at 31 December 2016, no such gains or losses were incurred in 2017.

(4) In accordance with IAS 33 basic and diluted EPS figures have been restated to reflect the bonus element Rights Issue described in Note 25.

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 2017	Number of staff 2016
Head office	**658**	683
Cinemas	**9,574**	9,263
	10,232	9,946

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 2017 £m	Year ended 31 December 2016 £m
Wages and salaries	**111.7**	100.5
Social security costs	**10.3**	8.8
Other pension costs – defined contribution	**2.1**	1.6
Share-based payments (see Note 18)	**2.3**	2.0
	126.4	112.9

See pages 48 to 67 for details of Directors' remuneration.

7. Finance Income and Expense

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest income	**0.7**	0.7
Net foreign exchange gain	**1.3**	–
Defined benefit pension scheme net finance income (Note 18)	**–**	0.4
Amounts reclassified from equity to profit or loss in respect of settled cash flow hedges	**–**	1.9
Finance income	**2.0**	3.0
Interest expense on bank loans and overdrafts	**6.3**	7.8
Amortisation of financing costs	**1.5**	1.4
Unwind of discount on onerous lease provision	**0.2**	0.6
Unwind of discount on finance lease liability	**1.2**	0.7
Unwind of discount on market rent provision	**–**	0.4
Net foreign exchange loss	**0.6**	6.7
Finance expense	**9.8**	17.6
Net finance costs	**7.8**	14.6

Recognised Within Other Comprehensive Income

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Movement in fair value of interest rate swap	**1.3**	0.5
Foreign exchange translation gain	**26.0**	88.2

8. Taxation

Recognised in the Income Statement

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Current tax expense		
Current year	**24.1**	16.5
Adjustments in respect of prior years	**(1.1)**	(4.1)
Total current tax expense	**23.0**	12.4
Deferred tax expense		
Current year	**(2.6)**	1.3
Adjustments in respect of prior years	**(0.5)**	2.5
Total tax charge in statement of profit or loss	**19.9**	16.2
Effective tax rate	**16.5%**	16.5%
Current year effective tax rate	**17.9%**	18.1%

Reconciliation of Effective Tax Rate

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Profit before tax	**120.5**	98.2
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	**23.2**	19.6
Differences in overseas tax rates	**(2.4)**	(5.9)
Permanently disallowed depreciation	**1.2**	1.3
Other permanent differences	**1.5**	1.5
Adjustments in respect of prior years	**(1.6)**	(1.6)
Increase in unrecognised deferred tax assets	**(1.4)**	(1.4)
Effect of change in statutory rate on deferred tax	**(0.6)**	2.7
Total tax charge in statement of profit or loss	**19.9**	16.2

During the year there was a tax credit of £0.3m (2016: (£1.0m) recognised directly in the Statement of Other Comprehensive Income. This related to share remuneration schemes and the movement in the fair value of the cash flow hedge on part of the Group's bank loans.

Factors that May Affect Future Tax Charges

As at 31 December 2017 the Group had potential UK tax assets relating to the following:

- Capital losses of approximately £7.5m (2016: £7.5m)

No deferred tax liability has been recognised on £6.8m (2016: £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 2017 the Group had unrecognised potential tax assets relating to the following temporary differences:

- UK capital losses of £7.5m with no expiry date
- Overseas tax losses of £0.5m with no expiry date

It 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 2017.

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 2016	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**
Additions	17.2	17.7	46.7	34.2	115.8
Additions due to acquisition	1.1	0.6	0.4	–	2.1
Disposals	(5.6)	(6.6)	(3.6)	–	(15.8)
Transfers to assets classified as held for sale	(1.6)	–	–	–	(1.6)
Transfers	8.4	4.7	18.1	(31.2)	–
Effects of movement in foreign exchange	3.9	9.2	10.6	0.3	24.0
Balance at 31 December 2017	**277.5**	**192.7**	**290.2**	**11.8**	**772.2**
Accumulated depreciation and impairment					
Balance at 1 January 2016	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**
Charge for the period	10.3	23.0	23.0	–	56.3
Disposals	(5.7)	(6.4)	(3.3)	–	(15.4)
Effects of movement in foreign exchange	2.5	6.6	4.9	–	14.0
Impairments	0.2	0.1	0.1	–	0.4
Reversals of impairments	(4.0)	(0.9)	(0.7)	–	(5.6)
Balance at 31 December 2017	**55.8**	**96.0**	**100.2**	**–**	**252.0**
Net book value					
At 31 December 2016	201.6	93.5	141.8	8.5	445.4
At 31 December 2017	**221.7**	**96.7**	**190.0**	**11.8**	**520.2**

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 2017 £m	31 December 2016 £m
Opening net book value	**22.8**	6.8
Additions	**–**	16.5
Depreciation charge	**(1.0)**	(0.5)
Closing net book value	**21.8**	22.8

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 £0.9m (2016: £0.5m) 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 impairment exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the CGUs 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 CGU.

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 2017 £m	Year ended 31 December 2016 £m
United Kingdom	**9.9%**	9.2%
Poland	**12.4%**	12.7%
Israel	**11.9%(1)**	12.7%(1)
Hungary	**10.7%**	13.0%
Romania	**11.4%**	11.8%
Czech Republic	**10.9%**	11.0%
Bulgaria	**10.2%**	10.6%
Slovakia	**11.6%**	11.1%

(1) For sites which generate significant rental cash flows in addition to cinema cash flows a separate discount rate of 12.75% (2016: £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 2017 %	Year ended 31 December 2016 %	**Year ended 31 December 2017 %**	Year ended 31 December 2016 %
Discount rate	**9.90**	9.20	**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.

2018 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 a 20 year period.

Impairments recognised during the year totalled £0.3m within the UK and Ireland operating segment: £0.1m related to capital expenditure on cinema sites for which onerous lease provisions were in place, the remaining £0.2m related to the write off of residual assets held at sites which were closed during the year. Impairments for ROW were £0.1m.

Impairment Reversals

A review of future cash flows for previously impaired cinema sites identified improvements in trading performance at one site in the UK and one site in the ROW sufficient to recognise a reversal of impairment. An impairment reversal of £5.2m was recognised in respect of the site in the UK and £0.4m in respect of the site in the ROW.

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 cash flow 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% and 2% 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 prices. 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 this assumption is already considered 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:

	Additional impairment £m
EBITDAR growth rate in years 1 – 2 reduced to 2%	0.2
EBITDAR growth rate in years 1 – 2 reduced to 1%	0.3
No growth in EBITDAR growth rate in years 1 – 2	0.4
1 percentage point increase to the discount rates	–
2 percentage point increase to the discount rates	0.9

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 an 18% 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, there is still substantial headroom of £7.4m.

Non-current assets held for sale

Subsequent to the year end the Group entered into an agreement for the sale assets which had been held for a proposed development in the UK. The sale of these assets will not result in a reduction of the number of sites or screens operated by the Group.

The values in the table below represent the net book value of the property, plant and equipment held for sale. As the fair value less costs to sell is expected to be in excess of the net book value no impairment is considered necessary.

	31 December 2017 £m	31 December 2016 £m
Property, plant and equipment	**1.6**	–

10. Intangible Assets

	Goodwill £m	Brand £m	Distribution rights £m	Other intangibles £m	Total £m
Cost					
Balance at 1 January 2016	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**
Additions	8.2	–	1.9	1.1	11.2
Disposals	–	–	(0.4)	–	(0.4)
Effects of movement in foreign exchange	16.7	1.3	2.5	1.4	21.9
Balance at 31 December 2017	**683.9**	**43.4**	**36.7**	**16.0**	**780.0**
Accumulated amortisation and impairment					
Balance at 1 January 2016	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**
Amortisation	–	2.8	6.4	2.6	11.8
Disposals	–	–	(0.2)	–	(0.2)
Effects of movement in foreign exchange	–	–	1.8	1.2	3.0
Balance at 31 December 2017	**8.4**	**13.7**	**26.4**	**8.6**	**57.1**
Net book value					
At 31 December 2016	650.6	31.2	14.3	8.7	704.8
At 31 December 2017	**675.5**	**29.7**	**10.3**	**7.4**	**722.9**

Impairment Testing

Each individual cinema, or collection of cinemas which are strategically or operationally co-dependent, is 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 (2017: £304.7, 2016: £296.8). Cinema City CGUs are considered as separate groups in each territory and have been tested for goodwill impairment on this basis, the territories being Poland (2017: £105.8m, 2016: £96.2m), Israel (2017: £65.2m, 2016: £64.4m), Hungary (2017: £49.5m, 2016: £47.9m), Romania (2017: £101.1m, 2016: £99.7m), Bulgaria (2017: £16.0m, 2016: £15.3m), Czech (2017: £29.4m, 2016: £26.6m) and Slovakia (2017: £3.9m, 2016: £3.7m).

The six sites acquired from Empire Cinemas Limited are considered to have been fully integrated from the date of acquisition as there were no support functions included in either acquisition. The acquired goodwill in respect of these transactions is therefore included within the UK CGU Group.

The recoverable amounts of UK and Cinema City CGU Groups 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 Groups operate.

The UK business has discounted forecast cash flows using a pre-tax discount rate of 9.9% (2016: 9.2%) being a market participant's discount rate. The Cinema City CGU Groups have discounted forecast cash flows using a pre-tax discount rates relevant to the operating territory of each CGU Group (see Note 9), being a market participant's discount rate. This is considered to reflect the risks associated with the relevant cash flows for each CGU Group.

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 2017 %	Year ended 31 December 2016 %	**Year ended 31 December 2017 %**	Year ended 31 December 2016 %
Discount rate	**9.90**	9.20	**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.

10. Intangible Assets continued

2018 forecast Adjusted 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 cash flows 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 cash flows for each CGU from years 2 to 5 or an increase in the discount rate applied to the cash flows of each CGU of 1 or 2 percentage points would not cause the carrying value to exceed its recoverable amount for any CGU.

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 2017 £m	Year ended 31 December 2016 £m
Administrative expenses	**11.8**	10.7

11. Investment in Equity Accounted Investees

The Group has the following investment in 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 2017 £m	31 December 2016 £m
Cost	**0.9**	0.9
Share of post-acquisition reserves	**(0.2)**	(0.3)
	0.7	0.6
Share of post-tax loss	**–**	–
Carrying value	**0.7**	0.6

Summary aggregated financial information on jointly controlled entities – 100%:

	31 December 2017 £m	31 December 2016 £m
Current assets	**23.4**	20.3
Non-current assets	**1.5**	1.8
Current liabilities	**(24.4)**	(16.1)
Non-current liabilities	**(1.0)**	(6.4)
Net liabilities	**(0.5)**	(0.4)
Income	**70.5**	65.2
Expenses	**(70.4)**	(65.2)
Net profit	**0.1**	–

On 24 June 2015 the Group jointly formed a partnership for running a restaurant in the new complex in Jerusalem; as at 31 December 2017 the assets, liabilities and net profit of BLACK Schrauber Limited were not material to the Group.

	31 December 2017 £m	31 December 2016 £m
Cost	**0.5**	0.3
Share of post-acquisition reserves	**–**	–
	0.5	0.3
Share of post-tax loss	**–**	–
Carrying value	**0.5**	0.3

12. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2017 £m	31 December 2016 £m	**31 December 2017 £m**	31 December 2016 £m	**31 December 2017 £m**	31 December 2016 £m
Property, plant and equipment	**–**	0.1	**(5.6)**	(6.2)	**(5.6)**	(6.1)
Intangible assets	**–**	–	**(7.3)**	(8.6)	**(7.3)**	(8.6)
Employee benefits	**2.3**	0.5	**–**	(0.3)	**2.3**	0.2
Market rent	**0.3**	0.4	**(0.3)**	(0.1)	**–**	0.3
Interest rate swap	**–**	0.2	**–**	–	**–**	0.2
Tax losses	**0.4**	0.3	**–**	–	**0.4**	0.3
Other	**–**	1.0	**–**	–	**–**	1.0
Tax assets/(liabilities)	**3.0**	2.5	**(13.2)**	(15.2)	**(10.2)**	(12.7)
Set off tax	**(3.0)**	(2.4)	**3.0**	2.4	**–**	–
Net tax assets/(liabilities)	**–**	0.1	**(10.2)**	(12.8)	**(10.2)**	(12.7)

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 2017 £m	Recognised in income £m	Recognised in equity £m	Foreign exchange £m	**31 December 2017 £m**
Property, plant and equipment	**(6.1)**	0.7	–	(0.2)	**(5.6)**
Intangible assets	**(8.6)**	1.7	–	(0.4)	**(7.3)**
Employee benefits	**0.2**	2.0	0.1	–	**2.3**
Market rent	**0.3**	(0.3)	–	–	**–**
Interest rate swap	**0.2**	–	(0.2)	–	**–**
Tax losses	**0.3**	0.1	–	–	**0.4**
Other	**1.0**	(1.0)	–	–	**–**
Tax liabilities	**(12.7)**	3.2	(0.1)	(0.6)	**(10.2)**

13. Inventories

	31 December 2017 £m	31 December 2016 £m
Goods for resale	7.9	7.6
Equipment and spare parts	2.5	2.2
	10.4	9.8

Inventory recognised in cost of sales in the year amounted to £57.6m (2016: £55.8m).

14. Trade and Other Receivables

Current	**31 December 2017 £m**	31 December 2016 £m
Trade receivables	**29.6**	29.8
Other receivables	**9.8**	7.7
Prepayments and accrued income	**38.1**	36.5
	77.5	74.0

Non-current	**31 December 2017 £m**	31 December 2016 £m
Other property receivables	**4.5**	4.5
Land lease premiums	**0.8**	0.9
Loan to jointly controlled entity	**0.6**	0.6
	5.9	6.0

Other property receivables represent the fair value asset of leases acquired with Cinema City Holdings B.V.

15. Business Combinations

2016 Acquisition of five Empire cinemas

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 were issued in five instalments during a 12 month period, based on an issue price reflecting the 20 days' average trading price prior to the date of each issuance. The first issue of shares took place on 18 November 2016 and the last took place on 8 August 2017.

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 included £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**

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 recognised; 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 for the year ended 31 December 2016 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 prior 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.

15. Business Combinations continued

2017 Acquisition of Empire cinema

On 15 June 2017 the Group completed the acquisition of the Newcastle cinema from Cinema Holdings Limited by means of an acquisition of 100% of the shares. The consideration consists of two elements, the initial consideration of £7.1m plus contingent consideration based on the performance of the site over a 24 month period post completion of the refurbishment. The contingent consideration has been provisionally estimated at £3.2m based on the expected future performance of the site and the market.

Fair Value of Consideration Transferred

	£m
Cash consideration	7.1
Contingent consideration	3.2
Total fair value of consideration transferred	**10.3**

The fair value of net assets has been provisionally determined at £2.1m. The residual goodwill of £8.2m represents a number of factors including the strategic location of the sites acquired, the 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.

Identifiable Assets Acquired and Liabilities Assumed

	£m
Fair value of total net identifiable assets upon acquisition	
Property, plant and equipment	2.1
Total net identifiable assets	**2.1**
Goodwill	8.2
Consideration transferred	**10.3**

The Key Judgments considered were as follows:

Property and Leases

The fair value of property, plant and equipment of £2.1m represents management's initial assessment of the assets acquired. This provisional fair value will be reviewed as further information on the assets acquired becomes available.

As well as considering the fair value of acquired property, plant and equipment, management also considered the lease contracts for the cinema; no assets or liabilities were identified in respect of these contracts.

Tax

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 £8.2m to represent a number of factors including the strategic location of the site acquired, the benefit of an established site, the value the acquired site 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.

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 2017 £m	31 December 2016 £m
Non-current liabilities		
Interest rate swaps	**–**	0.6
Unsecured bank loan, less issue costs of debt to be amortised	**315.9**	307.1
Liabilities under finance leases	**14.6**	13.6
	330.5	321.3
Current liabilities		
Interest rate swaps	**–**	0.5
Unsecured bank loans, less issue costs of debt to be amortised	**13.6**	14.9
Liabilities under finance leases	**1.3**	1.4
	14.9	16.8

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 2017 Face value £m	31 December 2017 Carrying amount £m	31 December 2016 Face value £m	31 December 2016 Carrying amount £m
Unsecured bank loan – 1	GBP	LIBOR +1.40%	2020	**286.3**	**284.8**	276.8	273.9
Unsecured bank loan – 2	EUR	EURIBOR +1.40%	2020	**42.6**	**42.4**	46.2	45.8
Unsecured bank loan – 3	NIS	2.6%	2020	**2.3**	**2.3**	2.3	2.3
Finance lease liability – 1	GBP	7.2%	2029	**5.8**	**5.8**	6.0	6.0
Finance lease liability – 2	EUR	6.5%	2021	**0.5**	**0.5**	0.7	0.8
Finance lease liability – 3	GBP	6.2%	2060	**9.6**	**9.6**	7.9	8.2
Finance lease liability – 4	GBP	9.6%	2036	**–**	**–**	–	–
Total interest-bearing liabilities				**347.1**	**345.4**	339.9	337.0

See Note 21 for bank loan maturity analysis.

Finance Lease Liabilities

The maturity of obligations under finance leases is as follows:

	31 December 2017 £m	31 December 2016 £m
Within one year	**1.2**	1.3
Between one and two years	**1.3**	1.3
Between two and five years	**4.1**	4.2
Over five years	**25.6**	27.2
	32.2	34.0
Less future finance charges	**(16.3)**	(19.3)
	15.9	14.7

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 2016	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)
Cash flows	7.5	(0.5)	(4.3)	1.3	–	4.0
Non-cash movement	–	–	(1.4)	(2.2)	1.2	(2.4)
Effect of movement in foreign exchange rates	4.2	–	(1.8)	–	–	2.4
At 31 December 2017	**67.5**	**(0.5)**	**(329.5)**	**(15.9)**	**0.1**	**(278.3)**

The non-cash movements relating to bank loans represent the amortisation of debt issuance costs.

17. Trade and Other Payables

	31 December 2017 £m	31 December 2016 £m
Current		
Trade payables	**28.4**	30.1
Other payables	**24.9**	27.7
Accruals and deferred income	**91.8**	81.0
Deferred consideration	**–**	37.0
	145.1	175.8

	31 December 2017 £m	31 December 2016 £m
Non-current		
Accruals and deferred income	**92.5**	74.8
Government grants	**3.2**	1.7
	95.7	76.5

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 until recently operated 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 was 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 2017 and 2016 are therefore shown as £Nil.

The Group engaged its actuary's assistance in measuring the defined benefit asset for the purposes of IAS 19 revised for the year ended 31 December 2016 as well as at the buyout date.

The valuation used for IAS 19 disclosures were 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 £Nil during 2017 (2016: £0.8m).

Following the buyout transaction there is no asset or liability recognised in respect of the fair value of the Scheme, £1.6m (2016: £1.6m) is recognised within other receivables in respect of the amount due to the Group from the settlement of the Scheme.

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 were:

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 the buyout date, it was not possible to quantify the impact of this change. The buyout premium paid included an estimated additional cost for GMP equalisation and this cost was therefore included in the settlement recorded through the Statement of Profit or Loss in 2016,

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 assets 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 2017 £m	Year ended 31 December 2016 £m
At beginning of year	–	(31.0)
Interest cost	–	(1.1)
Actuarial (loss)/gain	–	(9.0)
Benefits paid	–	2.0
Settlements	–	39.1
At end of year	**–**	–

Movements in fair value of plan assets:

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
At start of year	–	41.5
Interest income	–	1.5
Remeasurement gain/(loss)	–	3.9
Contributions by employer	–	0.8
Administration costs incurred	–	(0.3)
Benefits paid	–	(2.0)
Settlements	–	(43.8)
At end of year	**–**	1.6

(Expense)/income recognised in the Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Operating cost		
Administration expenses	–	(0.3)
Settlement cost	–	(4.8)
Net finance costs		
Defined benefit pension scheme net finance income	–	0.4
Other comprehensive income		
Remeasurement of the defined benefit asset	–	(5.1)
Total recognised in profit and loss and other comprehensive income	**–**	(9.8)

The income is recognised in the following line items in the Consolidated Statement of Profit or Loss:

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Administrative expenses	–	(5.1)
Finance income	–	0.4
Total	**–**	4.7

Analysis of amounts recognised in Other Comprehensive Income:

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Actuarial (losses)/gains recognised in the year	–	(5.1)

18. Employee Benefits continued

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest income	-	1.5
Remeasurement of plan assets in excess of interest income	-	3.9
Actual return on plan assets	-	5.4

The principal actuarial assumptions used to calculate the liabilities under IAS 19 are set out below:

	Year ended 31 December 2017 %	Year ended 31 December 2016 %
RPI Inflation	N/A	3.55
CPI Inflation	N/A	2.55
Rate of general long-term increase in salaries	N/A	5.55
Rate of increase to pensions in payment	N/A	2.25 – 3.3
Discount rate for scheme liabilities	N/A	2.85

The financial assumptions reflect the nature and term of the Scheme's liabilities.

Main demographic assumptions	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 1 January 2016
Mortality table adopted	N/A	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
Life expectancy for male currently aged 65	N/A	22.4	22.1
Life expectancy for female currently aged 65	N/A	24.5	24.4
Cash commutation	N/A	None	Members assumed to exchange 31% of their pension for a cash lump sum at retirement

The mortality assumptions were based on the recent actual mortality experience of scheme members, and allow for expected future improvement in mortality rates.

History of Plans

The history of the plans for the current and prior years is as follows:

Balance Sheet

	Year ended 31 December 2017 £m	Year ended 1 December 2016 £m	Year ended 1 December 2015 £m	Year ended 1 January 2015 £m	Year ended 26 December 2013 £m
Present value of defined benefit obligation	-	–	(31.0)	(32.4)	(28.8)
Fair value of plan assets	-	–	41.5	41.0	34.1
Surplus	-	–	10.5	8.6	5.3

Experience Adjustments

	Year ended 31 December 2017 £m	Year ended 1 December 2016 £m	Year ended 1 December 2015 £m	Year ended 1 January 2015 £m	Year ended 26 December 2013 £m
Experience (loss)/gain on plan assets	-	(3.9)	1.2	(5.2)	(0.1)
Experience (loss)/gain on plan liabilities	-	–	(0.1)	(0.1)	(0.1)

Sensitivity to Key Assumptions

No sensitivity analysis has been performed given there remains no liability on the Group's Statement of Financial Position at 31 December 2017 or 2016.

18. Employee Benefits continued

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 £0.8m as at 31 December 2017 (2016: £0.8m).

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 is £2.4m (2016: £2.4m) which is 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 2017 and 31 December 2016 were £Nil and £Nil, respectively. No contributions are expected for the year ending 31 December 2018.

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 Consolidated Statement of Financial Position since they are not under the control and management of the companies.

The amounts of the liability for severance pay presented in the Consolidated Statement of Financial Position (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 2017 2.08%
- Expected returns on plan assets at 31 December 2017 1.73%

The net provision for accrued employee rights upon retirement comprises:

	31 December 2017 £m	31 December 2016 £m
Present value of unfunded obligation	**4.2**	3.3
Less: Fair value of plan assets	**(1.9)**	(1.5)
	2.3	1.8

Movements in the provision for accrued employee rights upon retirement:

	Gross amount £m	Amount deposited £m	**Net amount £m**
At start of period	3.3	(1.5)	**1.8**
Payments made upon retirement	(0.1)	(0.6)	**(0.7)**
Net movement in provision – charged to net profit	0.9	0.2	**1.1**
Foreign exchange movements	0.1	0	**0.1**
	4.2	(1.9)	**2.3**

18. Employee Benefits continued

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 £2.1m (2016: £1.6m). There was £Nil accruing to these pension schemes as at 31 December 2017 (2016: £Nil).

Share-Based Payments

As at 31 December 2017 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 48 to 67.

The Cineworld Group Performance Share Plan ("PSP")

The following share options have been granted under the PSP and were outstanding at 31 December 2017:

Date of grant	Exercise period	2017 Number of shares '000	2016 Number of shares '000
23 April 2015	3 years from 23 April 2015	**395**	398
30 June 2015	3 years from 30 June 2015	**7**	7
18 April 2016	3 years from 18 April 2016	**340**	352
12 April 2017	3 years from 12 April 2017	**361**	–

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:

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 ended 1 January 2015 and the EPS for the financial year ended 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 ended 1 January 2015 and the EPS for the financial year ended 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 ended 1 January 2015 and the EPS for the financial year ended 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 EPS (calculated by comparing the EPS for the financial year ended 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 ended 1 January 2015 and the EPS for the financial year ended 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 ended 1 January 2015 and the EPS for the financial year ended 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.

18. Employee Benefits continued

12 April 2017

Under these grants, awards of 361,291 shares were made in total. Awards of 283,483 shares were made with the performance conditions set out below:

- 25% 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 1 January 2016 and the EPS for the financial year ended 31 December 2019) is not less than 5.0%;
- 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 ended 1 January 2016 and the EPS for the financial year ended 31 December 2019) is at least 11.0%, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 1 January 2016 and the EPS for the financial year ended 31 December 2019) is between the two limits above, the Award shall vest on a straight-line basis between 25% 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 77,808 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
12 April 2017	6.71	–	37	3	3.6	0.30	6.02

A reconciliation of option movements over the year to 31 December 2017 is shown below:

	Number of options 2017 Equity-settled '000	Number of options 2016 Equity-settled '000
Outstanding at the beginning of the year	**1,324**	1,425
Exercised in shares during the year	**(567)**	(413)
Granted during the year	**361**	366
Lapsed during the year	**(15)**	(54)
Outstanding at the end of the year	**1,103**	1,324

A charge of £2.0m (2016: £1.7m) was recorded in the Consolidated Statement of Profit or Loss for the four PSP schemes.

The Company Share Option Plan ("CSOP")

The following share options have been granted under the CSOP and were outstanding at 31 December 2017:

Date of grant	Exercise period	**2017 Number of shares '000**	2016 Number of shares '000	Performance conditions
6 June 2014	3 years from 6 June 2014	**3**	5	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	**29**	38	All awards were made with no performance conditions attached.
18 April 2016	3 years from 18 April 2016	**15**	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

18. Employee Benefits continued

A reconciliation of option movements over the year to 31 December 2017 is shown below:

	Number of options 2017 Equity-settled	Number of options 2016 Equity-settled
Outstanding at the beginning of the year	**64**	87
Exercised during the year	**(11)**	(19)
Granted during the year	**–**	24
Lapsed during the year	**(6)**	(28)
Outstanding at the end of the year	**47**	64

A charge of £0.1m (2016: £Nil) was recorded in the Consolidated Statement of Profit or Loss for the three 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 2017:

Date of grant	2017 Number of shares '000	2016 Number of shares '000
8 May 2014	**–**	349
12 May 2015	**273**	330

A reconciliation of option movement over the year to 31 December 2017 is shown below:

	Number of options 2017 Equity-settled '000	Number of options 2016 Equity-settled '000
Outstanding at the beginning of the year	**679**	792
Exercised during the year	**(370)**	(13)
Granted during the year	**–**	–
Lapsed during the year	**(36)**	(100)
Outstanding at the end of the year	**273**	679

A charge of £0.2m was recorded in the Consolidated Statement of Profit or Loss for the two Sharesave schemes.

The total expense recognised for the year arising from share-based payments is £2.3m (2016: £2.0m).

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 2017 £ Equity-settled	Number of options 2017 Equity-settled	Weighted average exercise price 2016 £ Equity-settled	Number of options 2016 Equity-settled
Outstanding at the beginning of the year	**1.17**	**2,067**	1.24	2,305
Exercised in shares during the year	**1.05**	**(948)**	0.22	(445)
Granted during the year	**0.00**	**361**	0.33	390
Lapsed during the year	**2.80**	**(57)**	2.49	(183)
Outstanding at the end of the year	**0.90**	**1,423**	1.17	2,057
Exercisable at the end of the year	**–**	**–**	–	–

18. Employee Benefits continued

Single Total Figure Table (audited information)

The table below gives a single figure for the total remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2017 financial year. Comparative figures for the 2016 financial year have also been provided.

	Financial Year	Base salary and fees £000	Benefits[1] £000	Annual Bonus £000	PSP £000	Pension £000	Total £000
Executive Directors							
Moshe Greidinger	**2017**	**571**	**78**	**448**	**1,180[2]**	**114**	**2,391**
	2016	557	84	437	1,804[5]	91	2,973
Israel Greidinger	**2017**	**389**	**84**	**306**	**804[2]**	**78**	**1,661**
	2016	380	77	298	1,230[5]	60	2,045
Nisan Cohen[3]	**2017**	**281**	**43**	**129**	**23[2]**	**42**	**518**
	2016	–	–	–	–	–	–
Non-Executive Directors							
Anthony Bloom	**2017**	**175**	**–**	**–**	**–**	**–**	**175**
	2016	175	–	–	–	–	175
Dean Moore[3]	**2017**	**58**	**–**	**–**	**–**	**–**	**58**
	2016	–	–	–	–	–	–
Alicja Kornasiewicz	**2017**	**50**	**–**	**–**	**–**	**–**	**50**
	2016	50	–	–	–	–	50
Martina King[4]	**2017**	**2**	**–**	**–**	**–**	**–**	**2**
	2016	60	–	–	–	–	60
Scott Rosenblum	**2017**	**50**	**–**	**–**	**–**	**–**	**50**
	2016	50	–	–	–	–	50
Arni Samuelsson	**2017**	**50**	**–**	**–**	**–**	**–**	**50**
	2016	50	–	–	–	–	50
Rick Senat	**2017**	**65**	**–**	**–**	**–**	**–**	**65**
	2016	65	–	–	–	–	65
Julie Southern	**2017**	**70**	**–**	**–**	**–**	**–**	**70**
	2016	70	–	–	–	–	70

Notes:

(1) See page 62 for details of the other benefits provided to the Executive Directors.

(2) The value of PSP shares vesting in respect of the period has been calculated using a share price of £6.349 being the average price for the last three months of the period (as the PSP will not vest until 23 April 2018), 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 £89,625, the dividend equivalent payment to Israel Greidinger would amount to £61,108, and the dividend equivalent payment to Nisan Cohen would amount to £1,711.

(3) Nisan Cohen and Dean Moore were appointed to the Board on 11 January 2017.

(4) Martina King left the Company on 11 January 2017.

(5) Details of the actual gains made are set out on page 66. The actual figures set out in the table above differ from those included in the 2016 Annual Report figures as last year an estimated value of £5.525 per share was used to calculate the theoretical gain, as the awards had not yet vested. The figures above reflect the share price of £7.00 on the date of vesting, 6 June 2017.

19. Provisions

	Property provisions £m	Other provisions £m	**Total provisions £m**
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**
Balance at 31 December 2016	9.5	8.4	**17.9**
Provisions made	1.4	–	**1.4**
Provisions released to administrative expenses during the year	–	(2.0)	**(2.0)**
Utilised against administrative expenses during the year	–	(4.0)	**(4.0)**
Utilised against rent during the year	(3.0)	–	**(3.0)**
Unwound against interest during the year	1.0	–	**1.0**
Balance at 31 December 2017	8.9	2.4	**11.3**
Current	1.5	2.0	**3.5**
Non-current	7.4	0.4	**7.8**
Total	8.9	2.4	**11.3**

Other provisions do not require significant judgement and have historically been settled in line with reported 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 are 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 2017 £m	31 December 2016 £m
Expected timing for utilisation of property provisions		
Analysed as:		
Within one year	**1.5**	1.2
Between one and two years	**2.2**	1.6
Between two and five years	**2.9**	2.8
Over five years	**2.3**	3.9
	8.9	9.5

20. Capital and Reserves

Share Capital

	31 December 2017 £m	31 December 2016 £m
Cineworld Group plc		
Allotted, called up and fully paid		
273,915718 (2016: 267,581,189) ordinary shares of £0.01 each	**2.7**	2.7

As set out in Note 25, a further 1,095,705,180 ordinary shares were issued pursuant to the Rights Issue which completed on 20 February 2018.

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.

A further £10.7m was transferred to the Merger Reserve from Share Premium during the year in relation to shares issued in 2016 in connection with the acquisition of five Empire cinemas on 28 July 2016 (see Note 15).

Hedging Reserve

The hedging reserve comprises the liability in relation to the interest rate swaps entered into, to hedge against variable interest payments on £125.7m (2016: £147.5m) of the total £328.8m (2016: £322.9m) 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 Sterling 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 Sterling exchange rate. The hedge is designated against the Group's Euro term loan and €48.0m 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 are 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 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 2017 £m**		Change in fair value £m
	Asset	Liability	**Asset**	**Liability**	
Euro denominated loan	–	47.5	**–**	**42.2**	5.3
Euro denominated investment	47.5	–	**42.2**	**–**	(5.3)
	47.5	47.5	**42.2**	**42.2**	–

Dividends

The following dividends were recognised during the year:

	2017 £m	2016 £m
Interim	**16.4**	13.8
Final (for the preceding year)	**37.4**	33.2
	53.8	47.0

An interim dividend of 6.0p per share was paid on 21 September 2017 to ordinary shareholders. The Board has proposed a final dividend of 15.4p per share (3.1p on a rights adjusted basis), which will result in total cash payable of approximately £42.2m on 6 July 2018. In accordance with IAS 10 this had not been recognised as a liability at 31 December 2017.

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 £29.6m (2016: £29.8m) due, 75% (2016: 75%) are within credit terms. The bad debt provision as at 2017 is £Nil (2016: £Nil), with a bad debt expense in the year of £Nil (2016: £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 reporting date, so will not always reconcile with the amounts disclosed on the Consolidated Statement of Financial Position.

21. Financial Instruments continued

31 December 2017

	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	**329.5**	(331.1)	(7.5)	(7.5)	(12.9)	(303.2)	–
Finance lease liabilities	**15.9**	(32.2)	(0.6)	(0.6)	(1.3)	(4.1)	(25.6)
Trade payables	**28.4**	(28.4)	(28.4)	–	–	–	–
Derivative financial liabilities							
Interest rate swaps	**(0.1)**	(0.4)	(0.15)	(0.15)	(0.1)	–	–
	373.9	**(391.1)**	**(36.65)**	**(8.25)**	**(14.3)**	**(307.3)**	**(25.6)**

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 swaps	**1.1**	(7.1)	(0.6)	(2.6)	(1.8)	(2.1)	–
	368.2	**(396.5)**	**(38.8)**	**(10.8)**	**(15.8)**	**(303.9)**	**(27.2)**

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.

At 31 December 2017 the facility remained 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 the Group are 1.40% on the term loans and 1.15% on the revolving credit facility.

On 5 December 2017 the Group entered into a contingent foreign exchange forward contract to hedge its exposure to fluctuations in US Dollar to Sterling exchange rates in respect of $2.3bn of the consideration described in note 25. The contract required the Group to pay an amount of £1.7bn on 28 February 2018; the payment was contingent on the completion of the Regal acquisition.

As the cash flows resulting from the contract were contingent on the on the completion of the acquisition associated Rights Issue, in accordance with IFRS 9 the financial instrument was not required to be recognised within the Financial Statements at 31 December 2017.

21. Financial Instruments continued

Cash Flow Hedges

The following table indicates the periods in which the discounted cash flows associated with derivatives that are cash flow hedges are expected to occur.

31 December 2017	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	0.1	(0.2)	(0.1)	(0.1)	–	–	–

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	(1.1)	(7.1)	(0.6)	(2.6)	(1.8)	(2.1)	–

It is expected that the 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 2017, the Group had three (2016: seven) interest rate swaps, two GBP denominated swaps which hedged 81% (2016: 82%) of the Group's variable rate GBP unsecured term loan and a remaining Euro denominated swap hedging 83% (2016: 100%) of the Euro denominated unsecured loan.

The revolver loan, of which £175.0m (2016: £158.0m) was drawn down at the end of the year, is not hedged.

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 2017 £m	31 December 2016 £m
Fixed rate instruments		
Financial assets (interest rate swap)	**0.1**	–
Financial liabilities (interest rate swap)	**–**	(1.1)
Financial liabilities (unsecured bank loans – hedged portion)	**(125.7)**	(158.0)
Finance lease liabilities	**(15.9)**	(14.9)
	(141.5)	(174.0)
Variable rate instruments		
Financial liabilities (unsecured bank loans – unhedged portion)	**(203.8)**	(164.1)

£125.7m (2016: £158.0m) 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.

A change of 100 basis points in interest rates would have increased equity by £1.5m (2016: £1.6m) or decreased equity by £1.5m (2016: £1.6m) for each swap and would have increased or decreased profit or loss by £Nil (2016: £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 2016.

	Profit or loss		Equity	
Effect in GBP thousands	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2017				
Variable rate instruments	(3,000)	3,000	(3,000)	3,000
Interest rate swap	1,500	(1,500)	1,500	(1,500)
Cash flow sensitivity (net)	**(1,500)**	**1,500**	**(1,500)**	**1,500**
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

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 2017 £m	**Fair value 31 December 2017 £m**	Carrying amount 31 December 2016 £m	Fair value 31 December 2016 £m
Unsecured bank loans	**(329.5)**	**(331.1)**	(322.0)	(325.3)
Finance lease liabilities	**(15.9)**	**(15.9)**	(15.0)	(15.0)
Interest rate swaps	**0.1**	**0.1**	(1.1)	(1.1)
	(345.3)	**(346.9)**	(338.1)	(341.4)

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying amount of unsecured bank loans is stated net of debt issuance costs and the fair value is stated gross of debt issuance costs and is calculated using the market interest rates.

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 31 December 2017 and 31 December 2016. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

21. Financial Instruments continued

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 2017				
Derivative financial instruments	**–**	**0.1**	**–**	**0.1**
Interest-bearing loans and borrowings	**–**	**345.4**	**–**	**345.4**
31 December 2016				
Derivative financial instruments	–	(1.1)	–	(1.1)
Interest-bearing loans and borrowings	–	(337.0)	–	(337.0)

There have been no transfers between levels in 2017. No other financial instruments are held at fair value.

Capital Management

The capital structure of the Group consists of the following items:

	2017 £m	2016 £m
Cash and cash equivalents	**67.5**	55.8
Bank loans	**329.5**	322.0
Equity attributable to equity holders of the parent	**834.4**	596.0
	1,231.4	973.8

The Board of Directors constantly monitors the ongoing capital requirements of the business and has reviewed the current gearing ratio, being the ratio of bank debt to equity and considers it appropriate for the Group's current circumstances. Ratios used in the monitoring of debt capital include the ratio of Adjusted 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 rental commitments for land and buildings are as follows:

	31 December 2017 £m	31 December 2016 £m
Less than one year	**108.2**	102.7
Between one and five years	**410.4**	390.7
More than five years	**1,106.8**	1,161.9
	1,625.4	1,655.3

The total future minimum sublease payments expected to be received are £18.4m (2016: £17.5m).

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.

23. Capital Commitments

Capital commitments at the end of the financial year for which no provision has been made:

	31 December 2017 £m	31 December 2016 £m
Contracted	**23.4**	44.7

Capital commitments at the end of the current and preceding financial year relate to new sites and refurbishment projects which have commenced.

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 2017				
Total compensation for Directors	**4,856**	**–**	**234**	**5,090**

	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

Share-based compensation benefit charges for Directors was £2.0m in 2017 (2016: £2.3m). Details of the highest paid Director can be found in the Directors' Remuneration Report on pages 48 to 67.

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 ended 31 December 2017 totalled £20.8m (2016: £18.3m) and as at 31 December 2017 £3.8m (2016: £Nil) was due from DCM in respect of receivables. In addition, the Group has a working capital loan outstanding from DCM of £0.5m (2016: £0.5m).

During the year the Group incurred property charges of £8.7m by companies under the ownership of Global City Holdings N.V. ("GCH"), which is considered a related party of the Group as Moshe Greidinger and Israel Greidinger are directors in both groups.

Details of subsidiaries held by the Group can be found in Note 29.

25. Post Balance Sheet Events

On the 5 December 2017, the Group announced the proposed acquisition of Regal by means of an acquisition of the entire issued, and to be issued, share capital of Regal. The acquisition was based on an implied enterprise value of US$5.8bn.

Due to the size of the proposed acquisition it was classed as a reverse takeover under the UK Listing Rules. The acquisition of Regal completed on 28 February 2018.

Consideration for the acquisition of $3.4bn was settled fully in cash, funded by the proceeds of the fully underwritten Rights Issues at the Rights Issue Price of 157.0 pence per New Ordinary Share, which raised £1.7bn, plus an additional US$4.1bn was raised through committed Debt Facilities. The restructured debt arrangement consists of a US Dollar and Euro term loan totalling $4.1bn and a $300.0m revolving credit facility. The previous financing arrangements in place as at 31 December 2017 for the Group and Regal have been terminated and superseded by the new financing arrangements from 28 February 2018.

As the consideration was entirely paid in cash the acquisition is expected to be accounted for as an acquisition under IFRS 3 rather than as a reverse takeover acquisition under IFRS 3, notwithstanding the size of the acquisition.

Given the timing of the acquisition being post the year end and so close to the approval date of the 2017 financial statements, the accounting for the acquisition in accordance with IFRS 3 has not yet been prepared and completed and is therefore not disclosed in these financial statements.

Company Statement of Financial Position

at 31 December 2017

	Note	**31 December 2017 £m**	**31 December 2017 £m**	31 December 2016 £m	31 December 2016 £m
Non-current assets					
Investments	28	**901.1**		741.4	
Other receivables	30	**0.1**		–	
			901.2		741.4
Current assets					
Debtors	29	**363.8**		343.2	
Cash at bank		**17.6**		–	
			381.4		343.2
Creditors: amount falling due within one year					
Interest-bearing loans, borrowings and other financial liabilities	31	**(11.4)**		(13.1)	
Other payables	32	**(121.2)**		(118.1)	
Bank overdraft		**–**		(49.7)	
			(132.6)		(180.9)
Net current assets			**248.8**		162.3
Total assets less current liabilities			**1,150.0**		903.7
Creditors: amount falling due within one year					
Interest-bearing loans	31	**(315.6)**		(307.7)	
Net assets			**834.4**		596.0
Capital and reserves					
Called up share capital	20		**2.7**		2.7
Share premium account			**295.7**		306.4
Merger reserve			**255.1**		207.3
Profit and loss account			**282.6**		81.2
Hedging reserve			**(1.7)**		(1.6)
Shareholders' funds – equity			**834.4**		596.0

These financial statements were approved by the Board of Directors on 15 March 2018 and were signed on its behalf by:

Nisan Cohen
Director

Company Statement of Changes in Equity

for the Year Ended 31 December 2017

	Issued capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 31 December 2016	2.7	306.4	207.3	(1.6)	81.2	596.0
Profit for the year	–	–	–	–	255.2	255.2
Other comprehensive income						
Items that will subsequently be reclassified to profit or loss	–	–	–	1.3	–	1.3
Movement in fair value of cash flow hedge	–	–	–	(1.4)	–	(1.4)
Movement in net investment hedge	–	–	–	–	–	–
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	–	–
Contributions by and distributions to owners						
Dividends	–	–	–	–	(53.8)	(53.8)
Transfers (Note 20)	–	(10.7)	10.7	–	–	–
Movements due to share-based compensation	–	–	–	–	–	–
Issue of shares	–	–	37.1	–	–	37.1
Balance at 31 December 2017	**2.7**	**295.7**	**255.1**	**(1.7)**	**282.6**	**834.4**

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 26 to 29 and the Risks and Uncertainties section on pages 18 to 22. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 26 to 29. 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.

Share appreciation rights are also granted by the Company to employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured 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 the 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.

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 (2016: £520,000). See pages 48 to 67 for further details of Directors' emoluments.

28. Fixed Asset Investments

	Company	Shares in Group undertakings £m
Balance at 31 December 2016		741.4
Additions		189.2
Impairments		(29.5)
Balance at 31 December 2017		**901.1**
Net book value		
At 31 December 2016		741.4
At 31 December 2017		**930.6**

	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
Cinema Finco 5 Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Financing company	Ordinary	100
Cinema Finco 6 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
Cinema Finco 2 Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Financing 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

28. Fixed Asset Investments continued

	Registered office	Principal activity	Class	% of shares held
Adelphi-Carlton Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Cinema operation	Ordinary	100
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
Cineworld Elite Picture Theatre (Nottingham)	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Dormant	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
CS (Brixton) 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
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 (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 (Brighton) 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
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

28. Fixed Asset Investments continued

	Registered office	Principal activity	Class	% of shares held
Newcastle Cinema 2 Limited	2nd floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema Operations	Ordinary	100
Cinema City Finance (2017) B.V.	PO Box 1370 NL-3000 BJ Rotterdam The Netherlands	Financing company	Ordinary	100
Cinema City Holdco (Hungary) K.F.T.	1132 Budapest, Váci út 22-24	Financing company	Ordinary	100
Seracus Limited	75 Prodromou Avenue, 1st Floor, Office 101 Strovolos, Nicosia 2063 Cyprus	Holding 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.	Woloska 12 02-675 Warszawa, Poland	Cinema operations	Ordinary	100
CC Sp. Zoo	UL. Fosa 37 02-768 Warszawa Poland	Fund general partner	Ordinary	100
Cinema City Poland CC sp. Zoo	UL. Fosa 37 02-768 Warszawa Poland	Cinema operations	Ordinary	100
Cinema City Poland spolka komandytowa sp. Zoo (Poland)	UL. Fosa 37 02-768 Warszawa Poland	Cinema operations	Ordinary	100
Forum Film Poland CC Sp. Zoo	Woloska 12 02-675 Warszawa, Poland	Film distribution	Ordinary	100
I.T. Poland Development 2003 CC sp. Zoo	UL. Fosa 37 02-768 Warszawa Poland	Cinema operations	Ordinary	100
New Age Media CC sp. Zoo	UL. PowsiŃSka 31 02-903 Warszawa Poland	Advertising	Ordinary	100
Cinema City Czech s.r.o.	Arkalycká 951/3, 149 00 Praha 4, Czech Republic	Cinema operations	Ordinary	99
Forum Film Czech s.r.o.	Arkalycká 951/3, 149 00 Praha 4, Czech Republic	Film distribution	Ordinary	99
Cinema City Slovakia s.r.o.	Einsteinova 20, 851 01 Bratislava, Slovakia	Cinema operations	Ordinary	100

28. Fixed Asset Investments continued

	Registered office	Principal activity	Class	% of shares held
Forum Film Slovakia s.r.o.	Einsteinova 20, 851 01 Bratislava, Slovakia	Film distribution	Ordinary	86
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	95
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 Poland	Group services	Ordinary	100
Northfleet sp. Zoo	UL. Fosa 37 02-768 Warszawa Poland	General partner	Ordinary	100

During the year impairments of £29.5m were recognised in respect of investments in directly held subsidiaries. The impairments arose as the carrying value of the assets were not supported by the reported net assets of the subsidiary following a reorganisation of the Group's corporate structure.

29. Debtors

	31 December 2017 £m	31 December 2016 £m
Amounts due from subsidiary undertakings	**363.8**	343.2

30. Other Receivables

	31 December 2017 £m	31 December 2016 £m
Interest rate swaps	**0.1**	–

31. Interest-Bearing Loans, Borrowings and Other Financial Liabilities

	31 December 2017 £m	31 December 2016 £m
Non-current liabilities		
Unsecured bank loan, less issue costs of debt to be amortised	**315.6**	307.1
Interest rate swaps	**-**	0.6
	315.6	307.7
Current liabilities		
Unsecured bank loans, less issue costs of debt to be amortised	**11.4**	12.6
Interest rate swaps	**-**	0.5
	11.4	13.1

For details of interest-bearing loans, borrowings and other financial liabilities see Note 17 to the Consolidated financial statements.

32. Creditors: Amounts Falling Due Within One Year

	31 December 2017 £m	31 December 2016 £m
Amounts due to subsidiary undertakings	**109.5**	80.6
Deferred consideration	**–**	37.0
Accruals	**0.9**	0.5
	110.4	118.1

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.

33. Share-Based Payments

See Note 18 to the Consolidated financial statements.

Shareholder Information

as at 31 December 2017

Directors

A H Bloom	(Non-Executive Director and Chairman)
M Greidinger	(Chief Executive Officer)
I Greidinger	(Deputy Chief Executive Officer)
N Cohen	(Chief Financial Officer)
R Senat	(Non-Executive Director and Senior Independent Director)
J Southern	(Non-Executive Director)
D Moore	(Non-Executive Director)
S Rosenblum	(Non-Executive Director)
A Samuelsson	(Non-Executive Director)
A Kornasiewicz	(Non-Executive Director)

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Telephone Number
020 8987 5000

Website
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Place of Incorporation
England and Wales

Company Number
Registered Number: 5212407

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8th Floor
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Great West Road
Brentford TW8 9AG

Final Dividend – 2017

Announcement	15 March 2018
Ex Dividend	7 June 2018
Record Date	8 June 2018
Payment Date	6 July 2018

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