



**Cineworld**  
Group plc

**The Best Place  
to Watch a Movie**

ANNUAL REPORT AND ACCOUNTS 2020

## **THE BEST PLACE TO WATCH A MOVIE**

2020 has been an incredibly challenging year for Cineworld. Despite COVID-19 causing doubts about the industry, the pandemic only strengthens our belief in our business's future as there is a clear demand and desire among our customers to go out when it is safe to do so. We offer a superior entertainment experience with the latest technology and this offer will be more important than ever when the crisis is over. We are proud of our journey and unwavering vision to be **The Best Place to Watch a Movie.**

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**Sites**

**767**

2019: 787

**Admissions**

**54.4m**

2019: 275.0m

**Adjusted EBITDA<sup>(1)</sup>**

**(\$115.1m)**

2019: \$1,580.3m

**Adjusted (Loss)/Profit After Tax<sup>(2)</sup>**

**(\$913.2m)**

2019: \$293.0m

**Adjusted Diluted EPS<sup>(2)</sup>**

**(66.5¢)**

2019: 21.3¢

**Screens**

**9,311**

2019: 9,500

**Group Revenue**

**\$852.3m**

2019: \$4,369.7m

**(Loss)/Profit After Tax**

**(\$2,651.5m)**

2019: \$180.3m

**Diluted EPS**

**(193.2¢)**

2019: 13.1¢

**Dividend Per Share**

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2019: 15.5¢



For more information visit:  
[www.cineworldplc.com](http://www.cineworldplc.com)

Footnotes:

(1) Refer to Note 2 for the full definition and reconciliation.

(2) Refer to Notes 2 and 7 for the full definition and reconciliation.

# Strong foundations for the future



**“The Group has demonstrated resilience through what has been a very difficult year and I am extremely proud of the commitment our colleagues have shown during these exceptional times. Despite the significant challenges that COVID-19 continues to present, we look forward to reopening cinemas worldwide and welcoming our guests.”**

**Alicja Kornasiewicz**  
Chair

**COVID-19 has presented the theatrical industry with extraordinary challenges, not least the temporary closure of all our cinemas, and has therefore had a substantial impact on the Group's financial results. I am hugely grateful to all those who work at Cineworld around the world and would like to thank them for their hard work during this difficult period. I am extremely proud of how the organisation has responded, and I am humbled by the commitment and dedication our people are showing to ensure the survival of the business through this crisis.**

During this period of temporary closure, our focus has been on supporting our people at a time of great uncertainty, ensuring that the business has enough liquidity and minimising cash burn, while planning for the reopening of our cinemas. I believe that we have successfully met those objectives. The Group finished the year in as strong a position as it could given current circumstances, material uncertainty remains with regards to the Group's ability to continue as a going concern (as disclosed in Note 1 to the Financial Statements). We are well placed to recover in the long term supported by a strong backlog of movies to be released.

## **Our people and culture**

Across the Group, a range of initiatives have been deployed to support our people through the COVID-19 crisis. Government salary support was

available across most of our territories including the US, UK and ROW territories and additional support has been provided locally through mechanisms such as employee assistance programmes and hardship funds.

Our aim since March 2020 was to maintain consistent communications with our employees to help support their wellbeing and to ensure that, once our businesses reopened, they were fully prepared to deliver great experiences for our guests with a culture that places guests at the heart of everything we do. We achieved this through a focus on direct communication, welfare, and support.

The Group's Management concurrently took extensive action to reorganise and simplify the business to minimise cash burn, which included salary deferrals for the Executive Directors. The pandemic has impacted our sector more than others and, during this difficult time of extended closure, we have tried to protect as many jobs as possible. However, there have unfortunately and inevitably been redundancies and reductions in working hours.

## **Financial results**

Our financial performance has been severely impacted by closure of cinemas since mid-March last year. The immediate priorities of the senior leadership team were our people's welfare and protecting liquidity.

We acted quickly to mitigate our costs and minimise cash burn.

The majority of our cinema and HQ employees were furloughed and, through our proactive, direct approach with our landlords, we secured agreements protecting our rent position with most of our key properties. In addition, we raised \$810.8m through new debt and an extension of our revolving credit facility, secured a covenant waiver and accelerated our tax year in the United States, anticipating a tax refund of \$200m by April 2021.

As a result of our cinemas remaining closed for the majority of 2020 due to COVID-19, our revenue for the year declined by (80.5%) and adjusted EBITDA was a loss of \$115.1m. The uncertainties arising from COVID-19 and current closures have led to the net impairment of assets of \$1,344.5m, which has been reflected in the Balance Sheet.

Despite the encouraging news about the international rollouts of vaccines, the pace and shape of the recovery remains uncertain as trading remains dependent on government guidance and the timing of key studio releases. Details of our financial performance can be found on pages 26 to 31.

## Corporate responsibility and sustainability

Despite these challenging times, managing our business in a sustainable manner remains a key element of our culture and strategy. Our customers benefit from our affordable, safe, out of home entertainment which allows access to a high quality, diverse and cultural offering that is essential to our communities.

Our ongoing engagement with employees has been vital during periods of closure and we have maintained a strong focus on our people's wellbeing. Through our open and inclusive culture, we aim to create an environment which allows our people to develop and thrive. We are proud of the training and development opportunities we offer and strive to provide progression opportunities to all of our people.

Separately, we are always looking for ways to minimise the impact of our operations on the environment, exercising tight control on energy and food waste, limiting the use of single-use plastic, and through refurbishments and installation of new energy initiatives.

We recognise that our people are critical to our ability to achieve our goals in a responsible and sustainable manner. We also have exceptional leaders and are proud of what we have achieved to date in gender diversity. Although there is more to do, as at the year end we had 27.3% female representation on the Cineworld Group Board and 31.1% on the Senior Executive Team.

## Governance and the Board

Our well established Corporate Governance procedures enabled the organisation to react quickly to changing government guidance and the risk the pandemic posed to the Group. The Board's activities and processes have changed and adapted in response to the events of this year, including increased frequency of meetings, all of which were held virtually, and weekly interaction with Senior Management. A structured approach to Board and executive decision-making ensured that action could be swiftly taken across the Group in response to the changing situation. The Board has been actively involved in monitoring and supervising the business through these extraordinary times, and its focus will continue to be the long-term success of the Group, balancing the needs of our stakeholders including our people, landlords, lenders, communities, suppliers, and customers.

As a Board, we spend time ensuring that our guest-centred culture is aligned to and supports the Company's strategy, values and business model.

We remain committed to achieving the highest standards of Corporate Governance, as outlined in detail in our Corporate Governance Statement on pages 38 to 48.

As previously announced, Anthony Bloom stepped down as Chair following the AGM in May 2020, having been Chair of Cineworld since its inception in 1995. Our thanks go to Anthony for the remarkable contribution that he made to the Board over the past 25 years and I consider it a great honour to take on the role of Chair and continue our incredible journey.

On 13 May 2020, Helen Weir, Non-Executive Director and member of the Audit Committee and Remuneration Committee, stepped down to pursue other interests.

On 1 August 2020, Damian Sanders was appointed to the Board as an independent Non-Executive Director and member of the Audit Committee. Mr Sanders brings extensive financial and commercial expertise to the Board, following over 20 years as a senior equity audit partner at Deloitte, during which time he acted as adviser and corporate governance specialist for a number of FTSE boards.

Subsequent to the year end, on 22 March 2021, we were delighted to announce the appointment of Ashley Steel as Non-Executive Director and member of the Audit and Remuneration Committees with effect from 1 April 2021. Eric (Rick) Senat, who has been a Non-Executive Director of the Company since 2010, and Senior Independent

Director, will be stepping down from the Board at the conclusion of the Company's 2021 Annual General Meeting. I would also like to thank our long-standing and deeply respected outgoing Board member, Rick Senat.

## Cineplex


In June 2020, Cineworld terminated the arrangement agreement with Cineplex Inc. ("Cineplex") due to breaches by Cineplex and, accordingly, this transaction will no longer proceed. Cineplex denies that it breached the arrangement agreement and has initiated proceedings against Cineworld to seek damages for the termination and, what it describes as, breaches by Cineworld. Cineworld denies that it breached the arrangement agreement and has submitted a defence to the Cineplex claim. Cineworld has itself filed a counterclaim against Cineplex for Cineworld's damages and losses suffered as a result of Cineplex's breaches and the termination of the arrangement agreement, including Cineworld's lost financing costs, advisory fees and other costs incurred.

Looking ahead, the vaccine rollouts globally will be critical to removing the physical restrictions on our business, as well as providing confidence to studios to release the strong slate of films that we are expecting, and which are essential for us to return to normal levels of trading. The immediate outlook remains challenging as our estate remains closed. However, in the longer term, we believe that our high quality and refurbished estate is well positioned to take advantage of future growth opportunities as the market recovers.

**Alicja Kornasiewicz**  
Chair  
25 March 2021

## Section 172(1) statement

The Board actively considers the interests of the Group's employees and other stakeholders, including the impact of its activities on the community, environment, and the Group's reputation, when making decisions. In addition, while acting fairly between members and in good faith, the Board closely takes into account what is most likely to promote the success of the Group for its shareholders in the long term.

 Read more about:

- how the views and interests of all our stakeholders were represented in the Boardroom, together with how we responded, on **pages 42 to 45**;
- the Group's strategy and business model on **pages 8 to 13**;
- how we manage risk on **pages 14 to 21**; and
- our approach to Corporate Governance on **pages 32 to 48**.

# The Best Place to Watch a Movie



**“For all of us across the world, this has been an incredibly challenging year. COVID-19 has created a huge amount of stress and uncertainty, both in business and in our personal lives. At Cineworld, I never imagined a time that we would see the closure of our entire cinema estate, nor that varying restrictions would remain in place for so long as we continue to navigate our way through this crisis. I am immensely proud and inspired by the response of our people to these very difficult circumstances. We have worked hard to strengthen the long-term prospects of the business and, looking forward, Cineworld enters 2021 confident about the next chapter in our development; not least the intention to reopen our cinemas starting April 2nd.”**

**Moshe (Mooky) Greidinger**  
Chief Executive Officer

## Our strategy is to:



Provide the best cinema experience



Be technological leaders in the industry



Expand and enhance our estate



Drive value for shareholders

Read more **page 10**

2020 was an extraordinarily difficult year for our sector. While short-term uncertainty remains, we have taken decisive actions to enable the Group to withstand the challenges presented, including raising \$810.8m of new liquidity. We are well positioned to recover and reopen our cinemas when restrictions are eased and a pipeline of incredible content is in place. The rollout of the vaccine across our territories is clearly critical, with the US, UK reopening in April and May respectively, Israel hopefully close to reopening and we are convinced that the CEE market will be able to reopen soon too. I would like to thank the entire team at Cineworld for their loyalty, dedication, and hard work during these difficult times.

Looking ahead, we are excited about the next chapter in the Group's development and intend to reopen our cinemas starting April, 2nd subject to lifting of government restrictions. There is clear evidence that consumer demand for cinemas remains strong, and due to the long-term investment in our estate, which boasts high quality cinemas with the latest technology, we are well placed to leverage the market opportunities available to us over the medium to long term.

## 2020 performance

The 2020 results were significantly impacted by the COVID-19 pandemic, with all our cinemas being temporarily closed for extensive periods from mid-March. During this time, our focus was on supporting our people, while also ensuring that our liquidity position was adequate and minimising cash burn.

Our high quality cinema estate is well placed to recover from the impact of the pandemic and take advantage of growth opportunities underpinned by the four tenets of our strategy and culture: to give the best cinema experience to our customers; to be leaders in technology; to expand and enhance our estate; and to drive up value, described in more detail on pages 10 to 13.

Our financial strategy continues to be focused on minimising cash burn and ensuring the business has sufficient liquidity throughout the closure period. However, we also remain focused on our long-term objective of debt reduction through cash flow generation and cost optimisation. In 2020, we raised over \$800m of liquidity and accelerated our tax year closure to bring forward an expected tax refund of over \$200m under the United States CARES Act, which we expect to receive by April 2021. Further details of our underlying and statutory earnings for the period are set out in the Financial Review on pages 26 to 31.

## Our COVID-19 response

In response to the closure of our cinemas in March, our focus was to minimise cash burn and to mitigate the effect of closures, while prioritising the welfare of our employees, customers and other stakeholders. Our efforts included the following measures:

- Raising \$810.8m of liquidity
- Obtaining a Group leverage covenant waiver until June 2022 and currently operating under a minimum liquidity covenant
- Negotiations with our landlords for material abatements and long-term rent deferrals
- Discussions with all key suppliers to reduce costs and implement payment plans
- Accessing government grants and employment schemes to support our part-time, hourly cinema employees and head office staff
- Weekly review and approvals of invoices and payments
- Curtailing all unnecessary capital expenditure
- Suspension of Group dividends
- Regular interaction with industry institutes and associations including the National Association of Theatre Owners (“NATO”), the Global Cinema Federation (“GCF”) and more

Most importantly, we would like to thank our teams for their perseverance through this challenging time.

Through their fantastic efforts, when cinemas reopened for a short period during the summer, we provided our guests with safe and enjoyable experience while ensuring we complied with safety and government guidelines.

## Industry fundamentals and respect for the theatrical window

Our industry has proved its resilience time and time again over many years, from the introduction of the first televisions to more recent innovations such as VHS, DVD, and now Video on Demand (“VOD”). These streaming services are going through a period of growth, highlighted by new entrants such as Netflix, Disney+, Apple TV+, HBO Max and more. However, we remain convinced that the cinema provides a clearly differentiated proposition to these at-home activities.

Seeing a blockbuster movie on the big screen compared to watching it at home on a TV or a mobile device is similar to how dining out at a restaurant and

ordering a takeaway are very different consumer experiences. Against this backdrop, we believe that we offer excellent value in terms of an out-of-home experience. Humans do not naturally want to stay at home seven days a week, and cinema-going is a very affordable and attractive alternative.

While we have seen changes to the theatrical release window policy in our industry during 2020, our position remains unchanged. We see the window as an essential part of our business and most of our studio partners remain committed to it as big supporters of the theatrical business. The window has clearly proven its benefits for both studios and movie theatres. By playing new films in movie theatres for a set time period, the studios can generate significant extra revenue, while benefiting from the value it adds to the overall marketing of that movie. This in turn brings additional revenue as the film moves through subsequent distribution channels. More importantly, it enables consumers to see movies as they were intended to be seen – on the big screen, – with the best picture and sound quality, which add to the overall viewing experience. While the window may therefore be slightly shorter moving forward, I believe it is clear that a window of theatrical exclusivity should remain once business gets back to normal.

## Cineplex

In June 2020, Cineworld terminated the arrangement agreement with Cineplex Inc. (“Cineplex”) due to breaches by Cineplex and, accordingly, this transaction will no longer proceed. Cineplex denies that it breached the arrangement agreement and has initiated proceedings against Cineworld to seek damages for the termination and, what it describes as, breaches by Cineworld. Cineworld denies that it breached the arrangement agreement and has submitted a defence to the Cineplex claim. Cineworld has itself filed a counterclaim against Cineplex for Cineworld’s damages and losses suffered as a result of Cineplex’s breaches and the termination of the arrangement agreement, including Cineworld’s lost financing costs, advisory fees and other costs incurred.

## Outlook

Following the second closure of cinemas in October and recent government restrictions, our estate of 767 cinemas currently remains closed. We continue to work to mitigate the effect of closures and minimise cash burn during this

period, including continued furloughing of the majority of our employees, suspension of all new capex programmes, continuing discussions with landlords and the establishment of new payment plans with suppliers.

Looking forward, the outlook is more positive, with restrictions expected to ease in light of the vaccination programmes underway across our territories. Before COVID-19, the 2019 global box office reached an all-time record of \$42.5bn, demonstrating the underlying strength of our industry around the world. Furthermore, the performance of the theatrical industry in countries which have recovered from COVID-19 has been encouraging, in particular in China and Japan where the industry has seen box office records. We believe that we can return to previous performance levels should the situation normalise, given that consumer demand remains strong – our guests want to go out and socialise, and we are confident they will do so as soon as they are permitted.

While uncertainty regarding the duration of the COVID-19 pandemic remains, the Group has assumed a base case scenario with cinemas reopening in May 2021. Under this scenario, the Group has sufficient headroom for 2021 and beyond, however, there are material uncertainties in respect of certain aspects of the forecast, details of which are included in Note 1 of the Financial Statements. In the event of a further delay to cinema reopenings, the Group expects to retain sufficient liquidity for a number of additional months but may require term loan lender support in order to deploy that liquidity.

Our roots go back 90 years in the cinema industry. Throughout our history, the industry has faced significant hurdles from time to time but has always come back fighting, still going from strength to strength. We remain extremely confident in the future of our sector, the high quality of the experience in our cinemas, and that we will continue to be THE BEST PLACE TO WATCH A MOVIE.

**Moshe (Mooky) Greidinger**  
Chief Executive Officer  
25 March 2021

## MARKET DRIVERS

# Addressing our biggest opportunities and challenges

### Market driver



#### TECHNOLOGY AND INNOVATION

**Developments in technology have brought new innovative audio and visual experiences to the cinema industry.**



#### PROPERTY MARKET AND DEVELOPMENT

**The rate of new cinema openings is often dependent on local market conditions. Planning laws, the economic environment and the ability of developers to finance their projects are factors which impact cinema location.**



#### GDP AND THE ECONOMIC ENVIRONMENT

**The cinema industry is dependent on the customer choosing to spend disposable income on watching a movie.**

### The impact

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 the showing of alternative content such as opera, live events, theatre and ballet.

The local market conditions and planning laws impact the rate and feasibility of new openings as well as which sites can be refurbished.

Value for money remains an important factor and cinema has tended to be one of the most affordable forms 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 territory.

### How our strategy is optimised to respond

Investment in technology is a key pillar of the Group's strategy - we want to be leaders in this field. The Group continues to invest in premium formats globally such as 4DX, ScreenX, IMAX and Premium Large Formats every year. We are also investing in next-generation laser projectors from Barco and Christie. The Group is also evolving its IT systems to provide customers with the ability to book tickets and pre-order concessions online more easily and through mobile applications. The Group is continually reviewing and analysing the latest technology available to ensure the right and safest technology is selected.

The Group has been successful managing our estate portfolio by closing 22 sites, in particular in the United States, and opening two new sites over the past year.

The Group operates predominantly leasehold estate. As the estate is generally older in the mature markets, refurbishment of the existing estate, in particular in the US and the UK, is a key focus for the Group.

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 premium experience during every visit while getting value for money.



 <p><b>MARKET MATURITY</b></p> <p><b>Where a market is in the maturity phase this impacts the level and trend of cinema admissions per capita.</b></p>	 <p><b>COMPETING MEDIA AND LEISURE ACTIVITIES</b></p> <p><b>Throughout the decades the cinema industry has always faced competition from other forms of media delivering content, for example streaming, premium video on demand (“PVOD”), DVD and Blu-ray.</b></p>	 <p><b>CONSOLIDATION OF THE INDUSTRY</b></p> <p><b>The cinema industry globally has recently seen an increase in acquisition activity and consolidation within the market.</b></p>	 <p><b>CINEMATIC WINDOW</b></p> <p><b>Ongoing discussions and changes in the cinematic window, the period between the release of a film in a cinema and on any other platform.</b></p>
<p>The more mature markets such as the US, 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.</p>	<p>Although online streaming and PVOD at home are increasingly popular, in particular during 2020 due to COVID-19 and cinema closures, 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, 4DX and ScreenX. A trip to the cinema is a social occasion and watching a movie on a large state-of-the-art 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.</p>	<p>We continued to see M&amp;A activity within the industry with Marcus Corporation acquiring dine-in cinema circuit Movie Tavern, Cohen Media Group acquired the UK chain Curzon Cinemas; Pathé acquired the Benelux chain Euroscop and Kinopolis completed the acquisition of American circuit MJR Digital Cinemas. In 2018, Vue bought German cinema group Cinestar, and in 2016 AMC Entertainment acquired Carmike in the United States, Odeon in the UK and the Nordic Cinema Group in the Nordics. In the United States, outside of the top three chains, the rest of the market is represented by smaller, independent cinema chains which operate in states.</p>	<p>There are currently ongoing changes in the cinematic window. Our competitors have signed agreements with one of our studio partners to amend the window to 31 days (5 weekends) for top grossing releases and the ability to shorten it to 17 days (3 weekends) for other releases. A material reduction in the cinematic window could potentially reduce cinema admissions but may provide the opportunity for more content to be shown in cinemas and fee structure to be amended.</p>
<p>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. We have started our extensive refurbishment programme in the United States with 100 sites to be refurbished in the first phase of the programme. Due to COVID-19, our capex programme has been reduced until trading returns to normalised levels.</p>	<p>The Group understands the shift during 2020 of certain movie releases from theatrical to PVOD is temporary and due to the cinema closures in major markets such as the United States. In addition, the Group continues to invest in new technology to ensure a premium and differentiated experience while remaining an affordable activity for the whole family. We also offer a subscription programme in three of our territories which is a great value option for movie enthusiasts. 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 across our estate such as Starbucks, Lavazza, alcohol bars, premium food and our VIP offering.</p>	<p>The Group’s strategy includes identifying potential profitable opportunities to grow and expand the business. In 2020 the proposed acquisition of Cineplex was terminated.</p>	<p>Most of the major studios remain committed to the cinematic window as it benefits both the film studios and the movie theatres financially. The Group continually monitors the status of this and engages with the distributors and studios to discuss the subject and preserve the theatrical experience, while adapting to changing consumer behaviour. On 23 March 2021, the Group announced it has signed a multi-year agreement with Warner Bros. Pictures Group for its movies to be shown in our cinemas with a 45 day window in the US and 31 to 45 days window in the UK.</p>

## OUR BUSINESS MODEL

# Delivering on our vision

### OUR ASSETS



#### Our financial strength

We have taken steps to reinforce our financial position by adding significant liquidity during the year. Focus on cost and revenue initiatives enables us to minimise cash burn during cinema closure and generate healthy margins when operating, which in turn drive 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 financially secure business.



#### Our knowledge and know-how

The wealth of knowledge and know-how which has been built up across the Group over the past nine decades has enabled us to design and build the latest state-of-the-art cinemas and operate them efficiently through optimal management structures. Investing in our people to ensure that we drive performance, innovation from a growing talent base. 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 of movies for our customers at the right time.



#### Our estate 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. We have established brands in each of the territories in which we operate. We have focused on developing and optimising the estate through our refurbishment and construction programme which is at the heart of our strategy.



#### Our technology

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

### WHAT WE DELIVER

Everything that we do is to deliver on our vision...to be “The Best Place to Watch a Movie”



### HOW WE CREATE VALUE



#### Customers



#### Customer experience



#### Operational excellence



#### Our offering

We create value through providing our customers with a choice of where and how to watch a movie along with a variety of concession products. The Group's knowledge and know-how ensures we achieve operational excellence across the estate while providing our customers with a superior experience every time they visit one of our cinemas.

### OUR BUSINESS IS UNDERPINNED BY:

#### Regulation and responsible business

We are committed to ensure all of our teams comply with local and national industry laws and business regulations and strive to attain the highest levels of health and safety standards across the Group.

Following the FRC Climate Thematic Review 2020, the Group has considered the impact of climate change on its business model, whilst it is considered an emerging risk for ongoing review by management, it is not thought to represent a key risk to the Group's operations and success.

Read more about it on **pages 22 to 25**



**THE VALUE WE CREATE**



**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 return to our cinemas again and again. As well as our estate and offerings we believe it’s the “Tiny Noticeable Things” our people do and our customer-centred culture which make the difference.



**Employment**

Operating in ten countries, we create direct jobs and career opportunities for over 30,000 people. Through our open and inclusive culture, we aim to create an environment which allows our people to develop and thrive. 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. We also create a number of indirect jobs – for example, through our construction and refurbishment programmes as well as security and cleaning.



**Shareholders**

We aim to deliver returns, long-term value and dividend growth to our shareholders. When cinemas are operating, this is achieved through driving revenues, increasing earnings, and re-investing in the business. When cinemas are closed, this is achieved by prudently managing our cash position.



**Wider stakeholders**

We give back to our communities through a range of activities and initiatives. This includes events run both at a national level and in our local communities. We partner with distributors to provide charity screenings, and arrange events for local schools and organisations.

**Risk management**

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. The Group uses its KPIs to continually monitor its risk management effectiveness although no formal targets are set, they are reviewed by the board a regular basis.

Read more about on how we manage risk on **pages 14 to 21**

**Governance**

Our experienced and diverse Board and Committees provide effective governance and oversight to the whole Group.

Read more about our approach to Corporate Governance on **pages 32 to 48**





## Provide the best cinema experience...

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

Our people continue to be pivotal in delivering our vision to be “The Best Place to Watch a Movie”. It’s the “Tiny Noticeable Things” our people do which differentiate our customers’ experience. Therefore, recruiting high quality employees and investing in their training is at the heart of our strategy.

Providing our customers with choice is key – 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.



<p><b>What we achieved</b></p> <ul style="list-style-type: none"> <li>– Cash preservation during closure</li> <li>– Raised over \$800m of liquidity to support the business during closure</li> <li>– 38% online booking penetration in the United States</li> <li>– Launch of online and in-app purchase of concessions</li> </ul>	<p><b>Priorities for 2021</b></p> <ul style="list-style-type: none"> <li>– Reopening of all cinemas</li> <li>– Continue to enhance online offering and number of tickets sold through our website and app</li> <li>– Health and safety of employees and customers</li> </ul>						
<p><b>Measuring our progress</b></p> <table border="1"> <thead> <tr> <th data-bbox="105 1413 528 1541">Admissions</th> <th data-bbox="528 1413 1007 1541">Average ticket price \$</th> <th data-bbox="1007 1413 1439 1541">Retail spend per person \$</th> </tr> </thead> <tbody> <tr> <td data-bbox="105 1541 528 1688"> <p><b>54.4m</b> 2019: 275.0m</p> </td> <td data-bbox="528 1541 1007 1688"> <p><b>\$8.25</b> 2019: \$9.22</p> </td> <td data-bbox="1007 1541 1439 1688"> <p><b>\$4.27</b> 2019: \$4.51</p> </td> </tr> </tbody> </table>		Admissions	Average ticket price \$	Retail spend per person \$	<p><b>54.4m</b> 2019: 275.0m</p>	<p><b>\$8.25</b> 2019: \$9.22</p>	<p><b>\$4.27</b> 2019: \$4.51</p>
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<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>– Enforced cinema closures</li> <li>– Quality and availability of films</li> <li>– People planning and development</li> <li>– Business continuity and crisis management</li> <li>– Changes in customer preferences</li> <li>– IT and website disruption</li> </ul> <p> Read more <b>page 14</b></p>	<p><b>Sustainability drivers</b></p> <ul style="list-style-type: none"> <li>– Employee wellbeing and health and safety</li> <li>– Customer satisfaction and brand loyalty</li> <li>– Enhance tailored content depending on local demographic</li> <li>– Promote and distribute smaller and locally produced movies</li> <li>– Offer healthier retail and concession alternatives</li> </ul> <p> Read more <b>page 22</b></p>						



## Be technological leaders...

### ...in the industry to offer the latest audio and visual technology

We want to be at the forefront of providing the latest technology to our customers. We continue to strengthen and deepen our partnerships and relationships with our technology partners.



<p><b>What we achieved</b></p> <ul style="list-style-type: none"> <li>– We are one of the largest operators of IMAX screens in the United States and across Europe</li> <li>– The Group is the only provider of 4DX in the UK and an extensive provider in the United States and Europe</li> <li>– Installed a total of 1,794 laser projectors across the estate, nearly four times more energy efficient</li> </ul>	<p><b>Priorities for 2021</b></p> <ul style="list-style-type: none"> <li>– Continue our investment in providing a range of premium formats</li> <li>– Rollout of laser projectors across the estate</li> </ul>												
<p><b>Measuring our progress</b></p> <p><b>Number of premium formats</b></p> <table border="0" style="width: 100%; text-align: center;"> <tr> <td style="width: 25%;"><b>134</b></td> <td style="width: 25%;"><b>88</b></td> <td style="width: 25%;"><b>57</b></td> <td style="width: 25%;"><b>125</b></td> </tr> <tr> <td><b>IMAX screens</b></td> <td><b>4DX screens</b></td> <td><b>ScreenX</b></td> <td><b>PLF</b></td> </tr> <tr> <td>(2019: 135)</td> <td>(2019: 83)</td> <td>(2019: 50)</td> <td>(2019: 116)</td> </tr> </table>		<b>134</b>	<b>88</b>	<b>57</b>	<b>125</b>	<b>IMAX screens</b>	<b>4DX screens</b>	<b>ScreenX</b>	<b>PLF</b>	(2019: 135)	(2019: 83)	(2019: 50)	(2019: 116)
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(2019: 135)	(2019: 83)	(2019: 50)	(2019: 116)										
<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>– Availability of content tailored for specific technology</li> <li>– Change in technology</li> <li>– Strength of relationship with technology partners</li> <li>– Environment and sustainability</li> </ul> <p> Read more <b>page 14</b></p>	<p><b>Sustainability drivers</b></p> <ul style="list-style-type: none"> <li>– Energy saving through rollout of laser projectors</li> <li>– Ensure safety requirement of stakeholders</li> <li>– Maintain long-term relationship with our technology partners</li> </ul> <p> Read more <b>page 22</b></p>												



## Expand, enhance and optimise our estate...

### **...to provide consistent, sustainable, 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. We also have a selective site closure programme when the lease terms have expired and it is not commercially beneficial or feasible to renew these leases.



<p><b>What we achieved</b></p> <ul style="list-style-type: none"> <li>- Opening of two new sites: one in the United States and one in Romania</li> <li>- Completed nine refurbishments; five in the United States; four in the UK</li> <li>- Closure of 20 loss making sites in the United States, one site in Israel and one site in the UK</li> <li>- Emissions intensity ratio impacted by low revenue</li> </ul>	<p><b>Priorities for 2021</b></p> <ul style="list-style-type: none"> <li>- Further optimise our estate through closure of loss making sites and selective site opening</li> <li>- Reduce our environmental impact through refurbishments and installation of new energy initiatives</li> </ul>									
<p><b>Measuring our progress</b></p> <table border="1"> <thead> <tr> <th data-bbox="134 1487 256 1536">Number of new sites</th> <th data-bbox="580 1487 943 1536">Number of major refurbishments completed</th> <th data-bbox="1027 1487 1382 1536">Emissions intensity tonnes CO<sub>2</sub>e per \$1m revenue</th> </tr> </thead> <tbody> <tr> <td data-bbox="134 1552 177 1608">2</td> <td data-bbox="580 1552 624 1608">9</td> <td data-bbox="1027 1552 1206 1608">302.4</td> </tr> <tr> <td data-bbox="134 1615 220 1637">2019: 14</td> <td data-bbox="580 1615 667 1637">2019: 10</td> <td data-bbox="1027 1615 1142 1637">2019: 125.9</td> </tr> </tbody> </table>		Number of new sites	Number of major refurbishments completed	Emissions intensity tonnes CO <sub>2</sub> e per \$1m revenue	2	9	302.4	2019: 14	2019: 10	2019: 125.9
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2	9	302.4								
2019: 14	2019: 10	2019: 125.9								
<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>- Quality of the cinemas</li> <li>- State and maintenance of the theatres</li> <li>- Opening and refurbishment dependent on planning laws and building permits</li> </ul> <p> Read more <b>page 14</b></p>	<p><b>Sustainability drivers</b></p> <ul style="list-style-type: none"> <li>- Durability of refurbishment</li> <li>- Collaboration with local authorities</li> <li>- Energy efficient new builds</li> </ul> <p> Read more <b>page 22</b></p>									



## Drive value for shareholders...

### ...by delivering our growth plans in an efficient, sustainable and effective way

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

<p><b>What we achieved</b></p> <ul style="list-style-type: none"> <li>– Minimised cash burn during cinema closures</li> <li>– Raised \$810.8m during the year to support the business through the pandemic</li> <li>– Continued focus on driving efficiencies across the Group</li> <li>– Group financial covenant waiver through June 2022 and are currently operating under a minimum liquidity covenant</li> </ul>	<p><b>Priorities for 2021</b></p> <ul style="list-style-type: none"> <li>– Cash flow generation from operations</li> <li>– Commitment to reduce debt</li> <li>– Employee engagement</li> </ul>										
<p><b>Measuring our progress</b></p> <table border="1"> <thead> <tr> <th data-bbox="181 1491 277 1541">Revenue \$m</th> <th data-bbox="491 1491 683 1541">Adjusted EBITDA \$m</th> <th data-bbox="826 1491 1011 1541">Adjusted diluted EPS¢</th> <th data-bbox="1129 1491 1347 1541">Net Debt (ex. lease liabilities)</th> </tr> </thead> <tbody> <tr> <td data-bbox="181 1552 459 1641">\$852.3m 2019: \$4,369.7m</td> <td data-bbox="491 1552 762 1641">(\$115.1m) 2019: \$1,580.3m</td> <td data-bbox="826 1552 1050 1641">(66.5¢) 2019: 21.3¢</td> <td data-bbox="1129 1552 1481 1641">\$4,344.5m 2019: \$3,482.5m</td> </tr> </tbody> </table>				Revenue \$m	Adjusted EBITDA \$m	Adjusted diluted EPS¢	Net Debt (ex. lease liabilities)	\$852.3m 2019: \$4,369.7m	(\$115.1m) 2019: \$1,580.3m	(66.5¢) 2019: 21.3¢	\$4,344.5m 2019: \$3,482.5m
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<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>– Retain strategic employees</li> <li>– Deliver on strategic initiatives and performance</li> <li>– Timing of Cinema reopening and availability of film content</li> <li>– Financial covenants</li> </ul> <p> Read more <b>page 14</b></p>	<p><b>Sustainability drivers</b></p> <ul style="list-style-type: none"> <li>– Effective and proactive estate management</li> <li>– Engagement with local communities and charities</li> <li>– Employee support</li> <li>– Reduction of food waste and single-use plastics</li> </ul> <p> Read more <b>page 22</b></p>										

## RISK MANAGEMENT

# Supporting growth through effective risk management

### Principal risks and uncertainties

Operating as a cinema chain in ten different countries 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 46 to 48.

### 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. Emerging risks, including those related to climate change, are identified by leveraging external thinking and research. Their potential impacts are presented to and monitored by the Board.

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 pages 20 and 21.

After the Board's review of existing risk and potential emerging risk, the Board believes the existing principal risks reflect the Group's risk profile.

The Board has remained vigilant on the impact of the UK's exit from the European Union ("Brexit"), and consideration has been given to the risks that may have a significant impact on the underlying trading performance of the Group going forward. See Risk 5 of our principal risks on page 16.












































The Board has evaluated the current and future impact of COVID-19 and we are taking measures to ensure we are prepared for all eventualities. We expect conditions to improve; however, if conditions do not improve, we have measures available to reduce the impact on our business including capex delay and further cost reduction.

### Appetite





The Board undertook a formal review of risk appetite to ensure that the view it has established for each of the principal risks reflects its current perspective and 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 46 to 48.

### 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 pages 20 and 21.

PRINCIPAL RISKS			
Risk	Strategic relevance	Trend	Owner
1. Technology and Data Control	   	↔	Deputy CEO
2. Availability and Performance of Film Content	  	↑	CCO
3. Provision of Next-Generation Cinemas	   	↔	CEO
4. Viewer Experience and Competition	   	↔	CCO
5. Revenue from Retail/Concession Offerings	  	↔	CCO
6. Cinema Operations	   	↔	CEO
7. Regulatory Breach	   	↑	CFO
8. Strategy and Performance	   	↔	Deputy CEO
9. Retention and Attraction	 	↑	Deputy CEO
10. Governance and Internal Control	   	↑	CFO
11. Major Incident	  	↑	CEO
12. Treasury Management	   	↑	CFO

<b>Key</b>	 Provide the best cinema experience	 Be technological leaders in the industry	 Expand and enhance our estate	 Drive value for shareholders
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# PRINCIPAL RISKS AND UNCERTAINTIES

**1**

**TECHNOLOGY AND DATA CONTROL** ↔

**A critical system interruption or major IT security breach encountered.**

**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.
- Under the direction of the Group Data Protection Officer there is a Data Privacy/ Security Committee (supported by external professional advisers) that drives the programme of data protection across the Group.

**Changes in the year**

- Threat protection tools have been standardised across the Group.
- During the pandemic, IT environments have been scaled accordingly with no disruption to security patch cycles, vulnerability scans or account audits.
- Remote working capabilities have been hardened.
- Oversight of Group data initiatives have continued to ensure we remain compliant.

**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.**

**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.
- While we have no control over the availability of film content, in order to reduce this risk, we are remaining active in industry associations and maintaining our studio relationships to ensure theatrical release remains priority for delayed and future releases.

**Changes in the year**

- The shift in the film release schedule as a result of the pandemic and related restrictions have caused a significant lack of availability of high quality film content in the current year.
- Some of our competitors have agreed with certain studios to reduce the theatrical release window and share in downstream premium VOD revenue. While we have seen changes in the theatrical release window policy in our industry during 2020, our position remains unchanged. We see the window is an essential part of our business and most of our studio partners remain committed to it as big supporters of the theatrical business.

**Opportunity**


- Enhance tailored content depending on local demographic.
- Continue to grow event cinema business to satisfy customers' appetite for alternative content.
- There is a strong film slate for 2021 forward.

**3**

**PROVISION OF NEXT-GENERATION CINEMAS** ↔

**Maintaining/refurbishing existing sites and/or developing new sites fails to provide a circuit of next-generation cinemas.**

**Link to strategy**



**Risk owner**  
CEO

**Impact**  
Ensuring our cinemas are of state-of-the-art design and have the latest cutting-edge cinema experience technology are both key for our strategy to provide "The Best Place to Watch a Movie". A deviation from this could have a direct impact on admissions and the financial health of the Group.

**Mitigation activity**

- We perform a site prioritisation analysis for the selection of refurbishments, new sites and or closures.
- Project management expertise that allows the unique position of renovating without cinema closures.
- Ensuring access to the latest cutting-edge technology through our ability to secure agreements with key suppliers.
- Maintaining long-term working relationships with key contractors to ensure continued access to knowledge and experience.

**Changes in the year**

- Opening of new sites: five in the UK and two in the ROW.
- Completed nine refurbishments: four in the UK and five in the US.
- Closure of 20 underperforming sites in the United States.

For further details see the Chief Executive Officer's Review on pages 04 to 05.

**Opportunity**


- Further optimise our estate through closure of loss making sites and selective site opening.
- Continue long-term refurbishment programme in the US and UK.

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

### 4 VIEWER EXPERIENCE AND COMPETITION ↔

**Failure to deal with competition effectively by not offering quality products and services that meet the needs of the customer and deliver an enhanced viewer experience.**

**Link to strategy**



**Risk owner**  
CCO

**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 (ScreenX, 4DX and other large screen formats), upgrading seating options, further rollout of the VIP offering 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**

- Due to the global pandemic all cinemas were closed for the majority of the year.
- We are one of the largest operators of IMAX in the United States and across Europe.
- The Group is the only provider of 4DX in the UK and an extensive provider in the United States and Europe.
- Installed 1,794 laser projectors to date across the estate.


**Opportunity**

- Further expansion of concession offering in the United States.
- Rollout of laser projectors across the estate.
- Continue our investment in providing a range of premium formats.

### 5 REVENUE FROM RETAIL/CONCESSION OFFERINGS ↔

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

**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 introduction of the Soft Drinks Industry Levy, has a direct impact on price.

**Mitigation activity**

- Monitor various metrics, including spend per person, in order to understand and react quickly to 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.
- We work closely with our drinks partners to mitigate the potential impact of the Soft Drinks Industry Levy by broadening our ranges of diet and sugar free options along with water and are trialling innovation with reformulated products while still providing consumer choice based on preferences.
- Brexit risk identification and mitigation planning to respond to any impact on our retail supply chain. We remain focused to ensure potential operational disruption is mitigated as effectively as possible.

**Changes in the year**

- Enhanced mobile applications to provide customers with the ability to book tickets and pre-order concessions online more easily and through mobile applications.
- Due to the global pandemic all cinemas were closed for the majority of the year resulting in lower revenue from retail and concession.

For further details see the Chief Executive Officer's Review on page 04 and Chief Financial Officer's Review on page 26.


**Opportunity**

- Upon reopening there will be new Lavazza and B-Fresh locations opening for the first time.
- Continue to enhance online offerings and increase tickets and concessions sold through our mobile platforms.

### 6 CINEMA OPERATIONS ↔

**Failure to maintain and operate well run and cost-effective cinemas.**

**Link to strategy**



**Risk owner**  
CEO

**Impact**  
Operating cinemas well is pivotal to the overall success of the Group. The key is to ensure that cinema management understand the local market (film scheduling, pricing and retail offerings), effectively manage employees, maintain service standards and increased COVID-related health and safety requirements, and are able to react to incidents should they occur. A reduction in performance in any area can directly affect overall viewer experience, reputation of 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.
- Monitoring health and safety requirements to ensure we have implemented sufficient health and safety measures.

**Changes in the year**

- Due to the global pandemic all cinemas were closed for the majority of the year.
- Health and safety guidelines established to ensure safe operations during the pandemic.
- Evolved IT systems to provide customers with the ability to book tickets and pre-order concessions online more easily and through mobile applications.

For further details please see Resources and Relationships on page 22.

**Opportunity**

- Upon reopening there will be new cinemas ready for business in US and UK.
- Continue to deploy operational best practices across the Group.

7

**REGULATORY BREACH** ↑

**A major statutory, regulatory or contractual compliance breach.**

**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 advisers where appropriate.
- Group support functions use a combination of ongoing staff development as well as updates from professional advisers to ensure management are aware of the latest regulations in key areas.
- Robust health and safety protocols have been implemented to ensure compliance with COVID-19 compliance requirements.
- Management have secured favourable payment arrangements with the bulk of suppliers and landlords to avoid default action.

**Changes in the year**

- The global pandemic has sparked various compliance requirements that are fluid and vary by country, state, and municipality.

For further details please see Risk and Internal Control section pages 46 to 48.

**Opportunity**

- Continue to align the approach to health and safety audits across the Group.
- Continue data privacy compliance initiatives across the Group.
- Continue the evolution of our approach to compliance to ensure it is embedded in our day-to-day operations.

8

**STRATEGY AND PERFORMANCE** ↔

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

**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**

- Our performance was significantly impacted by the COVID-19 pandemic with the closure of our cinemas globally. During the period of closure, our focus was on supporting our people, ensuring that our financial position was robust and minimising cash burn at a time of great uncertainty.

**Opportunity**

- The Group's strategy includes identifying potential profitable opportunities to grow and expand the business.
- Continual focus on and review of strategy ensures the Board is well placed to assess value adding opportunities as they arise.

**Key**

- Provide the best cinema experience
- Be technological leaders in the industry
- Expand and enhance our estate
- Drive value for shareholders


## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

**9**

**RETENTION AND ATTRACTION** ↑

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

**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.

**Changes in the year**

- The pandemic and resulting cinema closures have forced management to take some cost-saving measures including permanent and temporary workforce reduction in order to protect liquidity and ensure the Company's long-term viability.
- To offset the risk of failure to attract and retain talent, the Company is providing measures including: clear and constant communication with active and furloughed employees; remote work options; and providing a safe and sanitary work environment.

For further details please see Resources and Relationships on page 22.

**Opportunity**

- The growth of the Group has increased the opportunities for internal promotion, and transfers.

**10**

**GOVERNANCE AND INTERNAL CONTROL** ↑

**A critical internal control and/or governance failing occurs.**

**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 advisers;
  - a risk-based cinema compliance and financial control audit programme;
  - the delivery of targeted risk-based internal audit reviews; and
  - the use of technology for live forensic monitoring.

**Changes in the year**

- Obtaining a Group leverage covenant waiver until June 2022 and are currently operating under a minimum liquidity covenant.

For further details please see Risk and Internal Control on pages 46 to 48.

**Opportunity**


- Continue to enhance the use of technology for embedding automated controls and providing ongoing live assurance.
- Increase internal audit resources focusing on improving Group compliance activities.

**11**

**MAJOR INCIDENT** ↑

**Inability to respond to a major incident.**

**Link to strategy**



**Risk owner**  
CEO

**Impact**  
Cinema attendance may be affected by political events, such as terrorist attacks on, or wars or threatened wars in territories in which we operate, health-related epidemics and random acts of violence, any one of which could cause people to avoid our cinemas or other public places where large crowds are in attendance. In addition, due to our concentration in certain markets, natural disasters such as hurricanes, earthquakes and severe storms in those markets could adversely affect our overall results of operations.

**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 and safety of our cinema estate.
- Various security systems and/or personnel are in place across the Group.
- 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 as a result of property damage.

**Changes in the year**

- The pandemic has resulted in cinema closures, reduced seating capacity and film content and has caused some reluctance to go into social environments.
- Health and safety procedures have been implemented in the cinemas to ensure compliance with jurisdictional COVID-19 compliance requirements.

**Opportunity**

- Enhanced United States active shooter training to provide computer-based learning and annual certification.
- Continuous review of processes which can identify areas for operational improvement and improve overall safety at our sites.

12

**TREASURY MANAGEMENT**

**Ineffective treasury management slows down our ability to service our debt obligations and deliver against our planned strategic initiatives (e.g. refurbishment programmes).**

**Link to strategy**

**Risk owner**  
CFO

**Impact**

A key future strategy for the Group is ensuring it has the ability to use the cash generative nature of the business to reduce the net debt to Adjusted EBITDA ratio. Balancing this with the level of planned investment in strategic initiatives globally will be a continual focus for the Board.

**Mitigation activity**

- Integration of Regal and Cineworld treasury functions.
- Ongoing review of financial instruments being used.

**Changes in the year**

- Secured a new debt facility of \$810.8m and issue of equity warrants.
- Obtaining a Group covenant waiver until June 2022 and are currently operating under a minimum liquidity covenant.
- Accelerated tax year closure to bring forward an expected tax refund of over \$200m to 2021.

**Opportunity**

- Continue to monitor liquidity.
- Continue long-term objective of debt reduction through cash flow generation and costs optimisation.

**Key**

- Provide the best cinema experience
- Be technological leaders in the industry
- Expand and enhance our estate
- Drive value for shareholders

## Viability Statement

In accordance with Provision 31 of the 2018 UK Corporate Governance Code, the directors are required to assess the prospects of the Company, explain the period over which we have done so and state whether we have a reasonable expectation that the Company will be able to continue in operation and meet liabilities as they fall due over this period of assessment.

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 maturity period of the Group's financing facilities, the forecast recovery from the COVID-19 pandemic, the visibility of the future film slate, the Group's planned investment in its estate, investment in technology and relationships with the film distributors.

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 additional sources of liquidity.

For the purpose of assessing the Group's viability, the Directors identified that of the principal risks detailed on pages 15 to 19 the following are the most important to the assessment of the viability of the Group:

- availability and performance of film content,
- viewer experience and competition,
- major incident,
- treasury management.

With the exception of viewer experience and competition, each of the above risks are considered to have increased in 2020, largely due to the impact of the COVID-19 pandemic, with the availability of film content and the Group's liquidity both having been constrained by the impact of the interruption caused by a major external factor.

The impact of the COVID-19 pandemic has caused a significant level of uncertainty in cinema markets across the world, including all of those in which the Group operates. As set out in the Directors' Going Concern assessment in note 1 to the Financial Statements, the Group expects cinema attendance to return to levels observed in the year prior to the pandemic by the end of the viability assessment period. However, the directors acknowledge the uncertainty in the precise timing of the return to such levels and therefore have considered scenarios reflecting varying rates of recovery. Key factors driving the outcomes of such scenarios are focussed more on short term factors, due to the current state of lockdown across the Groups operating territories and forecast roll-out of vaccination programs and the release of restrictions on operating.

The Group has performed a weighted scenario analysis, set out in the Going Concern disclosure on page 103. The Group's base case scenario assumes a gradual recovery from the current shutdown, with cinemas across all territories opening in May 2021 at 60% of comparable levels to 2019, returning to admissions levels of 90% of comparable periods in 2019 by the end of the year. Admissions are then forecast to remain on average 10% below 2019 levels throughout 2022 and 5% below through 2023. This weighted base case, when considered with waivers obtained on liquidity covenants on its Revolving Credit Facilities, forecasts that the Group will maintain sufficient liquidity and headroom against key covenant metrics through its recovery from the pandemic in 2021 and 21 months beyond the Going Concern assessment period.

To assess the Group's viability, management performed scenario analysis considering key factors expected to drive uncertainty in the recovery profile. Based on the principal risks identified above, the scenarios applied included:

- a more gradual return to pre-pandemic levels of cinema attendance, driven by restrictions and consumer appetite following the current lockdown;

Reopening at 35% of 2019 admissions levels in May and rising to 75% by September. Admissions would remain on average 12.5% below 2019 levels throughout 2022 and 10% below through 2023. Levels observed in 2019 would not be achieved until 2024 under this scenario. Mitigating actions in such circumstances would include further reductions to all capital expenditure and considering all additional external sources of liquidity.

Under this scenario assessment, the Group would still be able to continue to meet its day to day liabilities as they fall due over the three-year period. However, the Group would be in breach of financial covenants on its debt facilities in June 2021.

- A delay to the expected reopening date caused by restrictions and a lack of film content, with a gradual return to pre-pandemic levels of cinema attendance.

This scenario is consistent with one of the severe but plausible cases considered in the Group's Going Concern analysis on page 103. All cinemas would remain closed until August 2021, at which point 60% of 2019 admissions would be achieved, rising to 75% by December 2021. Admissions would remain at 80% of 2019 levels until 2024, when 90% would be achieved, with performance returning to previous levels in 2025. Mitigating actions in such circumstances would include significant reductions to all capital expenditure and considering all additional external sources of liquidity.

Under this scenario assessment, the Group would require additional liquidity to continue operating by September 2021. The Group would be in breach of financial covenants on its debt facilities in May 2021.

- A delay in the receipt of the cash tax receipt in respect of the US CARES Act

This scenario is also consistent with one of the severe but plausible cases considered in the Group's Going Concern analysis on page 103. Mitigating actions would include steps to raise additional liquidity.

Under this scenario, additional liquidity would be required by May 2021.

There is also a risk that no agreement is reached with the dissenting shareholders and that they wish to challenge any failure to pay them in accordance with a judgement.

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

The Directors believe the risk management and internal control systems in place allow them to monitor the key variables that have the ability to impact the liquidity and the solvency of the Group and have a reasonable expectation that the Group will be able to continue to meet liabilities as they fall due over the coming three-year period. However, as described, there is a risk of covenant breach should the weighted base case scenario not be realised. In addition, if disruption caused by the COVID-19 pandemic is more prolonged than modelled in the Group's weighted base case, there is a possibility that the Group could be required to find additional sources of liquidity.

## RESOURCES AND RELATIONSHIPS

# The key resources and relationships that support our strategic objectives

During this unprecedented time, a key priority for the Group has been the health and safety of our customers and employees.

### 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, including in these challenging times, reflects on our reputation, an asset that will underpin the successful delivery of our strategy following reopening.

Our ethics policies seek to guide the behaviour of our people by specifying 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.

▶ Read more about how we engage with our key stakeholders on pages 42 to 45.



### Our customers

Our customers are key to our success. We believe that by listening and being responsive to our customer feedback, we can consistently deliver enhanced experiences, which help us continue to be the very best place to watch a movie.

Our customer feedback programme is supported by the "Rant and Rave" engagement solution, which was first launched in 2018 and built upon in subsequent years. It has proved to be an invaluable tool for channelling customer sentiment in these unprecedented circumstances, empowering our teams to address feedback in real time.

After the first closure of our cinemas due to the COVID-19 global pandemic, we implemented health and safety protocols in all cinemas to ensure the welfare of our customers and employees.

The "CinemaSafe" protocols, developed by leading epidemiologists and industry experts, are guidelines developed to ensure the health and safety of the movie-going public and our employees. When our customers see the "CinemaSafe" badge, they can feel confident in our commitment to their health and safety as they return to their favourite pastime. Through the implementation of the "CinemaSafe" protocols, we also developed innovations to the movie-going

experience. Through the mobile apps, our customers can now experience a complete contactless trip to the cinema with the ability to purchase their movie ticket and concessions in many of our cinemas.

In normal times, we focus on providing our customers with a wide variety of on-screen entertainment, showcasing the best film product from all the major studio and independent production houses, plus a range of burgeoning on-screen entertainment including live theatrical, dance and musical events. We are passionate about providing our customers with the most innovative cinematic experiences, with a range of immersive premium large screen formats offering the latest theatrical technology now available in many of our cinemas, including IMAX, 4DX, ScreenX, Superscreen, RPX (Regal Premium Experience) and VIP.

We also have initiatives which aim to extend the relationship with our customers 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 films as they wish (with uplifts available for premium large formats). This scheme was successfully launched in Poland at the end of 2015 and in the United States in 2019. Engaging our members with targeted offers and exclusive benefits has enabled us to retain our core subscriber bases in all three markets, despite the extended disruptions in operations. We have prolonged the validity of subscriptions, vouchers and

## Non-financial information statement

The Company has complied with the Non-Financial Reporting Directive contained in sections 414CA and 414CB of the Companies Act 2006.

Where to find related information:

<b>Environmental</b>	<b>Employees</b>	<b>Social</b>	<b>Human rights</b>	<b>Anti-corruption and anti-bribery</b>	<b>Principal risks</b>	<b>Business model</b>
See pages 25 and 85	See pages 23, 44 and 84	See pages 24 and 45	See page 24	See pages 25 and 48	See pages 14 to 19	See pages 08 to 09



gift cards across the Group to ensure customers' opportunity for redemption remains unaffected by the closures of our cinemas.

In addition to Unlimited, members of the Regal Crown Club® in the United States earn credits for each dollar spent at the Regal cinemas, and can then redeem such credits for movie tickets, concession items, and movie memorabilia at the cinema, online, or via the Regal mobile app. We also have a number of other successful membership schemes across the Group's territories, which offer discounts and added value benefits, allowing us to interact frequently with each respective customer base.

Event cinema screenings bring a wider range of content to our customers, enabling our audiences to watch 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, attracting more people to our cinemas.

The Group actively encourages our future cinema-going audience by specifically tailoring film schedules to attract families and younger customers. 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.

Flexibility around the changing market environment enables us to maximise admissions, making the best use of available product, including repertoire titles.



## Retail

As many of our customers still consider going to the cinema as a treat or special occasion, they expect traditional cinema snacks as part of their experience. We offer a range of products to our customers, and we work closely with our partners to provide healthier or low sugar

alternatives where possible and in line with customer or legislative demands.



## Access for all

The Group promotes a philosophy of access for all by offering accessible cinemas for the disabled, offering a wide range of films, film formats 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 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

The global pandemic has been hugely disruptive to businesses such as ours, and for this reason many of our "usual" people plans were postponed during 2020. This said, we adapted quickly in order to support our people in many various ways despite the situation at times being rapidly evolving.

Recognising this was a hugely challenging time for our teams and communication was key, especially as our teams became dispersed very quickly either due to home-working or being placed on furlough. We established daily conference calls with the Executive Teams in each territory. This ensured there was a clear and quick flow of vital information and that our teams were engaged with what was happening in the business. Additionally, a core HR team continued working throughout the pandemic to ensure

that ever changing information was communicated as quickly as possible, and the UK HR team and US Benefits team were on hand to answer questions and to provide useful information and guidance to management teams and employees alike. Furthermore, in the United States, given the scale of the operation, Regional Directors and District Managers played an active and key role in caring for General Managers and their cinemas throughout the pandemic.

We also established various learning and development support tools and plans, including home-working policies, which guided management to work with remote teams in the most effective way and ensured employee welfare remained a priority. Additionally, as we experienced many phases of operation across the year from being closed, to opening and closed again, we also supported our teams with information packs during temporary closures. These covered a number of items such as tips on gaining financial advice, government help, health and wellbeing support, and the use of our Employee Assistance Programme in the UK. We promoted and encouraged the use of Cine-Learn, our online learning platform which can also be accessed remotely, as this has a wealth of varied resources such as helping with change, wellbeing, positive thinking, relaxation tips and much, much more.

Sadly, due to the pandemic, some of our people found themselves in difficult financial circumstances and for this reason, we are proud to have also launched a hardship fund. We made hundreds of grants from the fund across the Group, some as one-off payments and others made over a number of months depending on individual circumstances.

Needless to say, we made full use of the furlough schemes in various countries meaning that in certain territories we continued paying our people and, importantly, it provided the ability to retain many of our people so that their valuable knowledge, skills and talents can be utilised again when cinemas reopen. Furthermore, in the UK in particular, when the furlough scheme was about to end, we lobbied government to ensure it was continued

## RESOURCES AND RELATIONSHIPS CONTINUED

for the good of our people. We also promoted other relevant external schemes, such as the “Film and TV COVID Recovery Fund”, so that our people could benefit from these if they wished to do so.

We also implemented many COVID measures to ensure our environments were safe and secure and liaised with health and safety representatives, where relevant, to ensure our plans, including new training plans, were fit for purpose. These measures and plans will continue to evolve as we move through the pandemic, and of course, our teams will continue to be engaged in various ways so that we can open in full force again in 2021. More information on our safety measures may be found in the Health and Safety section below. We look forward to building on our people plans, once again, throughout 2021, to create “The Best Place to Work in the Movies”.



### 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 which is specifically targeted at preventing discrimination, and such principles are embedded through the business by requisite policies.



### Our commercial relationships

Having strong commercial relationships is also 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 actively engage with our distribution partners to ensure that

slated films retain their theatrical releases, and that the theatrical experience remains at the core of their businesses.

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 vital for maintaining a robust pipeline of new sites to expand our estate, as well as being able to upgrade our existing facilities as a part of our extensive refurbishment programme. These relationships have also helped us achieve deferrals and discounts on rent payments, which were much needed in this economic climate.

We continue to work with suppliers of innovative technology, demonstrated by the introduction of laser projectors across our cinemas, providing a superior customer experience, while driving down energy costs. This, coupled with our continuing rollout of ScreenX, 4DX and IMAX in all our markets, ensures that we continue to deliver on our customer promise of being the best place to watch a movie as well as maximising box office revenue. Even during the pandemic we have continued to support the development and rollout of innovative technology allowing us to schedule films, trailers and adverts remotely, maximising revenue and reducing operating costs.

Strong relationships with our principal retail suppliers enable us to work together on promotions that help to 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 policies.

During the pandemic, our long-standing relationships with key suppliers have allowed us to achieve significant cost savings and support of our cash flow through payment plans. Cost control and monitoring remain at the core of our commercial operations.



### Our communities

Our work with charities, schools and community groups across all our territories is of paramount importance to us. In normal times, we are involved with a wide range of activities, such as working with distributors on charity screenings, providing free shows for organisations and working closely with local schools.

In the United States, the Regal Foundation supports the communities in which Regal operates by partnering with selected charities dedicated to the assistance of persons affected by economic, social, physical or educational disadvantages.

Cineworld proudly partners with a number of UK charities. This year, our fundraising activities have regrettably been impacted by the pandemic-related cinema closures. However, we still managed to provide a Sunshine Coach for Variety, the Children's Charity. We very much look forward to working closely with BBC Children in Need, the Film & TV Charity, MediCinema and Variety once our cinemas reopen.

Although activities have been curtailed for 2020, in usual times the Picturehouse education team works closely with teachers, film festivals and partner organisations to deliver a diverse programme at Picturehouse cinemas across the UK, where screenings and events are specially curated for Nursery, Primary, Secondary and Special Educational Needs (“SEN”) and Additional Support Needs (“ASN”) Schools and for adult learners.

Following this same theme, Cineworld felt compelled to help local school children, particularly in a disadvantaged area, during the recent period of national lockdown due to COVID-19. As we know, all children have been undertaking home schooling, but sadly not all children have access to the necessary IT equipment. As a result, Cineworld re-purposed a number of tablets and donated them to a school. We were delighted to have made a difference to young people in our local community during this especially challenging time.



## Environment

We seek to comply with all relevant environmental legislation and to operate in an environmentally sensitive manner. The Board of Directors acknowledges the impact that the business has on the environment and seeks 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 85 and 86. In addition, the Company is aware of the need to report under the Task Force on Climate-related Financial Disclosures framework for the financial year ending 31 December 2021, and is working to ensure that it meets all requirements to enable it to do so.

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 of these efforts help to reduce our use of resources and, in turn, our carbon footprint.



## Health and safety

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.

Extensive health and safety measures in relation to COVID-19 restrictions have been implemented at our cinemas across the Group, in response to the challenges of the global pandemic. We have been liaising with national and local governments to ensure that when cinemas reopen, we will provide a safe environment for all, so that customers, employees and contractors can be confident that their return to the cinema will be a relaxing and safe experience. In the United States, "CinemaSafe" health and safety protocols were implemented, and in the UK we have liaised closely with the UK Cinema Association. For more information on safety measures in cinemas, see the section "Our customers" above.

All employees have been COVID trained and all cinemas have been equipped with sanitising stations, customer flow signage and protective equipment for our 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, cinemas in the Group are subject to health and safety assessments (including aspects of fire, food and occupational safety). Results are monitored and any significant issues are followed up by management teams, with the assistance of specialist external consultants where needed.

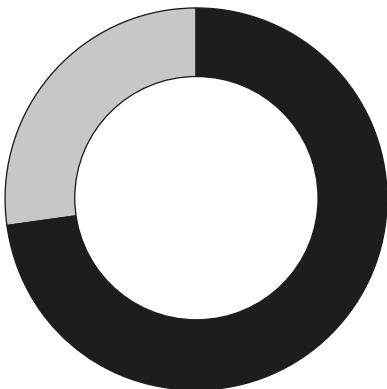


## Anti-bribery and corruption

The Group has in place a range of governance-related policies, including Whistleblowing, Gifts and Hospitality, and Health and Safety. The Company has implemented these policies and procedures to ensure it is prepared, to the fullest extent possible, to prevent corrupt practices across our business relationships. The Group endeavours to conduct its business with integrity, aims to be a responsible employer, and adopts values and standards designed to help guide our staff in their conduct and business relationships.

## GENDER REPRESENTATION

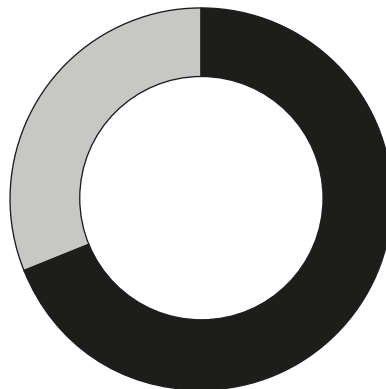
### Gender breakdown of the Board<sup>(1)</sup>



Male	8
Female	3

**Total Board of Directors** 11

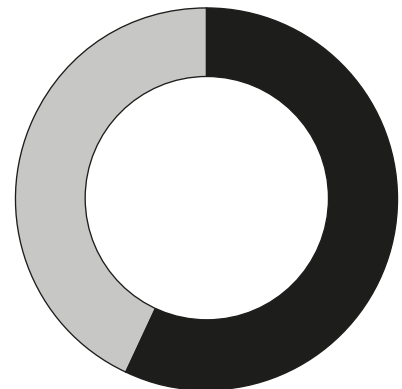
### Gender breakdown of Senior Managers<sup>(2)</sup>



Male	82
Female	37

**Total Senior Managers** 119

### Gender breakdown of total employees<sup>(3)</sup>



Male	17,369
Female	13,063

**Total employees** 30,432

(1) Figures in the chart above are as at 31 December 2020.

(2) Figures include the executive committee, the senior management team, and the Company Secretary

(3) Data is based on the average headcount for 2020.

## CHIEF FINANCIAL OFFICER'S REVIEW

# Preserving liquidity for recovery



**“As widely reported, the industry has been severely impacted by the global COVID-19 pandemic, which had a significant adverse effect on the Group’s results for the period.”**

**Nisan Cohen**  
Chief Financial Officer

	Year ended 31 December 2020	Year ended 31 December 2019	movement
Admissions	<b>54.4m</b>	275.0m	(80.2%)
	\$m	\$m	%
Box office	<b>448.6</b>	2,536.1	(82.3%)
Retail	<b>232.2</b>	1,240.3	(81.3%)
Other Income	<b>171.5</b>	593.3	(71.1%)
<b>Total revenue</b>	<b>852.3</b>	4,369.7	(80.5%)

Cineworld Group plc (the “Group”) results are presented for the year ended 31 December 2020 and reflect the trading and financial position of the US, UK and Ireland (“UK&I”) and the Rest of the World (“ROW”) reporting segments. As widely reported, the industry has been severely impacted by the global COVID-19 pandemic, which had a significant adverse effect on the Group’s results for the period. Although the Group is now looking to re-opening and recovery from the impact of the pandemic, material uncertainty around its ability to continue as a going concern remains (as set out in note 1).

Total admissions decreased by 80.2% year on year to 54.4m, reflecting closures required due to lockdown measures implemented to control the spread of COVID-19 and a lack of major film releases. Total revenue for the year ended 31 December 2020 was \$852.3m, a decrease of 80.5% on the prior year.

The principal revenue stream for the Group is box office revenue, which made up 52.6% (2019: 58.0%) of total revenue. Box office revenue is a function of the number of admissions and the ticket price per admission, less sales tax. Admissions (one of the Group’s Key Performance Indicators) depend on the number, timing and popularity of the movies the Group is able to show in its cinemas. In addition, the Group operates

membership schemes which provide customers with access to screenings in exchange for subscriptions fees, and this revenue is reported within box office.

The Group’s second most significant revenue stream is from retail sales of food and drink for consumption within cinemas, which made up 27.2% (2019: 28.4%) of total revenue. Retail revenue across the Group is driven by admissions trends within each operating territory.

Other Income represents 20.1% (2019: 13.6%) of total Group revenue. Other Income is made up of all income other than box office and retail, predominantly revenue from advertisements shown on screen prior to film screenings and revenue from booking fees associated with the purchase of tickets online. The Group also generates distribution revenue in the UK and ROW, which is included within Other Income.

## United States

The results below show the Group's performance in the United States.

	Year ended 31 December 2020	Year ended 31 December 2019	movement
Admissions	30.1m	177.3m	(83.0%)
	\$m	\$m	%
Box office	280.3	1,859.6	(84.9%)
Retail	161.1	953.9	(83.1%)
Other Income	134.5	396.1	(66.0%)
<b>Total revenue</b>	<b>575.9</b>	<b>3,209.6</b>	<b>(82.1%)</b>

### Box office

Box office revenue represented 48.7% (2019: 57.9%) of total revenue. Admissions and box office revenue decreased by 83.0% and 84.9% respectively. These results reflect the impact of the closure of cinemas for significant periods during the year and the lack of major film releases.

Regal announced the closure of all cinemas in the United States on 17 March 2020. This shutdown remained in place until cinemas began reopening on 21 August 2020. Many of the cinemas opened to reduced operating hours with library content and reduced ticket pricing to encourage patrons to return to the cinema. On 21 August, Regal initially opened 182 cinemas, reopened an additional 104 cinemas on 28 August and 75 additional cinemas opened during September 2020. Some states, such as New York and California, remained closed for theatrical exhibition. The local restrictions in these key markets continued throughout the remainder of the year and, as a result, studios were reluctant to release major titles. Regal announced a second closure of the entire circuit effective 8 October 2020 and remained closed for the rest of the year.

The total North American industry box office revenue for the year was 80.7% lower compared with the prior year (source: Comscore). The top three movies in 2020 were "Bad Boys for Life", "1917" and "Sonic the Hedgehog", which in total grossed \$507m. The top three movies in 2019 were "Avengers: Endgame", "The Lion King" and "Toy Story 4", which in total grossed \$1.8bn. During the year, 20 sites were closed in the United States, and the net cash flow generated by these sites in the year ended 31 December 2019 was negative. These closures did not have a significant impact on performance during 2020.

The average ticket price achieved in the United States decreased by 11.2% to \$9.31 (2019: \$10.49). The decrease reflects the lack of premium film releases available across our premium offerings.

## Retail

Retail revenue represented 28.0% of total revenue (2019: 29.7%). Retail revenue decreased as a result of the cinema closures during the year. Retail spend per person decreased by 0.5% to \$5.35 (2019: \$5.38).

## Other Income

Other Income represented 23.4% of total revenue (2019: 12.3%). Other Income is made up of on-screen advertising revenue, corporate and theatre income and revenue from online booking fees charged on the purchase of tickets for screenings, which is driven by the demand for tickets and the propensity of customers to book tickets online. Screen advertising revenue is earned through the Group's agreements with National CineMedia ("NCM") and direct contracts with concession vendors and distributors. NCM operates on behalf of a number of United States exhibitors to sell advertising time prior to screenings. Advertising revenues are driven primarily by admissions levels and the value of advertising sold. Other Income also includes less significant elements related to the sale of gift cards and bulk ticket programmes and the hire of theatres for events. Other Income has decreased by 66.0% due to the impact of cinema closures. The impact on Other Income has not been as great due to certain contractual advertising revenues being recognised regardless of cinemas being closed.

## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

### UK & Ireland

The results below for the UK&I include the two cinema brands in the UK and Ireland: Cineworld and Picturehouse.

	Year ended 31 December 2020	Year ended 31 December 2019	movement
Admissions	<b>11.4m</b>	48.2m	(76.3%)
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Box office	<b>99.4</b>	405.7	(75.5%)
Retail	<b>37.2</b>	156.7	(76.3%)
Other Income	<b>17.3</b>	86.0	(79.9%)
<b>Total revenue</b>	<b>153.9</b>	648.4	(76.3%)

### Box office

Box office revenue represented 64.6% of total revenue (2019: 62.6%). Admissions decreased by 76.3% and box office revenue decreased by 75.5%. Admission and box office trends reflect the closure of cinemas for significant parts of the year due to lockdown restrictions and a lack of major film releases. All of the Group's cinemas were closed on 17 March in response to the first wave of COVID-19. The estate was reopened on 31 July. However, the strength of the performance in the subsequent weeks and further delays to major film release dates resulted in the announcement of a further closure on 5 October. The entire UK&I estate remained closed for the rest of the year.

In the UK&I, the top three grossing movies were "1917", "Sonic the Hedgehog" and "Tenet", which grossed \$96.1m (source: Comscore). This compares to the top three titles in 2019 which were "Avengers: Endgame", "The Lion King" and "Toy Story 4", which grossed \$273.2m (source: Comscore).

The average ticket price achieved in the UK&I increased by 3.6% to \$8.72 (2019: \$8.42). This increase was largely driven by the types of releases during the period that cinemas were open during 2020.

### Retail

Retail revenue represented 24.2% (2019: 24.2%) of total revenue. Retail revenue decreased by 76.3% from the prior year, driven by cinema closures during the year. Retail spend per person increased by 0.4% to \$3.26 (2019: \$3.25).

### Other Income

Other Income decreased by 79.9% from 2019 and represented 11.2% (2019: 13.3%) of total revenue. Other Income includes all other revenue streams outside of box office and retail, mainly advertising, online booking fee revenue and some distribution revenue through Picturehouse. Advertising revenue is primarily generated by on-screen adverts and is earned through our joint venture screen advertising business Digital Cinema Media Limited ("DCM"). DCM sells advertising time on screen on behalf of the UK cinema industry and advertising revenue is impacted by admissions trends and the value of advertising sold.

### Rest of the World

The results below for the ROW include Poland, Romania, Hungary, the Czech Republic, Bulgaria, Slovakia and Israel.

	Year ended 31 December 2020	Year ended 31 December 2019	movement
Admissions	<b>12.9m</b>	49.5m	(73.9%)
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Box office	<b>68.9</b>	270.8	(74.6%)
Retail	<b>33.9</b>	129.7	(73.9%)
Other Income	<b>19.7</b>	111.2	(82.3%)
<b>Total revenue</b>	<b>122.5</b>	511.7	(76.1%)

### Box office

Box office revenue represented 56.2% (2019: 52.9%) of total revenue. Admissions in the ROW decreased by 73.9% and box office revenue decreased 74.6% compared to the prior year. Admission across all ROW territories decreased significantly from the prior year due to prolonged closure periods resulting from lockdown restrictions and delays to major film releases.

All ROW territories closed in March in response to lockdowns and measures taken in response to the first wave of COVID-19. The first territories to reopen were the Czech Republic and Slovakia in June. Poland, Hungary, Romania, and Bulgaria opened in July. Cinemas across all ROW territories closed again in November. Israel remained closed from March for the remainder of the year.

The average ticket price decreased by 2.4% to \$5.34 (2019: \$5.47). The decrease reflects the lack of premium film releases available across our premium offerings.

### Retail

Retail revenue represented 27.7% of the total revenue (2019: 25.3%). Retail spend per person was \$2.63 (2019: \$2.62).

### Other Income

Other Income includes distribution, advertising and other revenues and represents 16.1% (2019: 21.7%) of total revenue. Forum Film is the Group's distribution business for the ROW and distributes movies on behalf of certain major Hollywood studios as well as owning the distribution rights to certain independent films. Other Income and distribution revenue performed in line with admission trends generally in 2020.

## Financial performance

	Year ended 31 December 2020				Year ended 31 December 2019
	US	UK&I	ROW	Total Group	Total Group
Admissions	30.1m	11.4m	12.9m	<b>54.4m</b>	275.0m
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Box office	280.3	99.4	68.9	<b>448.6</b>	2,536.1
Retail	161.1	37.2	33.9	<b>232.2</b>	1,240.3
Other Income	134.5	17.3	19.7	<b>171.5</b>	593.3
<b>Total revenue</b>	<b>575.9</b>	<b>153.9</b>	<b>122.5</b>	<b>852.3</b>	4,369.7
<b>Adjusted EBITDA (as defined in Note 2)</b>				<b>(115.1)</b>	1,580.3
<b>Operating (loss)/profit</b>				<b>(2,257.7)</b>	724.7
Finance income				<b>69.6</b>	26.3
Finance expenses				<b>(786.8)</b>	(568.0)
<b>Net finance costs</b>				<b>(717.2)</b>	(541.7)
Share of (loss)/profit from joint ventures				<b>(33.0)</b>	29.3
<b>Loss/(profit) on ordinary activities before tax</b>				<b>(3,007.9)</b>	212.3
Tax on (loss)/profit on ordinary activities				<b>356.4</b>	(32.0)
<b>(Loss)/profit for the year attributable to equity holders of the Group</b>				<b>(2,651.5)</b>	180.3

### Adjusted EBITDA

Adjusted EBITDA has decreased to a loss of \$115.1m (2019: profit of \$1,580.3m). This was mainly driven by the impact of the reduction in admissions caused by closures in response to the COVID-19 pandemic.

Adjusted EBITDA generated by the US, UK and ROW was negative \$(87.2)m, negative \$(35.0)m and \$7.1m respectively for 2020, compared with \$1,197.1m, \$192.2m and \$191.0m in 2019. Decreases across all segments were driven by the loss of revenue caused by the COVID-19 pandemic.

### Operating loss

Due to the impact of COVID-19 the Group reported an operating loss for the first time of \$2,257.7m compared with an operating profit of \$724.7m in 2019, representing a decrease of \$2,982.4m.

Certain material one-off items have been included within operating profit in 2020, most significantly the impairment charges described below. In addition to impairment charges, within operating profit there are a number of non-recurring and non-trade-related items that have a net negative impact of \$127.2m (2019: net negative impact \$12.8m), including \$19.9m relating to costs arising from the Group's response to the COVID-19 pandemic, \$60.8m in transaction and reorganisation costs and \$46.6m in refinancing costs. These items are excluded from Adjusted EBITDA and have been set out in detail in Note 2.

The total depreciation and amortisation charge (included in administrative expenses) in the year totalled \$643.3m (2019: \$729.8m). The charge is lower year on year due to impairment charges reducing the value of the Group's depreciable assets and amendments to leases during the year reducing a large number of right-of-use assets, with the reductions caused by a higher incremental borrowing rate applied to lease cash flows.

Where available, government support for companies to continue paying employees through the shutdown was accessed. In some cases, employees were paid directly. In others, the Group reclaimed amounts once paid to employees. In such instances, amounts received are shown reducing staff cost in the period, detail of amounts reclaimed are set out in note 8. Where available the Group has also accessed business rates relief.

The impact of the COVID-19 pandemic on the Group's forecast cash flows, in addition to increased uncertainty in the market, a higher discount rate reflecting the increased cost of debt and changes to forecast cash flows, have resulted in the impairment of property, plant and equipment and right-of-use assets at cinema cash-generating units ("CGUs"), as well as goodwill in country level CGUs and the Group's investment in National Cinemedia Inc amounting to a total net charge of \$1,344.4m (2019: \$46.9m in respect of property, plant and equipment and right-of-use assets at cinema CGUs). These impairments are considered to be largely driven by the impact of the pandemic and are considered to be exceptional charges in the current period. Full details of impairment charges are disclosed in Notes 11, 12, 13, 14 and 20.

## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

### Leases

The impact of COVID-19 and the associated shutdown has resulted in the Group renegotiating over 450 leases by the Balance Sheet date and accessed government relief from payment of leases in certain countries. The Group has sought to agree the waiver and deferral of contractual rent under existing leases in order to manage cash flow during the shutdown and recovery from the impact of the virus. Payment of lease liabilities has decreased to \$198.6m from \$613.3m in 2019, reflecting negotiation with landlords and amendments agreed to date.

Amendments to leases, additions in the period, changes to discount rates applied in the calculation of lease balances, and cash flows in the period have resulted in total right-of-use assets of \$2,306.4m (2019: \$3,441.2m), with a depreciation charge of \$348.7m (2019: \$398.2m), with lease liabilities of \$3,971.7m (2019: \$4,197.5m) and an interest cost of \$349.0m (2019: \$304.2m). For leases amended during the year, higher incremental borrowing rates reflecting the Group's higher costs of debt a lower credit rating have been applied to cash flows, resulting in lower assets and liabilities and higher lease interest cost for these leases. With the impact of the virus continuing and discussions ongoing with a number of landlords, there will be significant further modification to leases subsequent to the year end.

### Net finance costs

At 31 December 2019 the Group had USD term loans of \$3.4bn and a Euro term loan of \$215.4m, and a \$462.5m revolving credit facility ("RCF") of which \$95.0m had been drawn upon.

In June 2020, the Group agreed the terms for an extension of \$110.8m on the RCF with a maturity of December 2020 and a new \$250.0m secured private loan with a maturity of 2023 with private institutional investors.

In November 2020, the Group agreed the terms of a further facility of \$450.0m with a group of existing term loan lenders. Alongside the new debt facility, the Group issued to participating lenders 153,539,786 equity warrants representing in aggregate 9.99% of the fully diluted ordinary share capital of the Company assuming full exercise of the warrants. The new debt facility also includes certain financial and operating covenants and entitles the lenders to appoint a Board observer.

The Group further agreed the amendment of the previously agreed incremental RCF of \$110.8m to a term loan with a maturity of May 2024. The amendment to this facility was considered to represent a discount to the face value of the debt at the time of the agreement and therefore resulted in a gain on extinguishment of debt of \$33.2m, which has been recognised within finance income.

At 31 December 2020 the Group had USD term loans outstanding totalling \$3.9bn, a Euro term loan of \$233.8m, a private placement loan of \$250.0m and a \$462.5m RCF which was fully drawn.

Net financing costs totalled \$717.2m during the period (2019: \$541.7m). Finance income of \$69.6m (2019: \$26.3m) included interest income of \$7.4m (2019: \$4.5m), a gain of \$9.0m on the movement of the fair value of financial derivatives (2019: \$10.4m), \$8.3m on the unwind of the discount on non-current assets (2019: \$3.4m) and \$0.7m in respect of the unwind of the discount on sub-lease assets (2019: \$0.7m). A gain of

\$33.2m relating to the gain on extinguishment on amending the extended RCF was also recognised in the year.

Foreign exchange gains of \$10.9m (2019: \$7.3m) were incurred in respect of monetary assets and non-USD denominated loans.

The Group had previously designated the Euro leg of three cross currency swaps held as a net investment hedge against the assets of certain Euro denominated subsidiaries. During the period the hedge relationship became ineffective and the hedge relationship ended. This resulted in \$9.8m credit to the hedge reserve and charge to the income statement.

During the year the Group designated a net investment hedge relationship between the Group's Euro term loan and a portion of the carrying value of the Group investments in Euro denominated investments in order to mitigate the risk of reported foreign exchange movements in respect of these items.

In 2019 the Group entered a contingent forward contract and a contingent swap contracts in order to hedge certain cash flows expected to take place on completion of the proposed Cineplex combination. Due to the termination of the deal, the contingent elements of the derivatives were not met. The Group terminated the swap resulting in a gain of \$4.5m and a loss of \$10.4m on the deal contingent forward in line with the fair values reported at 31 December 2019. In addition, the forward contract was modified on termination, resulting in an additional loss of \$10.2m and \$16.8m which has been assessed to be in respect of debt issuance costs which have been capitalised and have been amortised over the remainder of the year.

The finance expense of \$786.8m (2019: \$568.0m) has increased due to higher incremental borrowing rates being applied to lease liabilities that were amended during the year, driven upward by changes in the Group's credit rating. Lease liability interest for the year was \$349.0m (2019: \$304.2m). A lower average LIBOR rate in 2020 compared with 2019, the timing to the Group's refinancing in 2019 and the new debt facilities during the year also had an impact on the overall finance expense.

Interest on bank loans and overdrafts in the period totalled \$166.3m (2019: \$167.3m) benefiting from reduction in the LIBOR level compared with the previous year. The other finance costs included: \$33.1m (2019: \$27.2m) of amortised prepaid finance costs, \$49.4m (2019: \$51.3m) in respect of the unwind of discount on deferred revenue and loss of \$153.4m on the movement of the fair value of financial derivatives (2019: \$8.1m). This included the movements on the fair value of the derivative liability in respect of the equity warrants issued in the year and two additional embedded derivatives recognised on the refinancing entered into in November. In addition, \$11.8m in respect of foreign exchange losses (2019: \$9.9m) were incurred in the year.

Upon modifications being made to existing debt agreements during the year, which implemented a 1% floor in LIBOR-linked interest rates applied to US dollar-denominated term loans, embedded derivative liabilities with a total value of \$98.0m were identified. These derivatives were initially recognised as an exceptional finance cost, with subsequent movements of \$5.6m being recorded within movement on financial derivatives during the year. Subsequent to the year end,



it is expected that the underlying contracts relating to these derivatives will be further modified, resulting in their de-recognition.

### Taxation

The overall tax credit during the year was \$356.4m, giving an effective tax rate of 11.8% (2019: 15.1%) on the loss before tax for the year.

The tax credit includes a current tax credit of \$224.0m. This primarily relates to a carry back of 2020 US tax losses against profits of earlier periods under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, resulting in a cash tax refund which we expect to receive in April 2021.

The effective tax rate for the year reflects one-off factors. The rate is increased by the carry back of 2020 tax losses against profits of earlier periods in which the United States Federal tax rate was 35% (2019: 21%). Cash tax repayments relating to these years will reflect the higher rate. The rate is decreased by a partial de-recognition of deferred tax assets.

Tax uncertainties and risks are increasing for all multinational groups which could affect the future tax rate. The Group takes a responsible attitude to tax, recognising that it affects all 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 the 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

The loss on ordinary activities after tax in the period was \$2,651.5m, compared with a profit in the prior year of \$180.3m. The decrease is the result of the loss of revenue due to closures and a lack of major film releases, both caused by the COVID-19 pandemic. There have also been significant non-recurring charges and expenses, including total non-cash impairment charges set out above, which significantly increase the loss in the year.

Basic Earnings Per Share amounted to (193.2)¢ (2019: 13.1¢). Eliminating the one-off, non-trade-related items totalling \$1,738.3m, Adjusted diluted Earnings Per Share were (66.5)¢ (2019: 21.3¢).

### Statement of cash flows and statement of financial position

Overall, net assets have decreased by \$2,711.4m to \$226.3m since 31 December 2019. Total assets decreased by \$1,825.3m. This is predominantly driven by the impairment of property, plant and equipment and right-of-use assets at cinema CGUs and goodwill at country CGUs. The total liabilities have increased by \$886.1m, primarily due to additional debt obtained in order to secure liquidity.

With the material loss of revenue following the outbreak of the COVID-19 pandemic, the Group agreed new sources of liquidity and entered lease negotiations as set out above. These measures are reflected in the Group statement of cash flows. Total net used in operating activities in the year was \$227.6m (2019: cash generated \$1,293.7m). Net debt of \$8.3bn at the year end is \$0.6bn higher than the balance at 31 December 2019 primarily due to losses driven by the impact of COVID-19 and the additional financing raised during the year.

### Dividends

The interim dividend of 3.75 United States cents per ordinary share in respect of the third quarter of 2019 was paid to shareholders on 10 January 2020. The total cash consideration was \$51.4m.

The distribution of dividends on our ordinary shares is subject to validation by the Board of Directors and must be in line with applicable law. The board of directors validates the amount of future dividends to be paid, taking into account the cash balance then available, the anticipated cash requirements, the overall financial situation, restrictions on loan agreements, future prospects for profits and cash flows, as well as other relevant factors. On 7 April 2020 the Board announced the suspension of the 2019 fourth quarter dividend of 4.25 cents per share to conserve cash for the Group.

**Nisan Cohen**  
Chief Financial Officer  
25 March 2021

The strategic report from pages 1 to 31 was approved by the Board and signed on its behalf by:

**Moshe Greidinger**  
Chief Executive Officer  
25 March 2021

**Israel Greidinger**  
Deputy Chief  
Executive Officer

## CHAIR'S INTRODUCTION TO GOVERNANCE

# Robust and effective oversight, in unprecedented times



**“With the considerable challenges that we face as a business in light of the COVID-19 pandemic, a key focus has been to ensure that sound governance principles underpin all our decisions as a Board.”**

**Alicja Kornasiewicz**  
Chair

### Dear shareholders

I am pleased to present the Corporate Governance Statement for 2020, my first as Chair of the Company.

I was privileged to take up the role of Chair, in May 2020, when Anthony Bloom stepped down after nearly 25 years of service. Together, we enjoyed a productive handover process which has enabled an orderly transition, despite the exceptionally challenging times we face as a result of the global COVID-19 pandemic.

On behalf of all of the Board, I extend my thanks and appreciation to Anthony for his invaluable contribution and unwavering dedication over the years, including driving the combination with Cinema City in 2014 and, later, the transformational acquisition of Regal in 2018.

I believe that strong and effective governance is a discipline that becomes even more important during times of change and challenge. With the considerable challenges that we face as a business in light of the COVID-19 pandemic, a key focus has been to ensure that sound governance principles underpin all our decisions as a Board.

The critical focus of the Board in 2020 was, of course, the Company's COVID-19 response strategy. This work included the development and oversight of crucial plans to manage and mitigate the extensive and ever-evolving impact on our business. Following the temporary closure in April 2020 of the Group's entire estate of cinemas across

ten countries, the Board held regular update meetings, to consider various operational and financial matters, meeting in excess of 50 times by the year end. The Board received continuous updates from the Executive Management Team on the developing situation across all markets throughout the pandemic. Management have worked tirelessly throughout to implement key actions to mitigate the impact of the closures, while prioritising the welfare of employees, customers and other stakeholders.

The Board's frequent review of cash flow and liquidity, going concern and viability was inextricably linked with the extensive work of the Board in relation to the new financing arrangements, announced in November 2020, a critical milestone that included the securing of a new debt facility of \$450m and Group leverage covenant waivers until June 2022. Together with the \$250m private loan and incremental 110.8m RCF raised in June 2020, the new measures delivered over \$800m in extra liquidity through debt, with an additional \$200m expected from a tax refund, to preserve and maximise shareholder value over the long term.

While the Board believes that these measures, together with planned further cost-reduction initiatives, will drive the business through to a successful recovery, it is under no illusions about how difficult it will be to restore the Company to the levels of profitability to which it aspires. As a Board, we commend the remarkable focus, dedication and abilities of our Executive Management Team, and I am pleased to say that throughout such increased activity at Board level, all Board

members worked with exceptional purpose, focus, and determination as we navigated our way through the crisis.

The COVID-19 pandemic has also had a sizeable impact on the work of the Audit Committee, in crucial areas such as going concern, lease arrangements, impairments, and accounting for the new financing arrangements. The Committee also closely monitored risk, including emerging risk in the context of the evolving consequences of the pandemic. More details can be found in the Audit Committee Report on pages 52 to 55 and the Principal Risks and Uncertainties section on pages 14 to 19.

The Board has taken a responsible approach to remuneration during the year. The severe impact of the pandemic on the business was taken into account in all decisions made by the Committee on executive remuneration outcomes for 2020. In summary, salaries were not increased in 2020 and no bonus will be paid to the Executive Directors in respect of the financial year. The Long-Term Incentive Plan (“LTIP”) Awards for Executive Directors, which were due to vest in April 2021, lapsed in full. At an early point in the year, to conserve cash, the Executive Directors voluntarily agreed to defer payment of their salaries, and the Non-Executive Directors also voluntarily agreed to defer their fees, in each case for a period of time. The deferrals have made a substantial contribution to the cash flow of the Company and outstanding amounts will be paid when the business returns to more normal circumstances.

Due to the exceptional situation of the Group and the impact of the multiple issues and disruption on the business and the Executive Team, it became clear over the year that an evolved approach to remuneration was needed. Current structures had meant that existing incentivisation mechanisms were no longer fit for purpose. As a result of this, in January 2021, the Remuneration Committee decided to propose a new LTIP to support the Group's recovery by aligning the interests of the Executive Directors and other senior executives with the interests of shareholders.

Based on share price targets over the coming three years, the plan was carefully designed to recognise the significant transformational work required of the Management team in order to enable the business to recover, paying out only in circumstances where such significant progress has been achieved, and where shareholders have also received substantial returns. Whilst we acknowledge that some shareholders did not support our plan, the scheme was approved at the General Meeting held earlier this year and, as a Board, we are grateful for the support of our shareholder community.

As indicated in last year's Annual Report, the Remuneration Committee has also conducted a full review of the Company's Remuneration Policy, to take account of the changes pursuant to the 2018 UK Corporate Governance Code (the "Code"), and proposes to make some changes to the Policy this year to ensure it remains fit for purpose. More information on the vital work of the Remuneration Committee, and details of the proposed changes to the Policy, can be found in the Remuneration Report on pages 57 to 80. We hope that these governance-related changes will be viewed positively by shareholders.

In addition to becoming Chair of the Company, in May 2020, I also took up the role of Chair of the Nomination Committee. A key task was to strengthen our Board by appointing one, preferably two, additional independent Non-Executive Directors to the Board. We were therefore immensely pleased to announce the appointment in July 2020 of Damian Sanders and, subsequently, the appointment of Dr. Ashley Steel in March 2021. Ashley will become a Board member on 1 April 2021.

Taking into account Ashley's appointment, as also announced in

March, Eric (Rick) Senat, who has been a Non-Executive Director of the Company since 2010, and Senior Independent Director, will be stepping down from the Board at the conclusion of the Company's 2021 Annual General Meeting. I would like to thank Rick for his exceptional contribution to the Company, having been involved since the time of its inception, and we are grateful for his commitment and invaluable guidance over the years. We wish Rick every future success.

In light of Rick's pending departure, Dean Moore has taken up the role of Senior Independent Director. We also announced some other changes to our Committee compositions, as set out in more detail on page 40. I believe that with the appointment of Damian and Ashley, together with our updated Committee memberships, the Board is well-positioned to move forward with an advantageous set of skills, experience, and capabilities, which will provide strong support to the Executive Management Team.

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. More details of the work of the Nomination Committee and of the Board evaluation can be found on pages 49 to 51.

In terms of our more usual work as a Board in 2020, we considered our purpose, values and strategy, and undertook a review of our corporate culture, assessing the extent to which our values have been embedded throughout the Group. Due to COVID-19, our analysis incorporated a more limited range of key cultural indicators than the previous year. However, the Board was satisfied with the results of our review. In addition, the Board reviewed and monitored whistleblowing statistics and themes.

Our employees bring our values and our culture to life in the day-to-day running of the business. As a Board, we are acutely aware of the severe impact the closures have had on our workforce. In 2020, Dean Moore was appointed as the Non-Executive Director to represent employees in the Boardroom, in line with the requirements of the Code. Unfortunately, due to the onset of COVID-19 and the related closures of sites across the Group, the plans for 2020 were impacted to a significant

extent, but we are looking forward to resuming our plans as soon as we are able. Our HR teams have quickly adapted to the evolving COVID-19 situation, undertaking numerous initiatives to support our people, including the establishment of various learning and development tools, support packs containing information on gaining financial advice and government help, and advice on health and wellbeing in these difficult times. To assist those facing challenging financial circumstances, the business launched a hardship fund, making hundreds of grants across the Group. We are proud of these efforts of our HR teams, and more details of the Group's people-related initiatives, the Employee Voice programme, and employee engagement can be found on pages 23 to 24, 44 to 45, and 85.

Pursuant to the Code requirements in relation to stakeholder engagement, together with the obligations arising under section 172 of the Companies Act, we have taken time as a Board to focus on how we engage with our key stakeholders and how we consider their needs, concerns and expectations in Board discussions and decision-making. Given the pervasive impact of the pandemic on all our key work during the year, we have illustrated how the Directors have had regard to the matters set out in sections 172(1) (a)-(f) when discharging their duties by describing these in the context of our COVID-19 response strategy. Our case-study on this can be found on page 43.

To conclude, I believe that keeping strong governance principles at the centre of our work will support the implementation of our recovery strategy, help us to meet our business goals set in the context of our current challenges, and provide a foundation for the creation of long-term value for our shareholders, our people, and our other stakeholders. As a Board, we are committed to supporting our continued strategic objectives as we move forward out of the pandemic, to pursue our vision to be "The Best Place to Watch a Movie".

**Alicja Kornasiewicz**  
Chair, 25 March 2021

## BOARD STATEMENTS

### Requirement

#### **Compliance with the UK Corporate Governance Code**

 Read more **page 38**

### Board statement

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 ("FRC") in July 2018 (the "Code"), and a copy is available on its website [www.frc.org.uk](http://www.frc.org.uk). For the year ended 31 December 2020, the Board considers that the Company was compliant with the provisions of the Code, save in the following areas:


For the period 13 May to 1 August 2020, the requirement for at least half the Board, excluding the Chair, to be made up of independent non-executive directors was not met. However, this was rectified following the appointment of Damian Sanders on 1 August 2020. This departure from the Code was due to the stepping down of both Anthony Bloom and Helen Weir at the 2020 AGM. (Relevant Code Provision: 11)

Changes to Committee compositions announced on 22 March 2021, to take effect on 1 April 2021, will strengthen the independence of the Committees, to ensure full Code compliance in this area, following a transitional period during the year following the departure of Helen Weir in May 2020. Please see page 40 for more details. (Relevant Code provisions 17 and 32)

Anthony Bloom was Chairman of the Company during the year, until the 2020 AGM. Even though Mr. Bloom had served on the Board for more than nine years, the Directors considered it beneficial for Mr. Bloom to continue in office to support an orderly handover period to incoming Chair Alicja Kornasiewicz. (Relevant Code provision 18).


The Company takes into account the wider workforce when setting executive pay, and has a number of engagement mechanisms in place, but has not consulted formally with employees in relation to the Company's remuneration policy as recommended by the Code. The Remuneration Committee resolved its policy on pension for new executive directors and alignment with the workforce for the year, as set out in the 2019 Remuneration Report, preferring to review the policy for incumbent directors as part of the planned Policy review ahead of the submission of the new Remuneration Policy to shareholders at the 2021 AGM. Therefore for 2020 the incumbent Directors' pensions were not aligned with the workforce as recommended by the Code. (Relevant Code provisions: 38 and 41).

### Going Concern

 Read more **pages 53 and 103 in Note 1**

The Directors consider whether the Group 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, but have highlighted material uncertainties regarding the continued impact on the Group of the COVID-19 pandemic and its forecast reopening and recovery profile. For full details of the going concern assessment, please see page 103 in Note 1. The Directors have considered the business activities as set out on pages 26 to 31 and the principal risks and uncertainties on pages 14 to 19. 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 in Note 25 on page 155. Financial risk management objectives, details of financial instruments and hedging activities, and exposure to credit risk and liquidity risk are described in Note 26 to the financial statements.

### Viability

 Read more **pages 20 and 21**

The Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 14 to 19. This assessment considered the established controls for the risks, and the available mitigating actions, as well as the uncertainty as to the continued impact on the Group of the COVID-19 outbreak. For full details of the Directors' assessment on the viability of the Group over the three-year period to 2023, please see pages 20 and 21.

### Robust Assessment of Emerging and Principal Risks

 Read more **pages 14 to 19 and 46 to 47**


The Directors consider they have undertaken a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. Please refer to pages 14 to 19 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

 Read more **pages 46 to 47**

The Directors have carried out a review of internal control and risk management. Please refer to pages 46 to 47 for further information.

### Fair, Balanced and Understandable

 Read more **page 53**

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 53.

**BOARD OF DIRECTORS  
AT 31 DECEMBER 2020**

**Alicja Kornasiewicz  
Non-Executive Chair**



**Independent on Appointment**

**Committee memberships:**  
N R

**Tenure on Board:**  
5 years 7 months

**Relevant skills, qualifications and experience:**

Alicja Kornasiewicz joined the Board in May 2015 as an independent Non-Executive Director, and was appointed

Chair of the Board on 13 May 2020, following the stepping down of Anthony Bloom. She is also Chair of the Nomination Committee and a member of the Remuneration Committee.

Ms Kornasiewicz brings extensive Central and Eastern Europe financial and political experience to the Board. Previously, she was the Chief Executive Officer of Bank Pekao SA, and Head of Investment Banking for Emerging European countries at Unicredit Group. Ms Kornasiewicz served as Secretary of State in the Polish Ministry of Treasury from 1997 to 2000. Over the last 20 years she has held a number of supervisory board positions. Ms Kornasiewicz holds a PhD in economics from Poznan University of Economics and graduated from Harvard Business School.

**Principal external appointments:**

Senior Adviser for Investment Banking Division at Morgan Stanley; Non-Executive Director of EuroCash Group.

**Moshe (Mooky) Greidinger  
Chief Executive Officer**



**Independent:** No

**Committee memberships:**  
None

**Tenure on Board:**  
6 years 10 months

**Relevant skills, qualifications and experience:**

Moshe Greidinger joined the Board in February 2014 as Chief Executive Officer. Prior to that he was Chief Executive Officer of Cinema

City International ("CCI"). He joined Cinema City in 1976. Since 1984, Mr Greidinger has held executive positions with Cinema City, has served as a Director and Deputy Managing Director of Israel Theatres Limited since 1983, and as Co-Chairman of the Cinema Owners Association in Israel since August 1996. Mr Greidinger achieved the "Exhibitor of the Year Award" at ShoWest in Las Vegas in 2004, "International Exhibitor of the Year Award" at CineEurope, in Amsterdam in 2011, with special recognition for having developed new markets in Central and Eastern Europe, and the "Global Achievement in Exhibition Award" at CinemaCon in Las Vegas in April 2016.

**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. He is a member of the National Association of Theatre Owners Global Cinema Federation ("NATO").

**Israel Greidinger  
Deputy Chief Executive Officer**



**Independent:** No

**Committee memberships:**  
None

**Tenure on Board:**  
6 years 10 months

**Relevant skills, qualifications and experience:**

Israel Greidinger joined the Board in February 2014 as Chief Operating Officer. In August 2014, his role changed to Deputy Chief Executive Officer.

From 1994 until 2014, he worked for Cinema City International ("CCI") and was appointed Chief Financial Officer of CCI in 1995. Mr Greidinger has also served as a Director of Israel Theatres Limited since 1994.

From 1985 to 1992, he was Managing Director of C.A.T.S. Limited (Computerised Automatic Ticket Sales), and from 1992 to 1994, he was 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.

**Nisan Cohen  
Chief Financial Officer**



**Independent:** No

**Committee memberships:**  
None

**Tenure on Board:**  
4 years

**Relevant skills, qualifications and experience:**

Nisan Cohen joined the Board in January 2017 as Chief Financial Officer, and before that had been part of the Cineworld Group for 16 years.

Previously, as Vice President of Finance, he led the integration of the finance teams in the Cineworld Group across nine countries after the Cinema City Combination in 2014. In 2018, Mr Cohen made a major contribution to the successful acquisition of Regal Entertainment Group, including leading the integration of the UK, ROW and US financial teams.

**Principal external appointments:**

Member of The Institute of Certified Public Accountants in Israel.

**Committee membership key**

N Nomination Committee

A Audit Committee

R Remuneration Committee

● Committee Chair

## BOARD OF DIRECTORS CONTINUED

### Renana Teperberg Chief Commercial Officer



**Independent:** No

**Committee memberships:**  
None

**Tenure on Board:**  
2 years 6 months

**Relevant skills, qualifications and experience:**

Renana Teperberg was appointed to the Board in July 2018, and has been part of the Cineworld Group for over 20 years. Ms Teperberg first joined

Cinema City International as a cashier in 1997, while studying for a BA in psychology at the Hebrew University of Jerusalem.

After progressing to General Manager, she moved to the Cinema City International Head Office where she subsequently became Head of Programming and Marketing.

Following the combination with Cineworld, she became Senior Vice President of Commercial and then Chief Commercial Officer in 2016. In 2018, Renana played a major role in the acquisition of Regal Entertainment Group.

Renana holds an executive MBA in business management from IDC Herzliya.

**Principal external appointments:**

Non-Executive Director of AC JV, LLC (Fathom Events), National Cinema Media, Inc., and Digital Cinema Media Limited.

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



**Independent:** Yes

**Committee memberships:**  
A

**Tenure on Board:**  
10 years 5 months

**Relevant skills, qualifications and experience:**

Rick Senat joined the Board in July 2010 and is a member of the Audit Committee. He is also Senior Independent Director.

Mr Senat has over 40 years' experience in the film industry, joining Warner Bros in 1976 and becoming its Senior Vice-President for Business Affairs in Europe. He retired from Warner Bros after 25 years' service.

Mr Senat was also a director of the legendary film company Hammer Film Productions, and has previously served as Vice Chair of the British Film Institute.

Until recently, he was a partner in the Blair Partnership, a Non-Executive Director of Pottermore Limited and Bank Leumi (UK) plc., and Non-Executive Chairman of the London Film Museum.

Mr Senat is a graduate of University College London and a solicitor.

**Principal external appointments:**

Non-Executive Chairman of Mad Dog Casting Limited.

### Scott S. Rosenblum Non-Executive Director



**Independent:** No

**Committee memberships:**  
N

**Tenure on Board:**  
6 years 10 months

**Relevant skills, qualifications and experience:**

Scott S. Rosenblum joined the Board in February 2014 as a non-independent Non-Executive Director.

He is a member of the Nomination Committee.

Prior to his appointment, he was a member of the Supervisory Board of Cinema City International ("CCI"), becoming its Chairman in 2011.

Mr Rosenblum is licensed as a lawyer and is admitted to the New York Bar Association. He is Counsel at the law firm of Kramer Levin Naftalis & Frankel LLP, New York, where he was Partner for nearly 30 years until 2020. Before that he was Managing Partner between 1994 and 2000 and a member of the Executive Committee until 2018. Mr Rosenblum was also Co-Chairman of the Corporate Department until 2020.

Mr Rosenblum is a graduate of Dartmouth College and the University of Pennsylvania Law School. He has extensive experience in areas of general corporate and securities law, corporate finance, corporate governance, mergers and acquisitions and joint ventures.

**Principal external appointments:**

Currently Counsel at Kramer Levin Naftalis & Frankel LLP (previously Partner from 1991 to 2020 and Co-Chairman of the Corporate Department from 2000 to 2020); Director and adviser to the boards of various public and private companies.

### Dean Moore Non-Executive Director



**Independent:** Yes

**Committee memberships:**  
A R

**Tenure on Board:**  
4 years

**Relevant skills, qualifications and experience:**

Dean Moore joined the Board in January 2017 as an independent Non-Executive Director. He is Chair of both the Audit Committee and the Remuneration Committee.

Prior to Cineworld, Mr Moore worked as Chief Financial Officer of N Brown Group plc for 12 years from 2003 to 2015, before which he was Chief Financial Officer of T&S Stores plc until it was acquired by Tesco plc in early 2003.

From 1996 to 1999 he was Chief Financial Officer of Graham Group plc, and he has held a number of other senior finance positions. Mr Moore is a Chartered Accountant (ICAEW) and graduate of University of Aston (Business Management BSc).

**Principal external appointments:**

Non-Executive Director, Audit Committee Chair, and Senior Independent Director of Volex Plc and Non-Executive Director of Dignity plc.

## Arni Samuelsson Non-Executive Director



**Independent:** Yes

**Committee memberships:**

N

**Tenure on Board:**  
6 years 10 months

**Relevant skills, qualifications and experience:**

Arni Samuelsson joined the Board in February 2014 as an independent Non-Executive Director. He is a member of the Nomination Committee.

He has over 40 years of cinema exhibition and film distribution experience, principally through SAMfélagið (Samfilm) – a cinema exhibitor and film distributor in Iceland, of which he has been joint owner and Chief Executive Officer since it was formed in 1975.

Mr Samuelsson has been Chief Executive Officer of Samfilm EHF (SAMfélagið's distribution arm) since 1975, and Chief Executive Officer of SAMcinema (SAMfélagið's cinema arm) since the same year. Prior to this, Mr Samuelsson was a Director and owner of Vikurbaer, a supermarket business in Keflavik, from 1972 until its sale in 1982.

**Principal external appointments:**

Chief Executive Officer of Samfilm EHF (SAMfélagið's distribution arm) since 1975; and Chief Executive Officer of SAMcinema (SAMfélagið's cinema arm) since 1975.

## Damian Sanders Non-Executive Director



**Independent:** Yes

**Committee memberships:**

A

**Tenure on Board:**  
5 months

**Relevant skills, qualifications and experience:**

Damian Sanders joined the Board in August 2020 as an independent Non-Executive Director. He is also a member of the Audit Committee.

Mr Sanders is an FCA qualified member of the Institute of Chartered Accountants in England & Wales, bringing extensive financial and commercial experience to the Board, including over 20 years' experience as a senior equity audit partner at Deloitte, acting as adviser and corporate governance specialist for a number of FTSE boards.

**Principal external appointments:**

Non-Executive Director of THG Holdings plc.

## Camela Galano Non-Executive Director



**Independent:** Yes

**Committee memberships:**

R A

**Tenure on Board:**  
2 years 6 months

**Relevant skills, qualifications and experience:**

Camela Galano was appointed to the Board as an independent Non-Executive Director in July 2018. She is a member of both the Remuneration Committee and the Audit Committee.

Camela began her career at New Line Cinema, progressing to the role of President of International Sales, Marketing & Distribution, where she oversaw the international distribution of innumerable titles, including the blockbuster trilogy "The Lord of the Rings".

Subsequently, Camela became the President of International Film Acquisitions for Warner Bros. Following her time at Warner Bros., she served as President of Relativity International, overseeing global sales, marketing and distribution management of Relativity's own titles, acquisitions and third party releases.

Ms Galano is a long-time member of the Academy of Motion Picture Arts and Sciences, and the British Academy of Film and Television Arts.

**Principal external appointments:**

Head of International at Studio8.

## Directors that left in the year

Anthony Bloom stepped down from the Board on 13 May 2020.

Helen Weir also stepped down from the Board on 13 May 2020.

## Changes since the year-end

On 22 March 2021 it was announced that Dr. Ashley Steel will join the Board as an independent Non-Executive Director, with effect from 1 April 2021.

On 22 March 2021, the Company announced changes to the compositions of the Committees, which would take effect on 1 April 2021. More details may be found on page 40.

Dean Moore became Senior Independent Director on 22 March 2021.

## Committee membership key

N Nomination Committee

A Audit Committee

R Remuneration Committee

● Committee Chair

## CORPORATE GOVERNANCE STATEMENT

### Application of Code principles

The table below explains where to find further information on how the Company has applied the main principles of the UK Corporate Governance Code 2018 (“Code”). The information required to be disclosed by Disclosure Guidance and Transparency Rule 7.2.6 is set out in the Directors’ Report on pages 80 to 86 and is incorporated into this statement by reference.

<b>1. Board leadership and company purpose</b>	
<b>A. The Role of the Board</b>	<b>Pages 39 and 41</b>
<b>B. Purpose, Values and Strategy</b>	<b>Pages 32 to 33</b>
<b>C. Effective Controls and Risk Management</b>	<b>Pages 46 to 48</b>
<b>D. Stakeholder Engagement</b>	<b>Pages 44 and 45</b>
<b>E. Workforce Policies</b>	<b>Pages 23 to 24, 51 and 84</b>
<b>2. Division of responsibilities</b>	
<b>F. The Role of Chair</b>	<b>Page 41</b>
<b>G. Board Balance and Division of Responsibilities</b>	<b>Pages 39 to 40 and 43</b>
<b>H. The Role of the Non-Executive Directors</b>	<b>Page 41</b>
<b>I. Policies, Processes, Information, Time and Resources</b>	<b>Pages 39 to 43</b>
<b>3. Composition, succession and evaluation</b>	
<b>J. Succession Planning and Diversity</b>	<b>Page 51</b>
<b>K. Skills, Experience, Knowledge and Tenure on the Board</b>	<b>Pages 50 to 51</b>
<b>L. Board Evaluation</b>	<b>Page 50</b>
<b>4. Audit, risk and internal control</b>	
<b>M. Independence of the Internal and External Auditors, and the Integrity of Financial Statements</b>	<b>Pages 52 to 56</b>
<b>N. Fair, Balanced and Understandable</b>	<b>Page 53</b>
<b>O. Principal Risks</b>	<b>Pages 15 to 19</b>
<b>5. Remuneration</b>	
<b>P. Policies and Practices to Support Strategy and Promote Long-Term Sustainable Success</b>	<b>Pages 57 to 79</b>
<b>Q. Formal and Transparent Procedure for Developing Policy on Executive Remuneration</b>	<b>Pages 57 to 79</b>
<b>R. Independent Judgement and Discretion when Authorising Executive Remuneration</b>	<b>Pages 57 to 79</b>



## The role of 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 31. The Board meets regularly in the year for its scheduled meetings and also for strategy sessions. 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 regular basis with detailed 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.

## Division of responsibilities




The posts of Chair and Chief Executive Officer are separate. The division of responsibility between the Chair of the Board, Alicja Kornasiewicz, and the Chief Executive Officer, Moshe Greidinger, is clearly defined in writing. Further details of the respective responsibilities are set out on page 41.

## Board Committees

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 its responsibilities.

The terms of reference of each of the Board's three Committees are available on the Company's website ([www.cineworldplc.com/en/about-us/corporate-governance](http://www.cineworldplc.com/en/about-us/corporate-governance)).

**Governance framework**

<b>The Board</b> Implementation of the Group's long-term strategy		
<p><b>Audit Committee</b>                      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.</p> <p>Chair: <b>Dean Moore</b></p> <p> Audit Committee Report page 52</p>	<p><b>Nomination Committee</b>                      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. It is also responsible for overseeing the development of a diverse pipeline for succession.</p> <p>Chair: <b>Alicja Kornasiewicz</b></p> <p> Nomination Committee Report page 49</p>	<p><b>Remuneration Committee</b>                      The Committee makes recommendations to the Board for approval of the Group's broad policy for the remuneration of the Chair, the Executive Directors, the Company Secretary and Senior Management, and for the design of performance-related pay schemes and Long-Term Incentive Plans.</p> <p>Chair: <b>Dean Moore</b></p> <p> Remuneration Committee Report page 57</p>

**Membership of the Audit, Nomination and Remuneration Committees**

Membership of the Audit, Nomination and Remuneration Committees at the commencement of the financial year was as follows:

	Chair	Member	Member	Member
Audit Committee	Dean Moore	Alicja Kornasiewicz	Helen Weir <sup>(3)</sup>	
Nomination Committee	Rick Senat	Scott Rosenblum	Arni Samuelsson	
Remuneration Committee	Alicja Kornasiewicz	Dean Moore	Camela Galano	Helen Weir <sup>(3)</sup>

Membership of the Audit, Nomination and Remuneration Committees at the end of the financial year was as follows:

	Chair	Member	Member	Member
Audit Committee	Dean Moore	Damian Sanders <sup>(5)</sup>	Camela Galano <sup>(4)</sup>	Rick Senat <sup>(7)</sup>
Nomination Committee	Alicja Kornasiewicz <sup>(2)</sup>	Scott Rosenblum <sup>(8)</sup>	Arni Samuelsson	
Remuneration Committee	Dean Moore <sup>(1)</sup>	Alicja Kornasiewicz	Camela Galano	

Changes to the Membership of the Audit, Nomination and Remuneration Committees, which will take effect on 1 April 2021, were announced on 22 March 2021. The revised memberships once these changes take effect will be as follows:

	Chair	Member	Member	Member
Audit Committee	Damian Sanders <sup>(5)</sup>	Dean Moore <sup>(1)</sup>	Camela Galano <sup>(4)</sup>	Ashley Steel <sup>(6)</sup>
Nomination Committee	Alicja Kornasiewicz <sup>(2)</sup>	Arni Samuelsson	Damian Sanders <sup>(5)</sup>	Camela Galano <sup>(4)</sup>
Remuneration Committee	Dean Moore <sup>(1)</sup>	Camela Galano	Ashley Steel <sup>(6)</sup>	

- (1) Dean Moore was appointed as Chair of the Remuneration Committee on 13 May 2020, taking over from Alicja Kornasiewicz. He will step down as Chair of the Audit Committee on 1 April 2021, and will remain a member.
- (2) Alicja Kornasiewicz was appointed as Chair of the Nomination Committee on 13 May 2020, taking over from Rick Senat. She will step down as a member of the Remuneration Committee on 1 April 2021.
- (3) Helen Weir stepped down from the Audit and Remuneration Committees on 13 May 2020.
- (4) Camela Galano was appointed as a member of the Audit Committee on 13 May 2020 and will become a member of the Nomination Committee on 1 April 2021.
- (5) Damian Sanders was appointed as a member of the Audit Committee on 1 August 2020, and will become Chair on 1 April 2021, and will become a member of the Nomination Committee on 1 April 2021.
- (6) On 22 March, it was announced that Ashley Steel would join the Board with effect from 1 April 2021, and will become a member of the Audit and Remuneration Committees at that time.
- (7) Rick Senat became a member of the Audit Committee on 13 May 2020, but will step down on 1 April 2021. Rick will step down from the Board at the conclusion of the 2021 Annual General Meeting.
- (8) Scott Rosenblum will step down from the Nomination Committee on 1 April 2021.

## Roles and responsibilities of the Directors

Role	Name	Responsibility
<b>Chair</b>	Alicja Kornasiewicz	The Chair, 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. She is responsible for organising the business of the Board, and ensuring that Directors receive accurate, timely and clear information. The Chair also facilitates constructive Board relations and the effective contribution of all the Non-Executive Directors and when appropriate, discusses matters with the Non-Executive Directors without the Executive Directors being present.
<b>Chief Executive Officer</b>	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.
<b>Non-Executive Directors</b>	Camela Galano, Dean Moore, Scott S. Rosenblum, Arni Samuelsson, Damian Sanders. Rick Senat will step down from the Board at the conclusion of the AGM. Ashley Steel will join the Board on 1 April 2021.	The Non-Executive Directors provide constructive challenge, strategic guidance, offer specialist advice, and hold Management to account. They play a key role in reviewing strategic proposals, including major investments and financing transactions. The Non-Executive Directors meet during the year in the absence of the Executive Directors.
<b>Senior Independent Director</b>	Dean Moore	The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chair, Chief Executive Officer, Deputy Chief Executive Officer or Chief Financial Officer has failed to resolve or for which contact is inappropriate.
<b>Company Secretary</b>	Fiona Smith	The Company Secretary is responsible for advising and supporting the Chair 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. She also acts as Secretary for all the Committees.

## Attendance at meetings

Numerous meetings were held in 2020, due to the onset of the COVID-19 pandemic and the significant impact on the Group's business, and the Board and its Committees met in excess of 50 times in the year. Normal scheduled meetings also went ahead, and attendance at these scheduled meetings is described below:

		Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of scheduled meetings in year</b>		6	5	4	2
	<b>Independent</b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>
<b>Directors</b>					
Alicja Kornasiewicz	Independent on Appointment	6/6 <sup>(1)</sup>	5/5 <sup>(2)</sup>	4/4	1/1 <sup>(1)</sup>
Anthony Bloom	No	2/2 <sup>(1)</sup>	2/2 <sup>(2)</sup>	2/2 <sup>(2)</sup>	1/1 <sup>(2)</sup>
Nisan Cohen	No	6/6	N/A	N/A	N/A
Camela Galano	Yes	6/6	3/3 <sup>(3)</sup>	4/4	N/A
Israel Greidinger	No	6/6	N/A	N/A	N/A
Moshe Greidinger	No	6/6	N/A	N/A	N/A
Dean Moore <sup>(4)</sup>	Yes	6/6	5/5 <sup>(1)</sup>	4/4	N/A
Scott Rosenblum	No	6/6	N/A	N/A	2/2
Arni Samuelsson	Yes	6/6	N/A	N/A	2/2
Damian Sanders <sup>(6)</sup>	Yes	2/2	2/2	N/A	N/A
Rick Senat	Yes	6/6	3/3 <sup>(3)</sup>	N/A	2/2 <sup>(1)</sup>
Renana Teperberg	No	6/6	N/A	N/A	N/A
Helen Weir <sup>(5)</sup>	Yes	2/2	2/2	2/2	N/A

(1) Chair of Board/Board Committee.

(2) The Chair of the Company; attended these meetings by invitation.

(3) Camela Galano and Rick Senat were appointed as members of the Audit Committee on 13 May 2020. Between that time and the year end, there were only three scheduled Committee meetings, so they attended the maximum number of meetings possible.

(4) Dean Moore was appointed as Chair of the Remuneration Committee on 13 May 2020. Between that time and the year end, there were only three scheduled Committee meetings, so Dean attended the maximum number of meetings possible.

(5) Helen Weir stepped down from the Board at the AGM on 13 May 2020. Until that time, there had been two Board meetings, two Remuneration Committee meetings, and two Audit Committee meetings, so Helen attended the maximum number of meetings possible.

(6) Damian Sanders was appointed as a Director on 1 August 2020, and attended all Board and Audit Committee meetings that took place between that time and the year end.

### Directors and Directors' independence

At the start of the year, the Board was composed of twelve members, six of whom were considered independent. On 13 May 2020, Anthony Bloom and Helen Weir stepped down from the Board. On 1 August 2020, Damian Sanders was appointed to the Board as an independent Non-Executive Director. At the end of the year, the Board was composed of eleven members, five of whom are considered independent.

The Code recommends that at least half the board of directors (excluding the chair) should comprise non-executive directors determined by the Board to be independent. For the period 13 May to 1 August 2020, the requirement for at least half the Board (excluding the Chair), to be made up of independent non-executive directors was not met. However, this was rectified following the appointment of Damian Sanders on 1 August 2020. The Board considers that Camela Galano, Dean Moore, Arni Samuelsson, Damian Sanders, Rick Senat, and Helen Weir were, for the year (or the portion of the year for which they served as Non-Executive Directors), independent Non-Executive Directors. In addition, Ashley Steel, who will join the Board on 1 April 2021, is also independent.

The Board is satisfied that Dean 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.

Rick Senat has served on the Board since 2010, and will be stepping down at the conclusion of the 2021 AGM. In respect of his time on the Board past his nine year's of tenure, a rigorous review was undertaken as to whether Rick remained independent. The discussion focused on the quality, nature and effectiveness of Rick's contribution to the Board in discussions generally. The Board was confident that Rick was able to demonstrate independent judgement in Board discussions, to provide effective challenge, and exercise independence of thought, and was considered to be independent.

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 Global City Theatres B.V. appointee under

the relationship agreement as described on page 81 of the Directors' Report.

The names of the Directors at the year end, together with their biographical details, are set out on pages 35 to 37. 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 on page 59 to 69.

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.

### Board evaluation

In accordance with the Code, the Company conducts an annual evaluation of Board and Board Committee performance, which is facilitated by an independent third party at least once every three years. For 2020, the performance of the Board and Committees was assessed using an internal process. Further details of the evaluation can be found in the Nomination Committee Report on page 50.

### Election and re-election

The appointment and replacement of directors is governed by the Company's Articles of Association, the UK Corporate Governance Code (the "Code"), the Companies Act 2006 and related legislation. All directors intending to continue in office seek election or re-election by shareholders at each AGM. The Articles of Association may be amended by a special resolution of the shareholders.

Biographical details of all the current Directors are set out on pages 35 to 37. In view of the performance evaluation, the Board is satisfied that each Director standing for election or 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. As announced on 22 March 2021, Rick Senat will not be standing for election at the 2021 AGM.

### External commitments

The Chair and the Non-Executive Directors all perform a limited number of external roles, as set out in their biographies, but the Board is satisfied that these are not such as to interfere with the performance of their duties to the Group including in the context of the substantially increased level of Board activity following the COVID-19 pandemic.

### 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 results and the interim results. Separate announcements of all material events are made as necessary.

In addition to the CEO, Deputy CEO and CFO, who have regular contact with shareholders, the Chair and the Committee Chairs are available to meet with shareholders as and when required. Additionally, the CEO, Deputy CEO and CFO 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 Chair 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. Due to COVID-19, the Company's meetings have had to be closed to shareholders. However, an email facility has been implemented to ensure questions may be asked of the Directors in advance. The Company's website ([www.cineworldplc.com](http://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 Chair 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.

### **Directors' duties - compliance with s.172 of the Companies Act 2006**

Section 172 of the Companies Act 2006 ("s.172") requires directors to promote the success of the Company for the benefit of the members as a whole and in doing so have regard to the interests of stakeholders including customers, employees, suppliers, and the wider community in which it operates. The Board is focused on its responsibilities under s.172, and the impact of the business on key stakeholder groups is considered on a regular basis. During 2020, the Board spent time examining stakeholder engagement mechanisms and a summary of these is set out on pages 42 to 45. These mechanisms will continue to be reviewed to consider whether there are ways to enhance their effectiveness and improve on the programme of engagement activities that is already in place.

### **Board discussions and decision-making**

How the Directors have had regard to the matters set out in sections 172(1) (a)-(f) when discharging their duties:

#### **Case study: COVID-19 response strategy**

The critical focus of the Board in 2020 was developing the Company's strategy in the face of the global COVID-19 pandemic. Key work involved the oversight of essential operational and financial plans to mitigate the pandemic's impact on the Company and its stakeholders.

Following the closure, in April 2020, of the Group's entire estate in ten countries, the Board held a series of previously unscheduled meetings to consider detailed updates from Management on the evolving situation.

Mindful of the Company's crucial relationships with suppliers, customers and others, the Board received comprehensive updates that covered areas such as discussions with landlords (that resulted in material abatements and long-term rent deferrals), and dialogue with film studios and other major suppliers. The Board also considered the approach to capital

expenditure, deciding that all new capex programmes should be put on hold.

Throughout this difficult period, the Board was kept fully abreast of developments in employee matters, maintaining oversight in the ever-evolving area of emergency support programmes to protect jobs in each territory in which the Group operates. With the health and safety of employees and customers at the heart of key decisions, in July the Board discussed and provided support in relation to the reopening of cinemas, maintaining oversight of the critical measures needed to provide a safe environment. Such activities were supported by the Audit Committee and the Board, who received regular risk review reports and other updates from the Risk and Assurance team. Among the new measures introduced were an updated booking system to ensure social distancing within and throughout cinemas, adapted daily movie schedules to manage queues and avoid the build-up of crowds, and enhanced hygiene and sanitation procedures across all sites.

With the aim of promoting the long-term success of the Company, the Board took a number of decisions in order to mitigate the impact of the COVID-19 pandemic over the year, including in relation to the procurement of new financing, more particularly described in the CFO Review on pages 26 to 31. The work surrounding such decisions involved intensive discussions, multiple meetings, receiving continuous updates from the Executive Management Team and, taking into account the importance of the high standards of governance and business conduct, extensive advice from a wide range of professional advisers. With the long-term sustainable business interests of the Company in mind, the Board decided to suspend payment of the 2019 fourth quarter dividend of 4.25 cents per share to conserve cash for the Group.

The Board continues to preside over the ongoing strategy as the Company navigates its way through the evolving challenges, to more positive times and the reopening of the estate.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### Employee Voice

As part of Cineworld's commitment to compliance with the UK 2018 Corporate Governance Code, the Board appointed Dean Moore as the designated Non-Executive Director with responsibility for workforce engagement ("Employee Voice") with effect from 1 January 2020. Due to the global reach of Cineworld, Dean is supported in his role by Human Resources ("HR") Executives in the US, UK and ROW. Dean's role is to ensure that employee interests and feedback are incorporated into the Board's discussions as appropriate and his responsibilities include ensuring that the Board has effective methods of receiving feedback from employees.

During 2020, a detailed schedule of employee forums and meetings had been prepared by HR, designed to garner information and insights around existing engagement methods, employee concerns and points of view on Company culture, diversity and inclusion, career opportunities, strategy and performance. The schedule included site visits, where cinema staff at all levels would have the opportunity to present to Dean on their day-to-day activities, and to ask questions.

Unfortunately, due to the onset of the COVID-19 pandemic, related closures of cinema sites across the Group, and ongoing safety and distancing requirements, the plans for 2020 were impacted to a significant extent. In addition, the annual employee engagement survey was put on hold due to the circumstances. It is the intention that, when possible, the original plans for 2020 will be resumed, including in-person meetings with a range of employees in different locations across employment levels, and corporate head office visits.

Despite the disruption to the normal programme of activity, the Board received regular updates from the CEO in relation to live employee issues, specifically in relation to COVID-19, including in reaction to closures, furlough schemes, support for employees during the pandemic, and safety. More information on the Group's people-related initiatives for the year to assist with the severe and disruptive impact of the pandemic may be found on pages 23 to 24.

The Board will review the approach to workforce engagement annually in the light of any changing governance expectations and ongoing feedback.

 Read more **pages 23 to 24**

### Customers

Our customers are key to our success. We focus on ensuring that they have a positive experience every time to increase the likelihood of repeat visits. In 2020, in light of the COVID-19 pandemic, a key priority for the Company was the health and safety of our customers in cinemas.

#### Engagement mechanisms

- Primarily through the voice of the customer programme "Rant and Rave"
- Customer contact
- Social media
- Unlimited membership and feedback
- Site visits

#### What do they care about most?

- Quality of cinema experience
- Customer service in cinema
- Innovation
- Booking efficiency and smart technology
- Sustainability

### Shareholders

The Chief Executive Officer, Deputy Chief Executive Officer, and Chief Financial Officer provide focal points for shareholders' enquiries and dialogue throughout the year. The Board uses the AGM to communicate with private and institutional investors. Regular updates have been given to our shareholders throughout the period of the pandemic.

#### Engagement mechanisms

- Investor meetings
- Governance meetings with the Chair and Committee Chairs
- AGM
- Investor conference participation

#### What do they care about most?

- Strategy
- Strong leadership
- Strong returns

## Employees

Despite certain “usual” engagement mechanisms being disrupted as a result of the pandemic, we adapted quickly in order to support our people in various ways. With many of our teams home-working or being placed on furlough, communication was key and daily conference calls took place with Executive Teams in all territories. This ensured good information flow and engagement.

### Engagement mechanisms

- Employee engagement surveys across Group
- Site visits feedback
- Whistleblowing line
- Turnover data
- Gender and diversity information

### What do they care about most?

- Being able to develop careers within the business
- Feeling involved
- Being listened to
- Being motivated
- Managers motivating and standing up for employees

Engaging with our stakeholders and responding to their needs

## Suppliers

Some of our usual engagement activities were curtailed by the pandemic, but we continue to work hard at developing and maintaining good relationships with a range of film studios and distributors. Strong relationships with our principal retail suppliers enable us to work together on promotions that help drive retail sales.

### Engagement mechanisms

- Supplier exhibitions
- Regular meetings
- Payment practice reporting and analysis
- Property relationships – developers, landlords and local planners
- Innovation – commercial relationships with suppliers of technology
- Retail – commercial relationships with suppliers of retail
- Industry body memberships

### What do they care about most?

- Collaborative relationships
- Good communication

## Wider community

Our usual work with charities, schools, and community groups across all our territories is very important to us where 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.

Despite the challenges we faced in 2020, we managed to work with children’s charity Variety to organise a “Sunshine Coach”. We look forward to resuming our regular charitable activities as soon as we are able.

### Engagement mechanisms

- Social media
- Numerous local initiatives
- Dialogues with local businesses, schools, councils and charities
- Requests from charities received directly
- Partnership with charities
- Our apprenticeship programmes

### What do they care about most?

- Jobs and local investment
- Active support for local charities and organisations

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### Audit

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 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 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. As part of this review process, a detailed report is prepared by the Head of Risk and Assurance and presented to the Audit Committee, which considers the details of the report and has the opportunity to ask questions. The Audit Committee in turn reports to the Board on the effectiveness review, and the findings arising thereunder.

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; and
- fraud detection and loss prevention.

The Board confirms that, in accordance with the Code:

- there is an ongoing and robust process for identifying, evaluating and managing the emerging and principal risks faced by the Group (for more details please see Principal Risks and Uncertainties on pages 14 to 19);
- the Company's systems of risk management and internal control have been in place for the year under review, and up to the date of approval of this Annual Report, 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 and business reporting.





## Risk

The Board, supported by the Audit Committee and the Executive Management Team, has overall responsibility for implementing an effective risk management approach. The Group's approach is governed by its Risk Management Framework that sets out the policy, oversight structure, accountability and processes for the 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 Group's reputation as a well governed and trusted organisation.

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 14 to 19.

As part of this process, risk appetite is considered by the Board annually for each of the principal risks, allowing the

Board to clearly set out the nature and extent of the risk the Group is willing to accept, 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 owners 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.

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

## Internal control

While 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 advisers as required.

Details of the activities of the Audit Committee during 2020 are set out on page 53.

**Internal audit** – The internal audit plan is a combination of Group-wide risk-based reviews (providing assurance over the key controls relied upon for the principal risks), financial and information technology controls testing and additional specific reviews requested by Management. For 2020, the Audit Committee determined that the Company's own internal resources, headed by the Head of Risk and Assurance, would replace BDO and be used to undertake the Company's internal audit plans. Certain aspects of the internal audit were rescheduled to a later date due to the onset of the COVID-19 pandemic.

Following consideration by the Audit Committee, it is intended that internal resources will continue to be used for future internal audit plans, although for specialist projects, such as IT-based technical reviews, external advisers may provide support if required

**Cinema compliance** – The Cinema Compliance programme has operated across the Group with reviews being undertaken to understand the application of the key controls within the operational procedures in the areas of cash, retail, payroll/HR and operations. This programme was halted as a result of the cinema closures in March of 2020. Cinema compliance reviews will resume once the cinemas reopen.

Each cinema in the Group has been risk assessed based on 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 in the Group. The self-assessment audit was halted when the cinemas closed in March of 2020 and will resume once the cinemas reopen.

**Fraud detection and loss prevention** – To support the Group in fraud detection and loss prevention, ongoing analysis of our key data sources is undertaken to identify any irregular transaction activity that could indicate instances of fraud, loss or failure of procedural compliance.

**External audit** – The External Auditor provides a supplementary, independent

## CORPORATE GOVERNANCE STATEMENT CONTINUED

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 procedures in relation to the Group's financial reporting processes and the preparation of its Consolidated Financial Statements. These procedures ensure the maintenance of records which accurately and fairly reflect transactions, to enable the preparation of financial statements in accordance with International Financial Reporting Standards or 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 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.

**Other assurance activities** – A programme of health and safety/food safety audits (delivered by outsourced providers) takes place in the UK and US. The health and safety/food safety reviews were halted when the cinemas closed in March of 2020.

As a result of the General Data Protection Regulation ("GDPR"), additional assurance activities have been undertaken that focused on reviewing the maturity of the Group in the application of the regulation.

In line with requirements under the Payment Card Industry Data Security Standard, an independent security assessor provides reports on compliance (where applicable).

**Policies and procedures** – The Group has in place a range of governance-related policies which are regularly reviewed and communicated to employees. These include Gifts and Hospitality, Anti-Fraud and Bribery, and Health and Safety. In addition, the Group has in place whistleblowing policies so that the workforce may raise concerns in confidence. Whistleblowing data is routinely reviewed by the Board and follow up actions are considered. For more details of the Group's policies see page 25.

**REPORT OF THE  
NOMINATION  
COMMITTEE FOR 2020**

<b>Chair</b>	Alicja Kornasiewicz
<b>Committee members</b>	Scott Rosenblum Arni Samuelsson
<b>The Company Secretary acts as Secretary to the Committee</b>	

**Dear shareholders**

I am delighted to present the report of the Nomination Committee.

In May 2020, I was pleased to assume the role of Chair of the Committee, taking over from Rick Senat who led the Committee through some crucial junctures during his tenure. I would like to thank Rick, on behalf of the Board, for his hard work on the Committee over the years.

One immediate task, following my appointment, was to strengthen the Board by recruiting one, preferably two, additional Non-Executive Directors following the stepping down of both Anthony Bloom and Helen Weir at the 2020 AGM. In light of our wider circumstances as a business, due to COVID-19, we anticipated that this exercise may be more difficult than in normal times, which is why I am particularly pleased to say that, despite our challenges, we were successful in our aims.

In terms of our search, as a Committee, we initially considered the requirements for the positions, taking into account such factors as skills needed, focus areas for the Company, and independence.

Following an internal nomination and an in-depth interview process, involving several Executive and Non-Executive members of the Board, we were delighted, in July, to announce the appointment of Damian Sanders, who took up the role from 1 August 2020. Damian, who was also appointed as a member of the Audit Committee, is an FCA-qualified member of the Institute of Chartered Accountants in England and Wales (“ICAEW”) and brings extensive financial and commercial experience to the Board, including over 20 years as a senior equity audit partner at Deloitte acting as adviser and corporate governance specialist for a number of FTSE-listed companies. Recently, we announced that Damian would take up the position of Audit Committee Chair, from 1 April 2021.

Then, in March 2021, after a rigorous recruitment process supported by external search agency Russell Reynolds Associates, we were delighted to also announce the appointment of Dr. Ashley Steel, as an independent Non-Executive Director, with effect from 1 April 2021. Ashley is a former Vice Chair and member of the UK and European boards of KPMG, with significant international, financial and commercial experience. Given Ashley’s skills and expertise, she will also become a member of the Audit and Remuneration Committees when she joins.

We also announced some further changes to the structure of the Board and its Committees. Rick Senat, who has been a Non-Executive Director of the Company since 2010, and a deeply respected and well-regarded Board member, will be stepping down from the Board at the conclusion of the Company’s 2021 Annual General Meeting. In light of Rick’s pending departure, Dean Moore has taken up the role of Senior Independent Director. We also announced our new Committee compositions, which will take effect on 1 April 2021, and are described on page 40.

The Committee believes that the addition of Damian and Ashley to the Board, together with our updated Committee memberships, will assist the Board to move forward with a strong and suitably diverse set of skills, knowledge and experience.

Following 2019’s external evaluation of the Board, we opted for an internal evaluation of the composition and effectiveness of the Board this year.

I am pleased to report that the internal evaluation found the Board and its Committees to be operating efficiently and productively. More details of the work of the Nomination Committee and the outcomes of our Board evaluation can be found on pages 50 to 51.

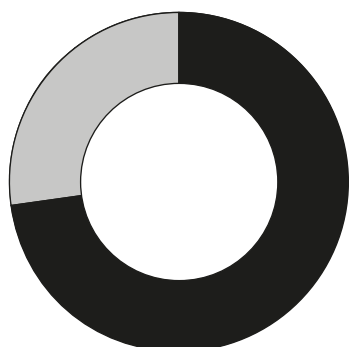
Other activities of the Committee during the year included discussions on diversity and succession planning, and consideration of how we can best support and encourage the development of talent at Senior Manager level. For the second year in succession, we were pleased to be included in the Hampton-Alexander Review’s “Top Ten Best Performers” in relation to Executive Committee and Direct Reports, and we retained our first place in the Travel and Leisure sector. Details regarding the gender balance of our employees and of the Executive Management Team can be found on page 25.

Finally, regarding the gender balance on our Board, I would like to note that, when Ashley Steel joins our Board on 1 April, we will have four female Board members, out of twelve, and will therefore be glad to have met the recommendation of the Hampton-Alexander Review for one third female representation.

**Alicja Kornasiewicz**  
Chair of the Nomination Committee

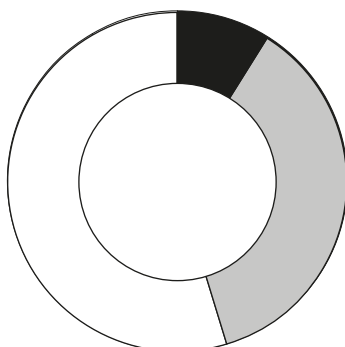
## NOMINATION COMMITTEE REPORT CONTINUED

### Gender breakdown of the Board<sup>(1)</sup>



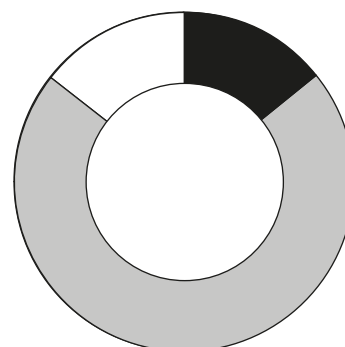
Male	8
Female	3
<b>Total Board of Directors</b>	<b>11</b>

### Balance of the Board<sup>(1)</sup>



Chair	1
Executive Directors	4
Non-Executive Directors	6

### Length of tenure of Non-Executive Directors<sup>(1)</sup>



0-2 years	1
3-6 years	5
7+ years	1

(1) As at 31 December 2020.

### Nomination Committee composition

During the year, the Committee comprised three Non-Executive Directors. Until 13 May 2020, Rick Senat was Chair of the Committee, and Scott Rosenblum and Arni Samuelsson were members. On 13 May 2020, Alicja Kornasiewicz took over from Rick Senat as Chair of the Committee. While Rick Senat and Arni Samuelsson are considered to be independent, Scott Rosenblum is not. In addition, as Alicja Kornasiewicz is Chair of the Company, she is not considered independent under the Provisions of the Code for the purposes of the Committee composition. However, due to the importance of the work of the Nomination Committee, particularly in relation to the recruitment of additional non-executive directors, it was beneficial for Alicja to perform the role of Committee Chair, alongside continuing members Scott Rosenblum and Arni Samuelsson. On 22 March 2021, it was announced that Scott Rosenblum would stand down from the Committee on 1 April 2021, and Camela Galano and Damian Sanders would join as members, ensuring compliance with the composition requirements under 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, its size and structure, and retirements and appointments of additional and replacement Directors. In addition, the independence of Directors, the development of the talent pool of the business, are also areas of responsibility, and the Committee makes appropriate recommendations to the Board on all 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. Prior approval is sought before a Director accepts an external appointment. The terms of reference of the Committee are available on the Company's website ([www.cineworldplc.com/en/about-us/corporate-governance](http://www.cineworldplc.com/en/about-us/corporate-governance)).

The Committee met on numerous occasions in the year, to deal with a variety of key tasks, including the recruitment of additional independent Non-Executive Directors to the Board – a successful project that led to the appointment of Damian Sanders and Dr. Ashley Steel.

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

### Board 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 Chair. As an external facilitator had been engaged for the 2019 performance evaluation, the Board decided to carry out the exercise without external assistance in 2020. 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 overall the Board and Committee processes were working appropriately. A few matters were identified where Directors felt that more time should be allocated, including a focus on succession planning and additional training and development opportunities.

In order to address the feedback received as part of the evaluation process, a sub-committee of the Board was established for this purpose. The sub-committee met in early 2021, and follow up actions have been discussed and agreed upon, so that the recommendations of the evaluation can be incorporated into the Board agenda.

for the coming year. As part of its work, the Nomination Committee takes into account the outcomes of the evaluation process when considering and assessing the composition of the Board.

### **Skills, experience and knowledge**

All Directors have a good understanding of the markets, territories, regulatory and risk management frameworks within which the Group operates, as well as the technology it uses. The biographies of the Directors, as set out on pages 35 to 37, highlight the skills and experience each Director brings to the Board. The Nomination Committee monitors the length of tenure and the skills and experience of the Non-Executive Directors to assist in succession planning. The Committee is confident that the Board has the necessary mix of skills and experience to contribute to the Company's strategic objectives.

### **Tenure**

The tenure of each of the Directors is set out in their biographies on pages 35 to 37, and summarised on page 50.

### **Succession planning and the pipeline of talent**

To find the most suitable candidates for the Board, the Nomination Committee considers the skills, experience and attributes required to create a diverse Board which is capable of driving the Company forward successfully in fulfilment of its purpose and strategic goals. The Committee also considers the initiatives that are in place to develop the talent pipeline at a senior level across the business. Initiatives that were reviewed by the Committee in relation to development of talent at a senior level included advanced coaching schemes, management conferences, training on leadership, sessions on wellbeing, resilience and mental health awareness, and access to mentoring schemes. More information on the development initiatives for Senior Management can be found on pages 23 to 24 of the Resources and Relationships section.

### **Policy on diversity and inclusion**

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. These principles are reflected in the Diversity Policy that has been established by the Committee. 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. Diversity extends beyond the Boardroom and the Committee is supportive of Management's efforts to build a diverse organisation and maintain a diverse talent pipeline. For more information about the Group's approach to diversity, please see the "Employees" section of the Directors' Report on page 84 and the "Diversity and human rights" section of Resources and Relationships on page 24.

### **Recruitment process for Board Directors**

It was announced on 22 July 2020 that Damian Sanders had been appointed to the Board as an independent Non-Executive Director, with effect from 1 August 2020. With regard to the appointment of Damian, the services of an external search agency were not required, as Damian was nominated by an internal source. This initial nomination was followed by a rigorous and independent interview process, led by the Nomination Committee, during which Damian met with the Nomination Committee members, the Chief Executive Officer and the Deputy Chief Executive Officer, the Chief Financial Officer, and the Chair of the Audit Committee. Following these interviews, the Committee recommended to the Board that Damian should be appointed as an independent Non-Executive Director and a member of the Audit Committee. The Board agreed with this recommendation.

It was further announced on 22 March 2021 that Dr. Ashley Steel had been appointed to the Board as an independent Non-Executive Director, with effect from 1 April 2021. With regard to the appointment of Ashley, external search consultancy Russell Reynolds

Associates were appointed to assist with the search process. A full brief was drawn up for the role, which included the request for experience in the field of remuneration. Following an initial consideration of potential candidates, a shortlist was prepared and, following interviews carried out by members of the Nomination Committee, the Chief Executive Officer and the Deputy Chief Executive Officer, and the Chair of the Audit and Remuneration Committees, the Committee recommended to the Board that Ashley should be appointed as an independent Non-Executive Director and a member of the Audit and Remuneration Committees. The Board agreed with this recommendation.

Russell Reynolds Associates, the external search consultancy used for this search, has no connections with the Group or any of its Directors and was chosen on the basis of discussions and a review process undertaken by the Nomination Committee.

### REPORT OF THE AUDIT COMMITTEE FOR 2020

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<b>Chair</b>	Dean Moore
<b>Committee members</b>	Camela Galano Damian Sanders Rick Senat
<b>The Company Secretary acts as Secretary to the Committee</b>	

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#### Dear shareholders

I am pleased to present the Audit Committee Report for the year to 31 December 2020. As recently announced, Damian Sanders will take up the position of Chair of the Audit Committee (the "Committee"), with effect from 1 April 2021. I will remain as a member of the Committee, and wish Damian every success in the role. Dr. Ashley Steel will also join as a member of the Committee on 1 April 2021, bringing substantial business, risk, and financial experience. We look forward to welcoming Ashley in due course.

This report sets out details of the activities undertaken by the Committee during the period, in order to discharge its responsibilities in relation to supporting the Board, its oversight and monitoring of the robustness and integrity of financial reporting, and in gaining assurance on the effectiveness of the risk management and internal control system in place at Cineworld.

As can be seen from the information set out below, the impact of the global COVID-19 pandemic has had a fundamental bearing on the work of the Committee, in crucial areas such as going concern, viability, lease arrangements, impairment, and accounting for the new financing arrangements that were announced in November 2020.

During the year, multiple additional Committee meetings were arranged, in addition to our normal cycle of activity. Such meetings involved intensive discussions with both the Executive Management Team and our Auditor, to discuss critical matters flowing from COVID-19 and the challenges we faced as a business, with going concern being a key focus.

As part of our work on going concern, as a Committee we reviewed numerous financial models, including a base case scenario to consider headroom for 2021 and beyond. We took time to understand and challenge, where necessary, significant judgements and assumptions in the modelling, and monitored the work of Management and the ongoing discussions with the Auditor. More details in relation to going concern can be found on pages 53 and 103.

Despite the severe disruption to the business, as a Committee we continued our work on the essential oversight of internal control and risk management systems, which included a comprehensive review of the effectiveness of our internal audit systems and controls, in accordance with the requirements of the Code. In-depth discussions on emerging risk took place throughout the period, and the Committee received regular updates on the ever-evolving COVID-related operational requirements across the territories in which the Group operates.

We took time to carefully consider the new risk profile of the Group, in light of the pandemic, receiving a number of updates from the Risk and Assurance team and Management. Details of our principal risks and uncertainties, how these have been revised to take account of the COVID-19 pandemic, and how we consider these risks in the context of our wider strategic objectives, can be found on pages 14 to 19.

In leading up to the publication of the Annual Report, one of the Committee's key responsibilities was to consider and report on the significant risks and issues in relation to the financial statements, and how these should be addressed. Valuation of PPE and right-of-use assets, valuation of goodwill, leases, accounting for the new financing arrangements, and the recoverability of deferred tax assets have been identified as significant matters for 2020, and our formal position on these issues is set out on pages 54 to 55 of the Audit Committee Report.

In drawing to a close, I would like to thank Rick Senat, who will step down from the Committee on 1 April 2021, when Ashley joins. I am grateful to my fellow Committee members for their commitment and dedication, and we look forward to continuing with our work to support the Board and Management as we progress to more positive times, and the reopening of our business in 2021.

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**Dean Moore**  
Chair of the Audit Committee

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#### Composition

For the duration of the year, the Committee comprised a minimum of three independent Non-Executive Directors. At the start of the year, the Committee comprised Dean Moore (Chair), Alicja Kornasiewicz, and Helen Weir. Following Alicja Kornasiewicz's succession to the role of Chair of the Company, and the stepping down of Helen Weir on 13 May 2020, Camela Galano and Rick Senat both joined the Committee as members. On 22 July 2020 it was announced that Damian Sanders would also join the Committee, with effect from 1 August 2020.

Therefore, at the year end, the Committee comprised Dean Moore (Chair), Camela Galano, Damian Sanders, and Rick Senat. Both Dean and Damian are qualified 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.

On 22 March 2021, it was announced that Damian Sanders would become Chair of the Committee, Ashley Steel would be appointed as a member, and Rick Senat would step down from the Committee with effect from 1 April 2021. Dean Moore will continue as a member.

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

#### The role, responsibilities and activities of the Audit Committee

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/en/about-us/corporate-governance](http://www.cineworldplc.com/en/about-us/corporate-governance)). The Committee assists the Board in discharging its responsibilities with regard to financial reporting, the integrity of financial statements, 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 2020

The Committee met on numerous occasions during the year, to address some of the critical challenges presented by the COVID-19 pandemic, in addition to its usual scheduled meetings, 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 the impact of the COVID-19-related closures, accounting policies, principal risks and uncertainties, together with significant estimates and financial reporting judgements and the disclosures made therein;
- considered and agreed changes to the reporting timetable to take into account the impact of COVID-19 closures;
- considered the interim results and the Annual Report and Accounts in the context of the requirement that they are fair, balanced and understandable;

- 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 of the likely impact of future changes to regulation and accounting standards;
- monitored the performance of the Risk and Assurance team, and 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;
- reviewed the accounting papers provided by Management in relation to key accounting topics;
- monitored the implementation of the Group's internal audit plan for 2020;
- reviewed the results of non-financial audits (including food hygiene and fire safety) and where applicable agreed enhancements to procedures and reviewed remedial actions;
- 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; 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.

### Fair, balanced and understandable

During the year, the Committee 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.

### Going concern

The COVID-19 pandemic and the resultant closures in response to it have had a significant impact on the Group's financial resources and forecasts. The cinema industry has been materially negatively impacted through 2020 with the Group experiencing closures across all territories.

The Committee challenges the Group's application of the going concern basis and its viability at each reporting date. During 2020, continuing uncertainty around the cinema market as well as economies generally has contributed to greater detail and consideration being applied in those making challenges.

The Group took several steps in securing additional liquidity in response to the challenges presented by the pandemic and to ensure financial stability going forward. In addition, covenant waivers were obtained for leverage ratio testing points within the going concern period on the Group's existing debt.

Management prepared scenario analysis based on the parameters of the liquidity position at the year end and facilities in place, covenants in place on new debt arrangements agreed in the year, the forecast reopening of cinemas and return to pre-pandemic levels of trading as well as certain key cash flows.

The Committee considered the scenario analysis and challenged Management's key assumptions and mitigating actions. Key assumptions around reopening, recovery and certain key cash flows remain uncertain. Details of the scenario analysis and the specific uncertainties are provided in note 1 to the Financial Statements.

Having considered both weighted and severe but plausible scenarios in detail, the Committee recognised the material uncertainties that remain around the Group's ability to continue as a going concern, as set out by Management, and consider details with regard to these uncertainties disclosed in note 1 to the financial statements to be appropriate. On this basis, the Committee recommended to the Board that the going concern assumption should continue to be adopted.

### 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 pages 20 and 21 (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 2020 Group financial statements, significant risks have been identified which are outlined as follows:

#### Valuation of property, plant and equipment and right of use assets

As detailed in Note 12 to the financial statements, there is an inherent risk that elements of the value of Group's PPE assets may prove to be irrecoverable, due to fluctuations in the performance of cinemas or one-off events. Given the number of factors involved in forecasting the performance of cinema sites operated by the Group, in multiple countries, this results in an element of judgement being applied to the valuation of an individual cash generating unit ("CGU"), 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. The impact of the COVID-19 pandemic, its impact on the Group's forecast revenue and the Group's credit rating resulted in material one off reductions in value in CGUs in each territory.

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. The assessment for the current year included consideration of the deterioration in the Group's credit rating and changes to its cost of debt due to new issuances in the year.

At the year-end Management prepared their valuation models for the Committee's consideration, together with their proposed site impairments, and drew the Committee's attention to any specific judgements taken within the models. Management confirmed to the Committee that they have applied a consistent Group-wide methodology in the preparation of the valuation models. This included applying reduction in forecast cash flows at a CGU level, implied by the weighted scenario forecast analysis carried out for the Group's Going Concern assessment.

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 and right of use assets 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.

#### Valuation of goodwill

As detailed in Note 13 to the financial statements, the impact of the COVID-19 pandemic resulted in an increased risk to the valuation of goodwill arising on consolidation for each of the Group's country CGUs. This risk was driven by increases in the Group's weighted average cost of capital ("WACC"), applied as a discount rate assessing goodwill valuation, and forecast cash flows for each CGU. Each of these components of the calculation requires judgement and results in sensitivity in the valuation of goodwill. Management's forecast cash flows were applied through use of the weighted scenario forecasts considered in the Group's Going Concern assessment. A WACC was derived using relevant external market data and considering the Group's credit worthiness at the date of the assessment. The Committee has

considered information supplied by Management and satisfied itself that the approach and methodology applied by Management was appropriate. The Committee further satisfied itself that advice from professional service firm was taken in assessing the WACC used in the valuation, that the forecast cash flows applied were consistent with the Group's forecasting analysis and that the necessary disclosure and sensitivity analysis has been included in the financial statements.

#### Accounting new financing arrangements

During the year the Group entered new financing agreements. The nature and complexity of certain features of these arrangements are such that their treatment and valuation represent a greater risk than other agreements the Group has previously been party to. These agreements included the issue of equity warrants in connection with new debt facilities during the year, certain embedded derivative financial instruments and debt instruments recognised at a discount due to current credit risk. Each component of the new arrangement, their contractual terms and interaction with other contract in place and the appropriate treatment under IFRS 9: Financial Instruments were considered by Management. Detailed disclosures in respect of these treatments and valuations and their impact on the financial statements are set out in note 26.

Having considered documentation and analysis presented to it, the Committee satisfied itself that Management obtained appropriate professional advice in addressing these contractual arrangements and correctly recognised them in the financial statements.

In addition to the instruments described above, a floor on the LIBOR-linked interest rates on certain existing loans was entered into upon amending an existing credit agreement for the purpose of refinancing. This feature resulted in an embedded derivative being identified and separately accounted for in the Group's Statement of Financial Position. The Committee has reviewed the treatment of this derivative and has satisfied itself that it has been accurately accounted for. In addition, the Committee has considered Management's assertion that further amendments to the underlying credit agreement, subsequent to the year end, are likely to result in the de-recognition of the derivative liability and found it to be accurate.



## IFRS 16: Leases

As detailed in note 20, from 1 January 2019, on adoption of IFRS 16 "Leases" leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group in the Consolidated Statement of Financial Position. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Both principal and finance cost elements of lease payments are recognised within financing cash flows within the Consolidated Statement of Cash Flows. The depreciation charge recognised on the right-of-use assets is being charged to administration expenses in the Group's Statement of Profit and Loss.

The impact of the COVID-19 pandemic resulted in a large number of lease agreements in the period being renegotiated. The number and nature of amendments made are such that judgements taken were significant. These judgments included the lease term, discount rate applied, the date amendments took place and the treatment of amendment as modifications under IFRS 16. Based on the Committee's enquiries of Management and review of accounting papers, the Committee has satisfied itself that:

- The details and timing of amendments to leases during the year, including the calculation of deferred and waived rent, have been applied correctly in accordance with IFRS 16;
- The judgement applied by Management in assessing whether a lease option period should be included in the lease liability has been carefully considered, taking into account the facts and circumstances around the lease and the historic decisions taken over lease options and the decision making process prior to executing a lease option; and
- The discount rates used to discount the lease payments have been provided by an independent professional services firm and the rates have been calculated for portfolios of leases with similar characteristics, as permitted under IFRS 16, with lease term and asset-specific adjustments and reflecting the Group's current cost of borrowing and credit rating.

## Recoverability of deferred tax assets

The Group recognises deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Disclosures in respect to of deferred tax assets and liabilities are set out in notes 10 and 16. The COVID-19 pandemic and its effect on the Group's taxable profits over a forecast five-year period have resulted in greater uncertainty over the recognition of deferred tax assets. In particular, judgement exists around the recognition of deferred tax assets in respect of losses incurred and whether sufficient taxable profits will be generated to utilise them in future periods. Management have applied their scenario weighted forecasting and relevant tax regulations in assessing whether assets should be recognised in each territory. The Committee have considered calculation and forecast prepared by Management and are satisfied that appropriate judgements have been made in respect of the recoverability of deferred tax assets 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.

## Audit Tender

PwC was appointed as External Auditor to the Company following an audit tender process carried out in 2019.

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 2029. 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, Christopher Richmond, will be required to change in 2024. The Committee continues to review the auditor appointment and the need to tender the audit.

The Company considers it has complied with the Competition and Markets Authority's Statutory Audit Services Order.

## Independence and Effectiveness

During the year, the Committee evaluated the performance and objectivity of PwC and reviewed its independence and effectiveness as External Auditor in relation to the prior year accounts. The effectiveness of the 2019 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;
- PwC'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 PwC, as External Auditor, had been 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 of the Auditors

The External Auditor is required to periodically assess whether, in its professional opinion, it is independent and confirm this to the Committee. PwC has provided this confirmation.

## AUDIT COMMITTEE REPORT CONTINUED

### 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, all non-audit work and the associated fees need to be approved by the Committee. The only non-audit service subject to Audit Committee approval provided by PwC to the Group during 2020 related to its review of the Group's interim statement and fees relating to the Cineplex transaction resulting in total fees of £0.8m. The Committee is satisfied that the above work was best undertaken by the External Auditor and that its objectivity and independence 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 6 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

### Remuneration Committee composition

At the start of the year, the Company's Remuneration Committee comprised four Non-Executive Directors, namely Alicja Kornasiewicz (Chair), Dean Moore, Camela Galano, and Helen Weir. Dean Moore assumed the role of Chair of the Remuneration Committee at the conclusion of the AGM on 13 May 2020, and Helen Weir stepped down from the Board. Alicja Kornasiewicz remained on the Committee as a member. At the year end, therefore, the Committee comprised Dean Moore (Chair), Alicja Kornasiewicz, and Camela Galano.

As Alicja Kornasiewicz is Chair of the Company, she is not considered independent under the Provisions of the Code for the purposes of the Committee composition. However, it was considered beneficial for continuity purposes for Alicja to remain as a Committee member after stepping down from the role of Committee Chair, while the search for an additional Non-Executive Director to join the Committee progressed. On 22 March 2021, it was announced that Ashley Steel would join the Board as an independent Non-Executive Director with effect from 1 April 2021, and that she would also become a member of the Remuneration Committee. At this time, Alicja will step down as a member, handing over to Ashley. Ashley has significant remuneration experience and is also independent, meaning that Committee composition will be fully compliant with the Code requirements following this period of transition.

The Committee met for multiple meetings in the year, with four of these meetings being scheduled meetings. The additional meetings were held to address specific issues arising out of the COVID-19 pandemic, and in relation to the 2021 LTIP. More details on the work of the Committee are set out in the Directors' Remuneration Report on pages 57 to 79.

The Company Secretary acts as Secretary to the Remuneration Committee.

### Roles and responsibilities

The activities of the Committee are covered in the Directors' Remuneration Report on pages 57 to 79, 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 FIT Consultants as external advisers in December 2020 and took advice from them during the year. Prior to the appointment of FIT Consultants, EY were external advisers. Neither FIT Consultants nor EY have any connections with Cineworld or its Directors, save for the provision of transactional advisory services and tax advice to the Group by EY.

The Committee is comfortable that the engagement partners and team of the external advisers do not have connections with the Company or Directors of the Company that may impair their independence. On appointment as advisers, 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 Chair, Executive Directors, Company Secretary and Senior Management.

The terms of engagement with EY and FIT Consultants 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. 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 57 to 79.

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

By order of the Board

**Alicja Kornasiewicz**  
Chair  
25 March 2021

# Evolving our Remuneration Policy so that it remains fit for purpose



**“The COVID-19 pandemic had a profound impact on Cineworld in 2020. Decisions in relation to executive remuneration outcomes made by the Committee were taken in the context of this challenging backdrop.”**

**Dean Moore**  
Chair of the Remuneration Committee

## **Annual Statement Dear shareholders**

I was pleased to become Chair of the Remuneration Committee once again in May 2020, following Alicja Kornasiewicz's succession to the role of Chair of the Company.

In addition, we look forward to welcoming Dr. Ashley Steel as a new Committee member. Ashley, who will join the Committee on 1 April 2021, brings substantial experience in the field of remuneration, and I have no doubt that we will benefit significantly from her skills and knowledge as we move forward.

It has been a particularly busy period for the Committee, to a large extent as a result of the COVID-19 pandemic and its far-reaching effects on the Group's business. As well as the COVID-related tasks and issues that we have dealt with as a Committee this year, one important focus of our work leading up to this Report was our review of the Remuneration Policy, which we have updated, mainly to take into account the requirements of the Corporate Governance Code and other institutional guidelines. We hope that shareholders view these changes as positive, and more details on the proposed updates are set out below.

## **The impact of COVID-19 on business performance in 2020**

The COVID-19 global pandemic had a profound impact on Cineworld in 2020. The challenging theatrical landscape and sustained key market closures meant that our cinemas were shut for a significant portion of the year.

The closures had a severe impact on our performance, and on our employees. The Board has been immensely grateful and proud of the hard work of employees throughout the business when our cinemas were open, and for their courage while they have been closed.

As a result of the pandemic, the Board's main priorities over the year have been the safety of customers and employees, cash preservation and cost reduction. The refinancing of the Group announced in November 2020 was a crucial milestone, and will help us through this challenging period until our markets return nearer to normal. The decisions in relation to executive remuneration outcomes made by the Committee were taken in the context of this challenging backdrop.

## **Key decisions during the year**

To conserve cash, the Executive and Non-Executive Directors volunteered to defer 100% of their salary and fees, in each case for a period of time in 2020. The deferral made a significant contribution to the cash flow of the Company, and the outstanding amounts will be repaid when the business returns to more normal circumstances.

Salaries were not increased in 2020 and no bonus will be paid to the Executive

Directors in respect of the financial year. In addition, the 2018 LTIP awards for Executive Directors, which were due to vest in April 2021, lapsed in full.

As part of our usual annual cycle, awards were made under the 2017 Cineworld Long-Term Incentive Plan to Executive Directors in April 2020, with vesting linked to a stretching EPS target range set by the Committee.

## **2021 LTIP**

It became clear, during the year, that the highly unusual challenges facing the Company required a new approach to remuneration. The Chair of the Board and I engaged with our largest shareholders on a new and very simple one-off Long-Term Incentive Plan (the "2021 LTIP").

Based on share price targets over the coming three years, the plan was carefully designed to recognise the significant transformational work required of the Management team in order to enable the business to recover, paying out only in circumstances where such significant work has been achieved, and where shareholders have also received substantial returns.

The plan was approved at a General Meeting in January 2021, supported by a majority of 70.15% of votes. The plan is simple, but reaching the targets will not be easy. The performance period is for three years, with a further two-year holding period after that. More details may be found on page 63. We of course acknowledge that some shareholders did not support the plan, and we intend to continue our dialogue with them over the coming months.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Activities over the year

The Remuneration Committee met multiple times throughout 2020, including for its usual four scheduled meetings. At these scheduled meetings, the activities of the Committees were as follows:

	Feb 2020	March 2020	May 2020	December 2020
<b>Overall remuneration</b>				
Considering the remuneration arrangements across the Group	✓	✓	✓	✓
<b>Annual bonus</b>				
Deciding the targets for the annual bonus scheme		✓		
Determining bonus payments to be awarded, including for the wider workforce		✓		
<b>LTIP</b>				
Making awards under the 2017 Long-Term Incentive Plan		✓		
Approving vesting of awards under the 2007 Performance Share Plan ("PSP")		✓		
<b>Governance</b>				
Reviewing the 2020 AGM voting figures and considering the views of shareholders			✓	
Review and update of Committee terms of reference				✓
Committee evaluation				✓
Review of Directors' Remuneration Report	✓	✓		
Agreeing Forward-Looking Agenda				✓
Review of Gender Pay reporting outcomes				✓
Consideration of proposed revisions to the UK Corporate Governance Code	✓	✓		✓

### The Directors' Remuneration Policy – Summary of Changes

The Directors' Remuneration Policy was put to shareholders at the General Meeting in January 2021 to allow our shareholders to vote on both the 2021 LTIP and the Directors' Remuneration Policy, which had been updated to include the new plan. At the time, we confirmed that the Committee would conduct a full review of the Policy to take into account the requirements of the 2018 UK Corporate Governance Code, in readiness for the 2021 AGM.

We have therefore reviewed the Policy in detail, and have made a number of governance-related changes which are summarised below:

- Executive Directors will receive a pension contribution (or cash in lieu) aligned with that of employees in their country of residence. The CFO and the CCO are both based in Israel and their pension arrangements are already aligned with those of employees generally at 14.8% of salary. Pension contributions for the CEO and Deputy CEO, who are also based in Israel, will be reduced to align with this rate from 1 January 2023, representing a 5% reduction in entitlement.
- The Policy explicitly provides for discretion to enable the Remuneration Committee to override formulaic outturns under the variable pay arrangements.

- A two-year holding period in relation to Long-Term Incentive Plan awards has been formally incorporated into the Policy.
- The shareholding guidelines have been increased to 200% of salary (from 150% of salary) for each Executive Director. The Policy also provides for post-cessation shareholdings, in line with the requirements of the UK Corporate Governance Code.
- Malus and clawback have been extended to apply to any element of annual bonus awarded under the new Policy and the "triggers" have been aligned with the clawback "triggers" agreed by shareholders when the 2021 Long-Term Incentive Plan was approved.
- Additional flexibility has been introduced within the Policy, to ensure that the Remuneration Committee can operate pay appropriately without requiring additional formal approvals for minor changes (for example, the flexibility to apply different performance measures under the annual bonus in future years).

We intend to continue our dialogue with shareholders on remuneration matters, and we hope that investors will be able to support the new Directors' Remuneration Policy, and the changes we have made.

#### Dean Moore

Chair of the Remuneration Committee  
25 March 2021

# Directors' Remuneration Policy Report

## Introduction

This section describes the Committee's Policy on the remuneration of Executive and Non-Executive Directors. The Directors' Remuneration Policy (the "Policy") will be put to shareholders for approval at the Annual General Meeting to be held on 12 May 2021. Following approval at the Annual General Meeting, remuneration payments and payment for loss of office to Directors can only be made if they are consistent with this Policy or this Policy as amended with the approval of shareholders.

The existing Policy, approved by shareholders in January 2021, will continue to apply until the revised Policy is approved. In the Notice of Meeting for the General Meeting held in January 2021, the Committee stated its intention to seek approval for a new Directors' Remuneration Policy at the 2021 AGM to reflect the requirements of the UK Corporate Governance Code and certain other updates, including to

reflect the Company's current Directors and the existing employee share plans.

## Policy overview

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.

The Board's normal practice is to operate within the above parameters. It will also take account individual circumstances and tailor remuneration packages.

The Remuneration Committee does not currently consult with employees specifically to explain the alignment of executive remuneration with wider company pay policy. During the year, the Committee considered its obligations under the UK Corporate Governance Code and concluded that the previous Directors' Remuneration Policy operated as intended during the year and that remuneration outcomes in the year were appropriate and reflective of Company performance and shareholders' experience. The Remuneration Committee addressed the following factors when reviewing the Directors' Remuneration Policy, as set out in the UK Corporate Governance Code and, taking these into account, is of the opinion that the Policy will support the Company's strategy over the next three years:

<b>Clarity</b>	The proposed Directors' Remuneration Policy provides a clear link between pay and performance, with no further long-term incentive awards anticipated to be granted under this Policy. The 2021 LTIP, under which awards were granted in February 2021, is clear and provides a direct link between Executive Directors' reward and the shareholder experience.
<b>Simplicity</b>	In a challenging external environment, share price was considered to be the simplest measure of overall performance against which to base the Executive Directors' primary element of variable pay, with no further long-term incentive awards anticipated to Executive Directors in 2021, 2022 or 2023.
<b>Risk</b>	The level of stretch under the 2021 LTIP ensures that only exceptional performance can result in reward to our Executive Directors. Share price, as a market measure, incorporates all areas of Cineworld's performance and provides a rounded assessment of the Company's performance and future prospects.
<b>Predictability</b>	Through the use of share price measures under the 2021 LTIP, performance outcomes are entirely formulaic. In addition, a cap applies to outturns under the 2021 LTIP to avoid any unexpected outcomes. All elements of variable pay are capped under the Policy.
<b>Proportionality</b>	A significant element of the Executive Directors' total remuneration is directly linked to shareholders' experience through the 2021 LTIP awards granted in February 2021. Exceptional share price growth must be achieved for any vesting to occur under the 2021 LTIP, and potential reward is capped at a notional share price of £3.80. The 2021 awards replace the PSP awards for the next three years.
<b>Alignment to culture</b>	Pay for performance is key to Cineworld's remuneration strategy. Our philosophy on pay is to drive long-term value creation and our Directors' Remuneration Policy directly aligns our Executive Directors' pay to this aim.

## Changes to the remuneration policy that were approved by shareholders at the 2021 General Meeting ("GM")

The Policy which was approved by shareholders at the January 2021 GM introduced the new long-term incentive (the "2021 LTIP"), which seeks to reward and incentivise the Executive Directors and other senior executives in light of the challenging market conditions

Cineworld faces globally. These awards were granted on 8 February 2021 and, consequently, no further awards under the 2017 LTIP or the 2021 LTIP will be granted to the current Executive Directors under the revised Policy in 2021, 2022 or 2023.

## Proposed Policy





Set out below is a summary of the main elements of the newly proposed Policy for Directors, together with further information on how these aspects of remuneration are intended to operate. The proposed changes are primarily to reflect the new requirements of the UK Corporate Governance Code.

## DIRECTORS' REMUNERATION REPORT CONTINUED



### 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. Executive Directors who received awards under the 2021 LTIP will not receive further long-term incentive awards in 2021, 2022 or 2023 under this Directors' Remuneration Policy. A summary of the Policy changes being proposed may be found on page 58.

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

Purpose	Element of reward			
	Base salary and pension benefits	Annual bonus	Long-Term Incentive Plan	Shareholding requirement
	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, and to reward the achievement of share price increases over the medium term.	To provide alignment between Executive Directors and shareholders.

Element and link to strategy	Opportunity	Operation
<b>Base salary</b> 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.
<b>Pension</b> To provide market competitive retirement benefits 	Monthly employer contribution up to 20% of basic salary or in the form of a cash pension allowance.  Executive Directors will receive a pension contribution (or cash allowance) in line with the rate offered to the majority of employees in their country of residence, with all incumbent Executive Directors aligned from 1 January 2023.	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.  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
<p><b>Other benefits</b></p> <p>To provide market competitive benefits and support the health and safety of individuals</p>	<p>The cost to the Group of providing such benefits will vary from year to year in accordance with the cost of insuring such benefits.</p>	<p>Benefits in kind for Executive Directors include but are not limited to the provision of a company car or car allowance, private mileage, life insurance, permanent health insurance, private medical cover and a disturbance allowance.</p> <p>Benefits are tailored to the individual circumstances of Directors to ensure that overall packages are attractive and additional benefits may be introduced where appropriate. A limited flexible benefits scheme operates for all employees (including Executive Directors) and the intention is to expand it over a period of time.</p> <p>The Remuneration Committee retains the flexibility to provide certain relocation benefits to Executive Directors on a time-limited basis, where required.</p>
		
<p><b>Annual bonus</b></p> <p>To incentivise the annual delivery of financial and operational targets</p>	<p>Maximum opportunity for Executive Directors of 150% of salary.</p>	<p>A majority of the annual bonus will normally be based on financial performance measures, such as Adjusted EBITDA, with personal or strategic measures applying to any balance.</p> <p>For 2021, the bonus is based on a combination of performance against the agreed financial budget and personal performance targets. The Board and Remuneration Committee will review the budget and targets as our cinemas reopen during 2021. The weighting of these measures is circa 70% financial performance and 30% personal performance.</p> <p>The choice of these measures for 2021 reflects the Committee's belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.</p> <p>The performance measures and targets are reviewed annually to ensure alignment to strategy. The measures and weightings may vary in future years.</p> <p>The Remuneration Committee retains the discretion to override formulaic outturns under the Annual Bonus, if these are not considered to be appropriate in the context of wider Group performance.</p> <p>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. Dividends are paid on deferred shares in the normal way, and there are no requirements for continued employment in respect of deferred shares.</p> <p>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.</p> <p>Malus and clawback provisions apply.</p>
		

## DIRECTORS' REMUNERATION REPORT CONTINUED



Element and link to strategy	Opportunity	Operation
<p><b>2017 LTIP</b></p> <p>To encourage sustainable profitability over a period of time aligned to the overall objective of achieving sustainable growth</p>	<p>Maximum opportunity for Executive Directors of 200% of base salary.</p> <p>No awards under the 2017 LTIP will be made in 2021, 2022 or 2023 to Executive Directors who participate in the 2021 LTIP.</p>	<p>Annual awards of conditional shares or nil cost options are made to Executive Directors and members of the Senior Management Team at the discretion of the Committee.</p> <p>Awards may vest after three years, subject to continuing employment and the achievement of stretching three-year EPS growth performance conditions. An additional two-year post-vesting holding period applies to all grants made under this plan from 2019 onwards.</p> <p>The vesting of a majority of the awards will normally be based on financial performance measures, such as EPS. The Remuneration Committee may introduce non-financial performance targets in the future.</p> <p>Measures, weightings and targets will be reviewed and calibrated annually 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.</p> <p>At the threshold performance level, up to 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.</p> <p>On vesting, participants will also receive additional shares or a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting.</p> <p>At the discretion of the Committee, each participant may have a proportional part of their performance share award replaced by an HMRC approved share option granted under the CSOP schedule to the 2017 LTIP ("CSOP"), up to the maximum value of options permitted by legislation (currently £30,000). Such awards are subject to identical performance vesting conditions as the performance shares they replace.</p> <p>The conditions applicable to awards may be varied in exceptional circumstances following the grant of an award so as to achieve their original purpose, but not so as to make their achievement any more or less difficult to satisfy. Awards may also be adjusted to reflect corporate events, such as rights issues, to maintain a holder's position, but not so as to enhance it.</p> <p>The Remuneration Committee retains the discretion to override formulaic outturns under the 2017 LTIP, if these are not considered to be appropriate in the context of wider Group performance. It is the Committee's intention to settle awards in shares, but the plan rules allow for flexibility to settle in cash if required. Malus and clawback provisions apply.</p>





Element and link to strategy	Opportunity	Operation
<p><b>2021 LTIP</b></p> <p>To provide a long-term performance and retention incentive for the Executive Directors and other senior executives involving the Company's shares</p> <p>To link long-term rewards to the creation of long-term sustainable shareholder value by way of delivering on the Group's agreed strategic objectives</p> 	<p>Maximum opportunity for each of Moshe Greidinger and Israel Greidinger is an award over 1.25% of the issued share capital, and for each of Nisan Cohen and Renana Teperberg an award over 0.4% of the issued share capital. Awards over a further 0.7% of the issued share capital (in aggregate) may be granted to other senior executives who participate in the 2021 LTIP.</p> <p>Awards were granted under the 2021 LTIP in February 2021 and it is not anticipated that further awards would be made to Executive Directors under this plan.</p>	<p>Awards of nil cost options (or such other form of award as may be granted to participants in overseas jurisdictions in order to comply with local requirements) may be made to the Executive Directors and other senior executives at the discretion of the Committee. These awards shall replace awards to the Executive Directors under the 2017 LTIP for 2021, 2022 and 2023.</p> <p>Awards may vest after three years, subject to continuing employment and the achievement of absolute share price targets. Awards may continue to vest after cessation of employment in certain scenarios as permitted by the plan rules.</p> <p>If the performance conditions are achieved, awards will be subject to a two-year post-vesting holding period.</p> <p>The Committee will assess the performance targets after the three-year performance period. Threshold performance is generally intended to align to the performance of the relevant market and/or of competitors. If the maximum performance level is achieved, it would be expected that the Company would have significantly outperformed the relevant market, competitors and/or analyst forecasts.</p> <p>At the threshold performance level, 25% of an award will vest. At the maximum level of performance, 100% of an award will vest. Between these levels, vesting will be determined on a straight-line basis.</p> <p>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 the release of the applicable holding period or, if later, the date on which options are exercised.</p> <p>The conditions applicable to awards may be varied in exceptional circumstances following the grant of an award so as to achieve their original purpose, but not so as to make their achievement any more or less difficult to satisfy as compared to the date of grant. Awards may also be adjusted to reflect corporate events, such as rights issues, to maintain a holder's position, but not so as to enhance it.</p> <p>The rules of the 2021 LTIP provide that the aggregate value of shares delivered under the 2021 LTIP to any one participant cannot exceed the GBP figure calculated by multiplying the number of shares subject to an award at the date of grant by £3.80. Any award that exceeds this limit will be reduced accordingly, and the award will lapse as to the balance on the vesting date. Malus and clawback provisions apply.</p>

## DIRECTORS' REMUNERATION REPORT CONTINUED

Element and link to strategy	Opportunity	Operation
<b>Share Ownership Guidelines</b>		
To provide alignment between Executive Directors and shareholders 	N/A	<p>Each Executive Director is expected to build up a shareholding equal to 200% of their base salary.</p> <p>In order to achieve this level of shareholding, Executive Directors are expected to retain 50% of any shares they acquire under the PSP/LTIP 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.</p> <p>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.</p> <p>For newly appointed Executive Directors, the share ownership requirements continue to operate in full for two years following the cessation of employment. Incumbent Executive Directors would be required to hold any vested shares awarded under LTIPs and any unvested deferred bonus shares following the cessation of employment, to the extent the applicable holding periods existing within those schemes apply.</p>
<b>Cineworld Group Sharesave Scheme</b>		
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).	<p>Executive Directors are eligible to participate in the Sharesave Scheme, which is an HMRC approved scheme open to all employees of nominated Group companies.</p> <p>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.</p> <p>Awards may also be adjusted to reflect corporate events, such as rights issues, to maintain a holder's position, but not so as to enhance it.</p> <p>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.</p>
<b>The Chair's and the Non-Executive Directors' fees</b>		
To attract and retain high calibre Non-Executive Directors	<p>The Chair and the Non-Executive Directors receive a fixed fee for their services as members of the Board and its Committees.</p> <p>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.</p>	<p>The level of fees is determined by the Board after taking into account appropriate advice (except in the case of the Chair 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.</p> <p>No Director participates in discussions relating to the setting of his or her own remuneration.</p> <p>Fee levels are reviewed on an annual basis.</p> <p>The Board may introduce additional fees for material international travel if it believes that this is appropriate to reflect the required time commitment.</p> <p>The Chair and the Non-Executive Directors are entitled to the reimbursement of reasonable business-related expenses (including any tax payable thereon). They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.</p>

## Malus and clawback

### Annual bonus

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

### 2017 Long-Term Incentive Plan

The rules of the 2017 LTIP include “clawback” 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.

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 2017 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).

### 2021 Long-Term Incentive Plan

The rules of the 2021 LTIP include provisions under which the Committee may, in its discretion, reduce an Award (including to zero) or impose additional conditions on an Award before it is exercised (“malus”) and/or seek to “claw back” some or all of any shares following exercise of an Award. The recovery period during which the malus and clawback provisions may be exercised will run for five years from the date of grant of an award, or, if an investigation into the conduct or actions of any participant of any member of the Group has started, such longer period as the Committee may determine in order to allow the investigation to be completed.

The Committee may invoke these malus and clawback provisions in certain circumstances, including but not limited to; a material misstatement in the published results of any member of the Group, an error in assessing the performance targets or the number of shares subject to an award, or the assessment of the performance targets and/or the number of shares subject to an award being based on inaccurate or misleading information and/or misconduct on the part of the participant concerned.

The Committee may require the satisfaction of clawback in a number of ways, including by way of reduction to other Awards held by the Award Holder in question under the 2021 LTIP and/or any other employee share scheme operated by the Company, or to require the Award Holder to return some or all of the shares acquired under the Award and/or a requirement to make a cash payment to the Company in respect of the shares delivered.

### Satisfaction of Share Options and Share Awards

Awards under the 2021 LTIP, the 2017 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 2021 LTIP, the 2017 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 on the next page illustrates how the potential future compensation of the Executive Directors may vary at different levels of performance and the percentage each element may form

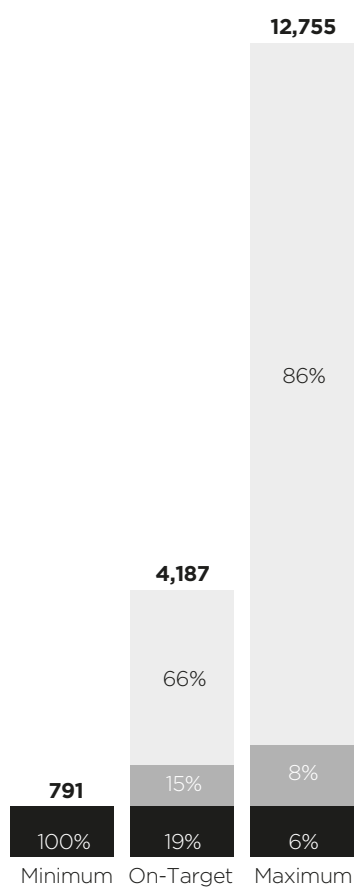
together with the possible total value. While no awards are expected to be made to the Executive Directors under this Policy, we show for completeness the potential value of the 2021 LTIP awards which were granted in February 2021.

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

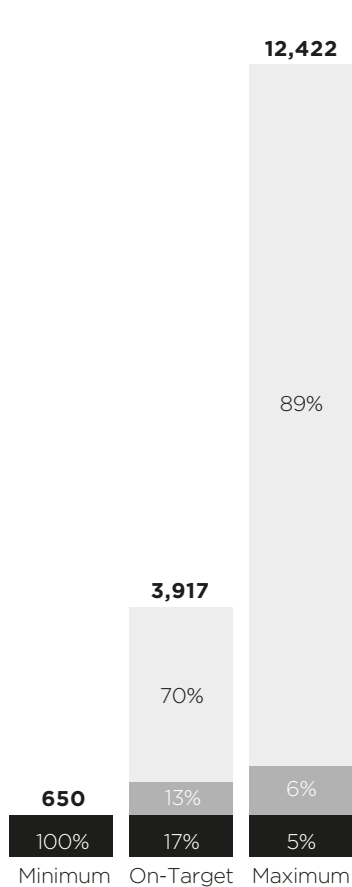
- The base salary levels are those in effect as at the date of the 2021 General Meeting. Bonus opportunity and LTIP award levels are the maximum levels set out in the Policy Table above.
- Fixed elements comprise base salary, pension and other benefits.
- Benefits levels are assumed to be the same as in 2020 for each Executive Director. Pension levels have been assumed at the same percentage of salary as in 2020.
- For target performance, assumptions of bonus pay-out of 67% of maximum and threshold vesting (25%) for LTIP awards have been made.
- For maximum performance, assumptions of bonus pay-out of 100% of maximum and maximum vesting (100%) for LTIP awards have been made. As the face value of awards under the 2021 LTIP is expressed as a fixed number of shares, the illustrations below assume the 2020 year-end closing share price of 64.1p.
- No share price increase has been assumed.
- The reporting regulations additionally require companies to disclose the level of remuneration receivable under any long-term incentives assuming share price appreciation of 50%. Awards under the 2021 LTIP require share price growth significantly above 50% in order to achieve the threshold performance target of £1.30 (c.103% growth based on the year-end share price of 64.1 pence) and so no value would be received under the 2021 LTIP for 50% growth. Growth of c.196% would be required to achieve the maximum performance target of £1.90 and for the 2021 LTIP awards to vest in full.
- In any event, the value of shares which ultimately vest under the 2021 LTIP will be capped at a notional share price of £3.80 (double the share price required to achieve the full vesting target). To the extent that the share price at vesting exceeds this cap, the number of shares vesting will be scaled back.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### CEO



### Deputy CEO



### 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.

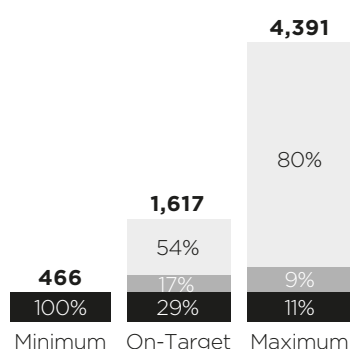
For external appointments, although there are no plans to offer additional benefits, cash and/or share-based elements on recruitment, the Committee reserves the right to do so when it considers this to be in the best interests of the Company and shareholders. Such payments will take account of remuneration 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.

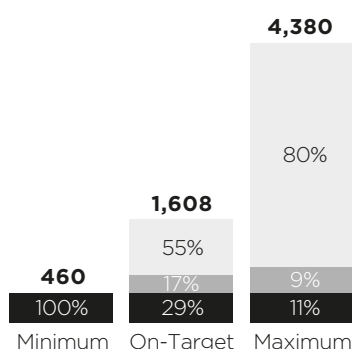
Shareholders will be informed of any Director appointment and the individual's remuneration arrangements as soon as practicable following the appointment via an announcement to the regulatory news services and on the Group's website.

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.

### CFO



### CCO



Salary shown in £000s

■ Salary, benefits & pension   ■ Bonus   ■ LTIP

## 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:

	<b>Moshe Greidinger</b>	<b>Israel Greidinger</b>	<b>Nisan Cohen</b>	<b>Renana Teperberg</b>
<b>Effective date of contract</b>	27 February 2014	27 February 2014	11 January 2017	19 July 2018
<b>Notice period</b>	12 months	12 months	12 months	12 months
<b>Remuneration</b>	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	Base salary Pension contribution Company car or car allowance Entitlement to participate in annual bonus scheme Life assurance cover Medical insurance Permanent health insurance
<b>Termination</b>	Company has right to terminate on payment on pre-agreed basis	Company has right to terminate on payment on pre-agreed basis	Company has right to terminate on payment on pre-agreed basis	Company has right to terminate on payment on pre-agreed basis
<b>Non-competition</b>	During employment and for 12 months thereafter	During employment and for 6 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 was increased to 12 months with effect from the date of the AGM in 2018.

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 their notice period, but would be eligible for a pro rata bonus for the period up to the date of the termination of their 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 2021 Long-Term Incentive Plan**

An unvested award will lapse upon a participant leaving the employment of the Group unless the participant leaves for a "permitted reason" or on their death. A "permitted reason" is any of injury, ill-health or disability (in each case evidenced to the satisfaction of the Committee), redundancy, the participant's employer company or the business division in which the participant

works ceasing to be under the control of the Company or any other reason as the Remuneration Committee in its absolute discretion otherwise determines.

Where a participant leaves for a permitted reason or dies, an award will (unless the Committee determines otherwise) be reduced on a time-apportioned basis, normally by reference to the proportion of the performance period during which the participant was in employment. The financial limit imposed under the plan for that participant will also be reduced on the same time-apportioned basis. The award will then normally vest (to the extent the performance conditions or any other condition has been satisfied, measured over the normal performance period) and remain subject to any holding period, as if the participant had not ceased employment, unless the Committee decides to measure the performance condition and/or other conditions over a shorter period and to allow the award to vest following the date of the participant's cessation of

## DIRECTORS' REMUNERATION REPORT CONTINUED

employment and/or to release the award from any holding period. Awards may then be exercised for a period of 12 months (or such longer date as the Committee may determine) from the end of the normal vesting date or the date of cessation of employment (or such other date as the Committee may determine), as applicable. If the Committee determines that an award will vest following the participant's cessation of employment, and if, as at such date, the value of an Award (taking into account the Company's share price at the date of cessation of employment), would exceed the financial limit imposed under the plan for that participant (as adjusted on a time-apportioned basis), the award will not vest in respect of such number of options as are necessary to reduce the total value of the award to the capped figure. The proportion of the award which does not vest will lapse immediately. The Committee retains the discretion to adjust the extent to which an Award vests, taking into account the underlying financial performance of the Company and any other factors it considers relevant.

If a participant dies, their award will normally vest and be released on the date of their death. Awards may then be exercised for a period of 12 months thereafter (or such longer period as the Committee may determine). The Committee retains the discretion to adjust the extent to which an Award vests, taking into account the underlying financial performance of the Company and any other factors it considers relevant. If, at the date of death, the value of an award (taking into account the Company's share price at the date of death), would exceed the financial limit imposed under the plan for that participant (as adjusted on a time-apportioned basis), the award will not vest in respect of such number of options as are necessary to reduce the total value of the award to the capped figure. The proportion of the award which does not vest will lapse immediately.

If the participant ceases to be employed within the Group as a result of the company or business in which the participant works being sold out of the Group, the Committee may require that an award is exchanged for an equivalent award over shares in another company.

Awards that have already vested before an Award Holder ceases to be employed within the Group for any reason (other than on summary dismissal), will be retained by the participant. Vested Awards may normally be exercised up to 12 months from the date of cessation

of employment. In the event that a participant dies holding a vested Award it will normally be released on death (to the extent the holding period still applies) and may be exercised (to the extent not already exercised) up to 12 months from the date of death (or such longer period as the Committee may decide).

In the event of a change of control, scheme of arrangement or winding-up of the Company all unvested awards will immediately vest, all vested awards (to the extent not exercised) and all shares issued as a result of the exercise of an award will be released (to the extent a holding period still applies to the award). Vested, unexercised Awards may then be exercised for a period of one month, after which they lapse. If the offer price in connection with a change of control of the Company exceeds £3.80, an unvested Award will not vest in connection with a change of control in respect of such number of options as are necessary to reduce the total value of the Award to the GBP figure calculated by multiplying the number of shares subject to an Award at the date of grant by £3.80. The proportion of the Award which does not vest will lapse immediately. 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 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 2017 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.

### **C. 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.

### **D. 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 or she 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.

#### **E. 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 or she 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:

<b>Non-Executive Director</b>	<b>Date of appointment</b>	<b>Notice period</b>
Alicja Kornasiewicz	26 May 2015	1 month
Arni Samuelsson	27 February 2014	1 month
Camela Galano	19 July 2018	1 month
Damian Sanders	1 August 2020	1 month
Dean Moore	11 January 2017	1 month
Rick Senat	2 July 2010	1 month
Scott Rosenblum	27 February 2014	1 month

The Non-Executive Directors, including the Chair, 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.

While 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.

Where the Company's pay policy for Directors differs from its pay policies for the wider workforce, this reflects the appropriate market rate position and/or typical practice for the relevant roles, and the Executive Directors' role in broader strategy and value creation.

#### **Consideration of shareholder views in developing policy**

The Committee will continue to engage and communicate with shareholders as appropriate regarding the Policy and take suitable action when required.

## DIRECTORS' REMUNERATION REPORT CONTINUED

# Annual Report on Remuneration

### Remuneration for 2020

This section covers the reporting period from 1 January 2020 to 31 December 2020 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 2020 financial year. Comparative figures for the 2019 financial year have also been provided.

	Financial year	Base salary and fees £000	Benefits <sup>(1)</sup> £000	Annual bonus £000	PSP <sup>(2)</sup> £000	Pension £000	Total fixed pay	Total variable pay	Total <sup>(6)</sup> £000
<b>Executive Directors</b>									
Moshe Greidinger	2020	643	55	-	-	93	791	-	791
	2019	638	58	519	373	99	795	892	1,687
Israel Greidinger	2020	515	67	-	-	68	650	-	650
	2019	511	84	416	254	66	661	670	1,331
Nisan Cohen	2020	405	1	-	-	60	466	-	466
	2019	400	-	220	77	60	460	297	757
Renana Teperberg	2020	400	-	-	-	60	460	-	460
	2019	400	3	220	77	60	463	297	760
<b>Non-Executive Directors</b>									
Alicja Kornasiewicz <sup>(4)</sup>	2020	193	-	-	-	-	193	-	193
	2019	129	-	-	-	-	129	-	129
Anthony Bloom <sup>(9)</sup>	2020	79	-	-	-	-	79	-	79
	2019	215	-	-	-	-	215	-	215
Arni Samuelsson	2020	58	-	-	-	-	58	-	58
	2019	58	-	-	-	-	58	-	58
Camela Galano	2020	58	-	-	-	-	58	-	58
	2019	58	-	-	-	-	58	-	58
Damian Sanders <sup>(3)</sup>	2020	24	-	-	-	-	24	-	24
	2019	-	-	-	-	-	-	-	-
Dean Moore <sup>(7)</sup>	2020	100	-	-	-	-	100	-	100
	2019	78	-	-	-	-	78	-	78
Helen Weir <sup>(5)</sup>	2020	21	-	-	-	-	21	-	21
	2019	10	-	-	-	-	10	-	10
Rick Senat <sup>(8)</sup>	2020	71	-	-	-	-	71	-	71
	2019	78	-	-	-	-	78	-	78
Scott Rosenblum	2020	58	-	-	-	-	58	-	58
	2019	58	-	-	-	-	58	-	58

(1) See page 71 for details of the benefits provided to the Executive Directors.

(2) As the performance targets were not met, no options for Executive Directors will vest in 2021.

(3) Damian Sanders was appointed to the Board on 1 August 2020. Figures in respect of Damian's 2020 remuneration reflect the portion of the year for which Damian was a Director.

(4) Alicja Kornasiewicz was appointed Chair of the Board and Chair of the Nomination Committee on 13 May 2020. Alicja stepped down from her position as Chair of the Remuneration Committee on 13 May 2020. The change in remuneration since 2019 reflects her changed appointments.

(5) Helen Weir stepped down from the Board on 13 May 2020. Figures in respect of Helen's 2020 remuneration reflect the portion of the year for which Helen was a Director.

(6) Includes amounts in respect of salary, fees, pension and benefits that were deferred for payment at a later date. See page 71 for details. A total of £1,118,395 is currently owed to the Directors, and will be paid at a later date.

(7) Dean Moore was appointed as Remuneration Committee Chair on 13 May 2020 and as the NED designated for Employee matters with effect from 1 January 2020, both of which account for the increase in his remuneration.

(8) Rick stepped down as Chair of the Nomination Committee on 13 May 2020, which is reflected in the decrease in remuneration.

(9) Anthony Bloom stepped down from the Board on 13 May 2020. Figures in respect of Anthony's 2020 remuneration reflect the portion of the year for which Anthony was a Director.



### 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 those of the Group. It also takes into account the progress made by the Group, contractual considerations, and salary increases across the rest of the Group.

In 2020, there were no salary increases for the Executive Directors.

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

Moshe Greidinger	£645,750
Israel Greidinger	£517,625
Nisan Cohen	£404,875
Renana Teperberg	£404,875

Part of Moshe Greidinger's, Israel Greidinger's, and Nisan Cohen's salaries are paid in Israel to enable social security and government healthcare deductions to be made.

### Salary and Fee Deferrals in 2020

For the months of April 2020 to July 2020, the Executive Directors and the Non-Executive Directors deferred 100% of their salary/fees (other than a minimal payment required by law in Israel). Such deferrals were volunteered by the Directors to mitigate the severe impact of COVID-19 on the business, and to assist with cash flow. A total of £1,118,395 is currently owed to the Directors, and will be paid at a later date.

### 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 2020 the cash pension allowance entitlement was up to 20% of salary for the CEO and Deputy CEO, and up to 14.8% of salary for the CFO and CCO. Certain of these amounts due in 2020, and included in the Single Total Figure Table, were also deferred for payment at a later point. See above for details. No Executive Director has a prospective entitlement to a defined benefit plan.

Company pension contributions/allowances for the period were:

	<b>£000</b>
Moshe Greidinger	£93
Israel Greidinger	£68
Nisan Cohen	£60
Renana Teperberg	£60

### Other benefits (audited information)

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

Benefit	Moshe Greidinger	Israel Greidinger	Nisan Cohen	Renana Teperberg
Car/car allowance	£14,000	£14,000	-	-
Permanent health insurance/private medical cover	-	-	-	-
Life assurance	£1,336	£12,537	£1,210	-
Disturbance allowance	£40,000	£40,000	-	-

Israel Greidinger and Moshe Greidinger both received a disturbance allowance of £40,000 for the period as, under the terms of their employment contracts, they are required to spend a sufficient and proportionate amount of time at different locations across the Group. Certain of these amounts due in 2020, and included in the Single Total Figure Table, were also deferred for payment at a later point.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Annual bonus (audited information)

Annual bonus opportunity for the Executive Directors in the year was 150% of base salary for the CEO and Deputy CEO and 100% of base salary for the CFO and CCO. As described further below no bonus will be payable for the 2020 financial year, due to the impact of the COVID-19 global pandemic. The Committee believes this is the right outcome for 2020, notwithstanding the exceptional and highly rated performance of the Executive Directors.

Under the Policy, two thirds of the annual bonus for the year was determined by a matrix of Adjusted EBITDA compared to budget, and the achievement of specified individual objectives. None of this element is payable if a minimum of 90% of budgeted Adjusted EBITDA is achieved. This element of annual bonus is payable in full only if 110% of budgeted Adjusted EBITDA has been met and performance against personal objectives has been exceptional. The choice of performance measures reflects the Committee's belief that variable compensation should be tied both to the overall performance of the Group and to those areas for which the individual has clear accountability. The weighting between the Group's financial performance and personal performance for this element of the annual bonus was 80% and 20%, respectively.

As the threshold for Adjusted EBITDA performance was not achieved in 2020, as a result the impact of the global pandemic, which had a severe effect on the business, none of the Adjusted EBITDA performance or personal objectives elements will pay out.

The remaining third of the annual bonus for the year was to be determined based on the delivery of synergy benefits as a result of the proposed Cineplex acquisition, measured through the Adjusted EBITDA synergies delivered during 2020. On 12 June 2020, Cineworld announced that the acquisition would not proceed and so none of this element of the bonus is payable.

In light of the financial performance in the year and the interests of our stakeholders and, especially, our employees, the Remuneration Committee believes this is the right outcome for 2020.

### 2020 annual bonus outcome

	Adjusted EBITDA performance	Threshold bonus opportunity (£000)	Maximum bonus opportunity (£000)	Bonus paid		
				% of maximum	% of salary	£000
Moshe Greidinger	The budgeted	196	969	0%	0%	-
Israel Greidinger	Adjusted	157	776	0%	0%	-
Nisan Cohen	EBITDA bonus	82	405	0%	0%	-
Renana Teperberg	threshold was not met	82	405	0%	0%	-

### The Cineworld Group 2017 Long Term Incentive Plan ("2017 LTIP") (audited information) Awards vesting following the end of the performance period ending 31 December 2020

Awards under the 2017 LTIP made in April 2018 were due to vest on 23 April 2021. As set out in note 7 to the financial statements, the Group reported negative Adjusted Diluted EPS for the year. As a result, the minimum threshold for vesting was not met, and so none of the awards granted in 2018 to the Executive Directors will vest. The performance condition that applied to these awards is summarised 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

### Awards made in the year (audited information)

Awards were made to the Executive Directors under the 2017 LTIP on 14 April 2020. 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 8% p.a.	Nil
8% p.a.	25%
15% p.a.	100%
Between 8% and 15% p.a.	Straight-line basis

The number and value of share options under the PSP/LTIP which were awarded to the Executive Directors and vested during the period are set out on page 78 of this report.

### Non-Executive Directors' fees

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

Position held	Fees as at 31 December 2020
Chair	£215,000 p.a.
Deputy Chair <sup>(1)</sup>	£118,000 p.a.
Senior Independent Director	£10,000 p.a.
Non-Executive Director (base fee)	£57,500 p.a.
Audit Committee Chair	£20,000 p.a.
Remuneration Committee Chair	£20,000 p.a.
Nomination Committee Chair	£10,000 p.a.
Employee Representative	£10,000 p.a.
Committee member	£Nil

(1) The role of Deputy Chair was created on 17 January 2019, when Alicja Kornasiewicz was appointed as Deputy Chair. On 13 May 2020, Alicja became Chair of the Company following the stepping down of Anthony Bloom.

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 (audited information)

There were no payments made to past Directors in 2020.

### External appointments

None of the Executive Directors receive any fees in relation to external non-executive roles (as set out in their biographies on pages 35 to 37).

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Directors' shareholdings at 31 December 2020 (audited information)

The interests of Directors and their connected persons in ordinary shares as at 31 December 2020, including any interests in shares and share options provisionally granted under the PSP, 2017 LTIP or 2021 LTIP, are presented below.

	Ordinary shares at 31 December 2020	Ordinary shares at 23 March 2021	Share options subject to performance conditions at 31 December 2020 <sup>(1)</sup>	Share options subject to performance conditions at 23 March 2021
<b>Executive Directors</b>				
Moshe Greidinger	277,033,678 <sup>(2)</sup>	277,033,678 <sup>(2)</sup>	2,580,985	19,743,985 <sup>(3)</sup>
Israel Greidinger	276,620,443 <sup>(2)</sup>	276,620,443 <sup>(2)</sup>	2,068,884	19,231,884 <sup>(3)</sup>
Nisan Cohen	99,549	99,549]	1,213,677	6,705,677 <sup>(3)</sup>
Renana Teperberg	143,814	143,814	1,213,677	6,705,677 <sup>(3)</sup>
<b>Non-Executive Directors</b>				
Camela Galano	10,000	10,000	-	-
Alicja Kornasiewicz	135,000	135,000	-	-
Dean Moore	15,000	15,000	-	-
Scott Rosenblum	100,000	100,000	-	-
Arni Samuelsson	9,500	9,500	-	-
Damian Sanders	57,942	57,942	-	-
Rick Senat	699,862	699,862	-	-

(1) Relates to invested awards under the 2017 LTIP. This figure includes awards made in 2018, 2019 and 2020 as the vesting date of the 2018 awards described above is not until 23 April 2021.

(2) At 31 December 2020, Global City Holdings B.V. ("GCH") held 274,720,505 shares with a further 1,000,000 shares held by Global City Theatres B.V., a wholly owned subsidiary of GCH. Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

(3) This includes options awarded to the Executive Directors under the 2021 LTIP. More details can be found on page 78.

There are currently no vested but unexercised share options in respect of the Executive Directors and, other than as set out in the table above, there were no other changes in share interests of any of the Directors after the year-end.

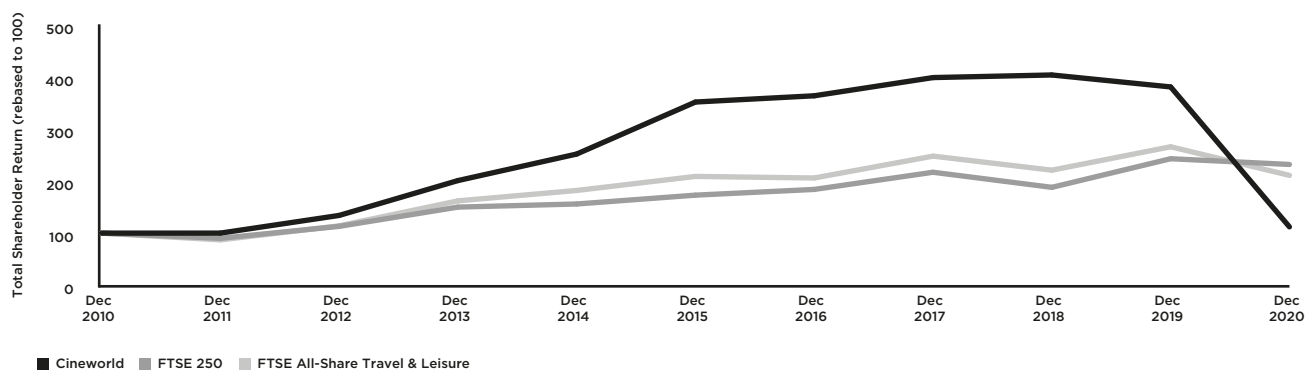
As described in the current Policy, each Executive Director is expected to build up, over a period of time, a holding in shares equal to 150% of their base salary. Under the newly proposed Policy, this level will be raised to 200% of salary.

Executive Directors	Shareholding guidelines (% of 2020 salary)	Shares owned outright (at 31 December 2019)	Shares owned outright (at 31 December 2020)	Current shareholding (% of salary as at 31 December 2020)	Guidelines met
Moshe Greidinger	150%	1,015,168	1,313,173	130%	Building
Israel Greidinger	150%	696,754	899,938	111%	Building
Nisan Cohen	150%	38,230	99,549	16%	Building
Renana Teperberg	150%	82,495	143,814	23%	Building

In prior years, the shareholdings of Moshe Greidinger and Israel Greidinger have been sufficient to exceed the shareholding guideline of 150% of salary. However, despite acquiring additional shares in the year through the vesting of PSP awards, the extreme share price movements of 2020 have meant that the guideline was not met at the end of 2020. The share price used for the purposes of this calculation was the share price at the 2020 year end.

## Ten-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 ten 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 <sup>(1)</sup>	Bonus as proportion of maximum opportunity	LTI vesting as proportion of maximum opportunity
2020	£791	0%	0%
2019	£2,109	54%	100%
2018	£2,756	91%	100%
2017	£2,346	79%	100%
2016	£2,973 <sup>(2)</sup>	79%	100%
2015	£1,213	87%	– <sup>(3)</sup>
2014	£1,440	76%	100%
2013	£1,326	41%	81%
2012	£1,258	60%	99%
2011	£1,252	68%	100%

(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%.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Percentage increase in directors' remuneration

The percentage changes in the value of salary, non-pension benefits and bonus between 2019 and 2020 for the Directors and employees generally are set out in the table below:

	Base salary and fees	Non-Pension benefits	Annual bonus
<b>Employees<sup>(1)</sup>:</b>	0%	0%	(100%)
<b>Executive Directors:</b>			
Moshe Greidinger	0%	(4.21%)	(100%)
Israel Greidinger	0%	(20.95%)	(100%)
Nisan Cohen	0%	100%	(100%)
Renana Teperberg	0%	(100%)	(100%)
<b>Non-Executive Directors:</b>			
Alicja Kornasiewicz	63.04% <sup>(2)</sup>	-	-
Anthony Bloom	0%	-	-
Arni Samuelsson	0%	-	-
Camela Galano	0%	-	-
Damian Sanders	0%	-	-
Dean Moore	38.46% <sup>(2)</sup>	-	-
Rick Senat	(12.80%) <sup>(2)</sup>	-	-
Scott Rosenblum	0%	-	-
Helen Weir	0%	-	-

(1) The figures reflect increases for UK- and US-based salaried employees excluding the Senior Management group and employees employed on an hourly rate basis. This group has been selected as being reflective of the jurisdictions in which the CEO spends a significant amount of his time.

(2) Alicja Kornasiewicz's fees increased with effect from 13 May 2020 on her appointment as Chair of the Company. Rick Senat's fees decreased with effect from 13 May 2020 when he stepped down as Chair of the Nomination Committee. Dean Moore's fees increased with effect from 1 January 2020 in relation to his role as Employee Representative, and again on 13 May 2020 following his appointment as Chair of the Remuneration Committee.

### 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 relative importance of pay spend:

	2020	2019	% change
Directors' remuneration costs <sup>(1)</sup>	£3.0m	£6.1m	(51%)
Staff and employee costs	\$244.1m	\$555.0m	(56%)
Corporation tax (paid)/received	\$6.2m	\$(108.1)m	(106%)
Dividends paid	\$51.4m	\$520.2m	(90%)
Retained earnings	\$(57.5)m	\$2,645.2m	(102%)

Figures in the table above are set out in USD to align with the figures as stated in the financial statements, except for the Directors' Remuneration figures, which are set out in sterling to align with the figures contained in the Single Total Figure Table on page 70.

### Shareholder voting results from 2020 AGM

The Directors' Annual Report on Remuneration was subject to a shareholder vote at the AGM on 13 May 2020, the results of which were as follows:

Remuneration Report	Number of votes	% of votes cast
For	968,054,069	93.40%
Discretionary	184,088	0.01%
Against	68,295,101	6.59%
Total votes cast	1,036,533,258	100%
Votes withheld <sup>(1)</sup>	43,030	-

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

## Shareholder voting results in respect of Remuneration Policy

The Remuneration Policy was subject to a shareholder vote at the GM on 25 January 2021, the results of which were as follows:

Remuneration Policy	Number of votes	% of votes cast
For	632,316,759	68.73
Discretionary	4,769,191	0.52
Against	282,835,313	30.75
Total votes cast	919,921,263	100
Votes withheld <sup>(1)</sup>	168,554	-

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

## CEO to UK employee pay ratio

The table below presents the Company's CEO to UK worker pay ratio. The ratios compare the unadjusted single total figure of remuneration of the CEO with the equivalent figures for the lower quartile (P 25), median quartile (P 50) and upper quartile (P 75) of all UK employees of the Group. The reporting will build up over time to show a rolling ten-year period.

Because a significant number of Cineworld's UK employees were furloughed at 5 April 2020 (the snapshot date for our Gender Pay Gap report), the Remuneration Committee did not believe Option B would result in a representative sample of Cineworld's employees. Instead, the calculation methodology used reflects Option C, adding back furloughed employees into the Gender Pay Gap reporting sample on a full-time equivalent basis. This option builds upon data analysed within our Gender Pay Gap report, with employees at the three quartiles identified from this analysis and their respective single figure values calculated. This option was chosen as it represents the most consistent approach with the previous year. To ensure the identified employees were representative, the total remuneration for a group of individuals above and below the identified employee at each quartile within the Gender Pay Gap analysis were also reviewed.

Year	Method	P 25 pay ratio	P 50 pay ratio	P 75 pay ratio
2020	Option C <sup>(1)</sup>	47: 1	45: 1	41: 1
2019	Option B	95: 1	91: 1	80: 1

(1) Option C is considered to be the most consistent methodology to that used in 2019.

In order to calculate the base salary component for the representative employees, the hourly rate of pay was multiplied to arrive at a full-time equivalent rate. Note that the pension rate available to the majority of the UK workforce (4%) was applied to the full-time equivalent base salary rate for each representative employee. The base salary and total pay and benefits for each of the representative employees are presented in the table below. No element of pay was omitted from the calculation.

Component	P 25 pay ratio	P 50 pay ratio	P 75 pay ratio
Base salary	£16,185	£17,004	£18,584
Total pay and benefits	£16,832	£17,714	£19,327

The Committee has reviewed the ratios and pay data for the individuals identified at each of the relevant quartiles and believes they are a fair reflection of the Company's wider pay, reward and progression policies of the UK workforce. The pay ratio results reflect the impact of the vesting of annual and long-term incentives which make up a higher proportion of the Chief Executive Officer's total remuneration; the lower ratios in 2020 than in 2019 are primarily driven by the lack of annual bonus or long-term incentive being paid in the year. It should be noted that the calculation is based solely on the UK workforce and hence the ratios will not be representative of the Group as a whole. The UK workforce accounts for approximately 20% of the Group's total headcount and a proportion of the SMT are based outside the UK. Employees have been included on a full-time equivalent basis, excluding the impact of furlough. This was considered by the Remuneration Committee to be the most consistent basis for calculating the CEO pay ratio in order to allow for year-on-year comparison.

Cineworld has a range of policies and practices to ensure that employees are fairly rewarded for the work they undertake. These include offering a valued total reward package that includes an all-employee bonus scheme that allows employees to share in the success of the Group. We also operate a robust approach to salary management that is underpinned by market benchmarking to ensure we offer competitive and fair rates of pay across all the different markets in which we operate.

## 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 Option Schemes as follows:

**2017 LTIP:** Awards consisting of nil cost options over shares were granted to the CEO, Deputy CEO, CFO and CCO equivalent in value to 200%, 200%, 150% and 150% of their base salaries (as at 1 March 2020) respectively on 14 April 2020 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 72.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Cineworld Group Performance Share Plan and 2017 Long Term Incentive Plan (audited information)

Details of awards made and vesting during the period are set out below. All figures have been adjusted for the February 2018 rights issue where applicable:

Name of Director	At 1 January 2020	Awarded during year <sup>(4),(5)</sup>	Vested during year	Exercised during year	Lapsed during year	At 31 December 2020	Exercise price	Market value at date of exercise <sup>(1)</sup>	Exercise period <sup>(2)</sup>	Gain <sup>(3)</sup>
Moshe Greidinger	1,206,929	1,672,061	298,005	298,005	-	2,580,985	£Nil	£0.614	6 months	£325,834
Israel Greidinger	931,766	1,340,302	203,184	203,184	-	2,068,884	£Nil	£0.614	6 months	£222,158
Nisan Cohen	488,730	786,266	61,319	61,319	-	1,213,677	£Nil	£0.614	6 months	£67,045
Renana Teperberg	488,730	786,266	61,319	61,319	-	1,213,677	£Nil	£0.614	6 months	£67,045

(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 2020, are set out on page 72).

(3) 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 £142,873.33 for Moshe Greidinger, £97,413.06 for Israel Greidinger, £29,398.27 for Nisan Cohen, and £29,398.27 for Renana Teperberg.

(4) Mid-market closing price of a Cineworld Group plc share on 14 April 2020 was £0.63 (award levels were based on the closing share price on 9 April 2020, being £0.7724). The face value of the awards to Israel Greidinger, Moshe Greidinger, Nisan Cohen and Renana Teperberg were £1,291,500, £1,035,250, £607,312 and £607,312, respectively. All awards were granted as nil cost options. Threshold vesting is 25% of maximum.

### Share and Share Options awards granted after the year end

Awards were granted on 8 February 2021 under the 2021 LTIP, as approved by shareholders at the January 2021 General Meeting, which will vest after three years, subject to the achievement of applicable performance targets. A further two-year post-vesting holding period will apply on any vesting shares. Awards were granted over 1.25% of the issued share capital to each of Moshe Greidinger and Israel Greidinger and 0.4% of the issued share capital to each of Nisan Cohen and Renana Teperberg. Details of the awards are set out below. Awards are subject to continued employment and the achievement of the performance conditions as set out below.

### Cineworld Group 2021 Long-Term Incentive Plan

Details of awards made on 8 February 2021 are set out below:

Name of Director	Awarded	Exercise price	Vesting date
Moshe Greidinger	17,163,000	£Nil	8 February 2024
Israel Greidinger	17,163,000	£Nil	8 February 2024
Nisan Cohen	5,492,000	£Nil	8 February 2024
Renana Teperberg	5,492,000	£Nil	8 February 2024

Awards will vest subject to the share price targets set out below:

Target share price <sup>(1)</sup>	Vesting <sup>(2)</sup>
£1.30	(Threshold) 25%
£1.50	50%
£1.70	75%
£1.90	(Maximum) 100%

(1) Target share price means the average share price over a three-month period ending on the last business day of the performance period.

(2) Where the average share price (calculated over a three-month period ending on the last business day of the performance period) is between one of the targets above, awards will vest on a straight-line basis between 25% and 100%.

The aggregate value of shares delivered to any one participant under the new plan cannot exceed the GBP figure calculated by multiplying the number of shares subject to an award at the date of grant by £3.80. Any award that exceeds this limit will be reduced accordingly, and the award will lapse as to the balance on the vesting date.

Details of the awards for Executive Directors that were due to vest in April 2021 (audited information):

Name of Director	Date awarded	Number awarded	Vesting date	Number vesting	Number lapsing	Exercise price	Exercise period
Moshe Greidinger	23 April 2018	487,238	23 April 2021	-	487,238	£Nil	6 months from vesting
Israel Greidinger	23 April 2018	390,564	23 April 2021	-	390,564	£Nil	6 months from vesting
Nisan Cohen	23 April 2018	229,118	23 April 2021	-	229,118	£Nil	6 months from vesting
Renana Teperberg	23 April 2018	229,118	23 April 2021	-	229,118	£Nil	6 months from vesting



**Cineworld Group Company Share Option Plan (“CSOP”)**

No Director was granted an option during the period and no options vested during the period under the CSOP.

No Director, past or present, holds a CSOP option which will vest in the 2021 financial year.

**Cineworld Group Sharesave Scheme**

No Directors currently participate in any Company Sharesave Scheme.

**Implementation of Policy in 2021**

The Remuneration Committee intends to implement the Directors' Remuneration Policy for the financial year 2021 as follows:

In light of the current circumstances flowing from the COVID-19 pandemic, the Committee has decided that salaries and other benefits for the Executive Directors will not be increased in July 2021, being the Company's usual review date. In line with the proposed approach to pension in the new Remuneration Policy, pension arrangements will remain unchanged for the CEO and Deputy CEO in 2021 but will align with the employer contribution offered to other employees in Israel from 1 January 2023. This represents a 5% reduction in their current entitlement. The CFO and CCO's pension arrangements are already aligned with employees in Israel.

The maximum annual bonus opportunity will be 150% of salary for the CEO and Deputy CEO and 100% of salary for the CFO and CCO.

For 2021, the bonus is based on a combination of performance against the agreed budgeted financial measures and personal performance levels. The budgeted financial measures were agreed in the context of uncertain cinema reopening dates, but the Remuneration Committee will review budget and targets as cinemas reopen during 2021. The weighting of these measures is circa 70% financial performance and 30% personal performance. Bonus targets are not disclosed on the grounds of commercial sensitivity. Bonus payments will be subject to the Remuneration Committee's discretion to apply "malus" and, following payment, the Committee will retain the discretion to "claw back" bonuses in the case of misconduct or misstatement of financial results.

Awards were granted under the 2021 LTIP in February 2021 and Executive Directors who received awards under the 2021 LTIP will not receive further long-term incentive awards in 2021, 2022 or 2023 under the new Directors' Remuneration Policy.

**Remuneration Committee advisers**

Until May 2020, the Company continued to receive advice from EY, who attended two scheduled meetings during the year at the request of the Committee. In December 2020, following a review process by the Committee, FIT Remuneration Consultants LLP ("FIT") were appointed as advisers. FIT also provided advice to the Company and to the Remuneration Committee during the year, from August 2020. As members of the Remuneration Consultants Group, both FIT and EY operate under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received from both firms was objective and independent. Fees payable to FIT and EY for advice to the Remuneration Committee in 2020 were £16,530 plus VAT and £25,701 plus VAT respectively.

Other than the provision by EY of tax consultancy services to the Company, neither EY nor FIT has any other connection with the Company or any of its individual Directors.

The Committee also received assistance from the Chair of the Company (Alicja Kornasiewicz), the Chief Executive Officer (Moshe Greidinger), the Deputy Chief Executive Officer (Israel Greidinger), the Chief Financial Officer (Nisan Cohen), 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.

**Directors' service contracts**

All Directors' service contracts and letters of appointment are available for inspection at the Company's registered office. All Executive Directors have a notice period of 12 months. The Non-Executive Directors of the Company do not have service contracts but are appointed by letters of appointment, with each independent Non-Executive Director's term of office running for a maximum three-year period.

**Incorporation by reference**

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

By order of the Board

**Dean Moore**

Chair of the Remuneration Committee  
25 March 2021

## DIRECTORS' REPORT

The Directors present their Annual Report and the audited Consolidated Financial Statements for the year ended 31 December 2020. The comparative period is the year ended 31 December 2019.

### Management Report

This Directors' Report, together with the Strategic Report on pages 1 to 31, 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 55
Corporate Governance Statement	Pages 32 to 56
Diversity, human rights and Our people	Pages 23 to 24 (Resources and Relationships)
Directors' biographies	Pages 35 to 37
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 26, Page 156
Going Concern statement	Pages 34, 53 to 54 and 103 to 105 – Note 1
Key Performance Indicators	Pages 10 to 13
An indication of likely future developments in the business affecting the Company	Pages 1 to 31 (Strategic Report)
Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements	Page 87
Viability Statement	Pages 20 and 21

### 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 Group 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 2020 are presented under International Financial Reporting Standards ("IFRSs") 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 Group results for the year are set out in the Consolidated Statement of Profit or Loss on page 98.

The interim dividend of 3.75 United States cents per ordinary share in respect of the third quarter of 2019 was paid to shareholders on 10 January 2020. The total cash consideration was \$51.4m. The distribution of dividends on our ordinary shares is subject to validation by the Board of Directors and must be in line with applicable law. The Board validates the amount of future dividends to be paid, taking into account the cash balance then available, the anticipated cash requirements, the overall financial situation, restrictions on loan agreements, future prospects for profits and cash flows, as well as other relevant factors. On 7 April 2020 the Board announced the suspension of the 2019 fourth quarter dividend of 4.25 cents per share to conserve cash for the Group.

### Events affecting the Company since the year end

On 25 January 2021, the Group held a General Meeting. At this meeting the shareholders of the Company approved a new Directors' Remuneration Policy and the new Long-Term Incentive Plan. Grants under the new Long-Term Incentive Plan were made on 8 February 2021, and more details may be found in the Directors' Remuneration Report on page 78.

### 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 26 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 31. In addition, Note 26 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, US, Jersey, Ireland, Poland, Israel, Hungary, Czech Republic, Bulgaria, Romania and Slovakia.

## Substantial shareholdings

At 31 December 2020, 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 <sup>(1)</sup>	Nature of holding
Global City Holdings B.V. <sup>(2)</sup>	275,720,505	20.08	Direct and Indirect
Jangho Group Company Ltd	128,940,251	9.39	Direct
Polaris Capital Management LLC	98,089,253	7.14	Indirect
Morgan Stanley	90,212,076	6.57	Direct and Indirect
Aggregate of Standard Life Aberdeen Plc (affiliated investment management entities)	75,965,923	5.53	Direct and Indirect
Aviva plc and its subsidiaries	67,027,369	4.89	Direct and Indirect

(1) Percentages are stated as at the time of notification. The total number of voting rights at 31 December 2020 was 1,372,797,489.

(2) At 31 December 2020, Global City Holdings B.V. ("GCH") held 274,720,505 shares with a further 1,000,000 shares held by Global City Theatres B.V., a wholly owned subsidiary of GCH. Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

As at 23 March 2021, being the latest practicable date, the Company had been notified of the following updated positions:

Shareholder	Voting rights	% of total voting rights <sup>(1)</sup>	Nature of holding
Jangho Group Company Ltd	165,382,410	12.05%	Direct
Polaris Capital Management LLC	111,749,317	8.14%	Indirect
Aggregate of Standard Life Aberdeen Plc (affiliated investment management entities)	69,853,242	5.088%	Direct and Indirect

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

## Major shareholder voting arrangements

Global City Theatres B.V. ("GCT") is interested in aggregate in 20.08% 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 replaced 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 Chair 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 25 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 regulations 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.

No ordinary shares carry any special rights with regard to control of the Company. Except as stated in the paragraph directly above and the Major Shareholder Voting Arrangements section 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.

## DIRECTORS' REPORT CONTINUED

### 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. The last changes were approved by shareholders at the AGM held on 16 May 2018.

### 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 (i) under its current banking arrangements, a change of control may trigger a right for lenders to require early repayment of all sums outstanding, and (ii) provisions in the Company's share schemes may cause options or awards granted to employees to vest on a change of control.

No Director or employee is contractually entitled to compensation for loss of office or employment as a result of change in control; however, as described above, options or awards granted to employees may vest on a change of control.

### Issue of new shares and authority to purchase shares

At the AGM held on 13 May 2020, shareholders gave authority for the allotment of shares up to an aggregate nominal value of £4,573,167.60 subject to certain conditions. This authority will expire at the 2021 AGM of the Company or on 12 August 2021, whichever is earlier.

Between 1 January 2020 and 31 December 2020, a total of 847,196 shares were issued. Further details of the shares issued in this period are set out in Note 25 to the financial statements.

At the AGM held on 13 May 2020, shareholders gave authority for the purchase of up to 137,195,020 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).

### Equity Warrants

As announced on 23 November 2020, 153,539,786 equity warrants, which are each exercisable into one share of the Company at an exercise price of 41.49 pence, were issued on a non-pre-emptive basis alongside new debt, with proceeds of such exercise being retained by the Company. The warrants are exercisable at any time during the next five years and represent 9.99% of the fully diluted ordinary share capital of the Company assuming full exercise of the warrants. More details may be found in the CFO Review on pages 26 to 31.

### Directors' interests at year end

Director	Ordinary shares held directly		Ordinary shares held by companies in which a Director has a beneficial interest or is connected	
	31 December 2019	31 December 2020	31 December 2019	31 December 2020
Alicja Kornasiewicz	135,000	<b>135,000</b>	-	-
Nisan Cohen	38,230	<b>99,549</b>	-	-
Camela Galano	-	<b>10,000</b>	-	-
Israel Greidinger	696,754	<b>899,938</b>	384,131,720 <sup>(1)</sup>	<b>275,720,505<sup>(1)</sup></b>
Moshe Greidinger	1,015,168	<b>1,313,173</b>	384,131,720 <sup>(1)</sup>	<b>275,720,505<sup>(1)</sup></b>
Dean Moore	15,000	<b>15,000</b>	-	-
Scott Rosenblum	100,000	<b>100,000</b>	-	-
Arni Samuelsson	9,500	<b>9,500</b>	-	-
Damian Sanders	-	<b>57,942</b>	-	-
Rick Senat	274,447	<b>699,862</b>	-	-
Renana Teperberg	82,495	<b>143,814</b>	-	-

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

## 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
Alicja Kornasiewicz	135,000	-
Nisan Cohen	99,549	-
Camela Galano	10,000	-
Israel Greidinger	899,938	275,720,505 <sup>(1)</sup>
Moshe Greidinger	1,313,173	275,720,505 <sup>(1)</sup>
Dean Moore	15,000	-
Scott Rosenblum	100,000	-
Arni Samuelsson	9,500	-
Damian Sanders	57,942	-
Rick Senat	699,862	-
Renana Teperberg	143,814	-

(1) 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.

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, and at the last practicable date, as set out in the tables above.

Details of the interests in the ordinary shares of the Company arising under the Group's share option schemes are set out in the Remuneration Report on page 74. 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 discloseable interest in the shares of Group companies other than the Company.

## Appointment and replacement of directors

The appointment and replacement of directors is governed by the Company's Articles, the UK Corporate Governance Code (the "Code"), the Companies Act 2006 and related legislation. All directors intending to continue in office seek election or re-election by shareholders at each AGM. The Articles may be amended by a special resolution of the shareholders.

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Director	
Anthony Bloom	Stepped down from the Board on 13 May 2020
Alicja Kornasiewicz	
Nisan Cohen	
Camela Galano	
Israel Greidinger	
Moshe Greidinger	
Dean Moore	
Scott Rosenblum	
Arni Samuelsson	
Damian Sanders	Appointed to the Board on 1 August 2020
Rick Senat	
Renana Teperberg	
Helen Weir	Stepped down from the Board on 13 May 2020

Following the Board evaluation process undertaken in 2020, 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 are set out in the Directors' Remuneration Report on pages 57 to 79 and information on their service contracts are set out in the Remuneration Policy on page 67.

## DIRECTORS' REPORT CONTINUED

### Conflicts of interest

The Articles permit the Board to consider and, if it sees fit, 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 B.V. ("GCH") (and/or its subsidiary undertakings). Further details of the amounts paid under these agreements can be found in Note 28 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, in Note 28 to the financial statements and in the Remuneration Policy contained on pages 60 to 69.

### Directors' and Officers' insurance and indemnity

The Company maintains a qualifying third party indemnity insurance cover for all Directors and Officers of Group companies against liabilities which may be incurred by them while 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

In line with the Group's policy, no donations to political parties were made during the year.

### Employees

The health, welfare and development of the Group's employees remain a priority. In view of the global COVID-19 pandemic, this year in particular a number of extra health and safety measures have been established to ensure our environments are COVID secure and our people remain safe and well. In support of this, we established new training materials, both online and on the job, to ensure our teams understood the extra COVID safety measures that had been developed for both their benefit and those of our customers. Furthermore, we undertook research and consulted with employee representatives, where relevant, regarding the additional COVID measures being taken to ensure our teams were fully engaged and had the opportunity to provide feedback on our plans.

More broadly, we remain intent on attracting, recruiting, developing and retaining key employees. Cineworld maintains a number of policies and procedures for the benefit of its employees, which are available to all employees across the Group. Continuing education, training and development are important to ensure the future success of the Group.

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 Group 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 Group supports individuals who wish to obtain appropriate further education qualifications and reimburses tuition fees, where relevant, up to a specified level. Regular and open communication between management and employees is essential for motivating the workforce. Briefings, in many various forms, are held regularly to provide updates on the Group's business and to provide opportunity for questions and feedback. The Group encourages the involvement of employees in its performance through the operation of various bonus schemes throughout the Group.

### Employee and stakeholder engagement

The Company is aware of its workforce engagement obligations and details of how the Directors have engaged with employees, had regard to employee interests, and the impact of such regard on decisions taken by the Company during the period can be found throughout this Annual Report, in particular in the Resources and Relationships section on pages 23 to 24.

Engagement with stakeholders (including suppliers, customers and others) has continued to be an area of focus and details of the ways in which the Directors have sought to foster the Company's commercial relationships and relationships with the communities in which the Group operates its businesses, including in the context of the global pandemic, can be found within the Resources and Relationships section of the report on pages 22 to 25 and on pages 44 to 45.

## Environmental matters and greenhouse gas emissions

Information on the Group's environmental policies is summarised in the Resources and Relationships section on page 25. The greenhouse gas ("GHG") emission data and supporting information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is set out below.

### Mandatory disclosure

The information provided below complies with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018; the latter commonly referred to as Streamlined Energy and Carbon Reporting or "SECR".

### Organisational boundary, methodology and exclusions

The organisational boundary used for the Company's GHG reporting is operational control. The below figures capture emissions associated with the operation of cinemas, as well as any administrative buildings. The report refers to emissions from the UK, US, and ROW. This information was collected and reported in line with the methodology set out in the UK government's Environmental Reporting Guidelines 2019.

Emissions have been calculated using the 2020 conversion factors provided by Department of Business, Energy and Industrial Strategy. There are no material omissions from the mandatory scope 1 and 2 emissions. The reporting period is October 2019 to September 2020. The financial year for Cineworld Group plc is January to December 2020. However, the reporting period has been offset by three months to enable the collation of the maximum amount of data.

### 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, scope 3 transmission and distribution (from electricity) emissions have been reported voluntarily.

### 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).

### GHG emissions data

The GHG emissions for the Group for the 12-month period to 30 September 2020 are shown in Table 1 below in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

**Table 1: 2020 emissions (tonnes tCO<sub>2</sub>e)**

Emissions source	2019 tCO <sub>2</sub> e	2020 tCO <sub>2</sub> e	% Change	Share %
Natural gas	60,821	<b>42,386</b>	-30%	16.5%
Electricity	472,314	<b>212,160</b>	-55%	82.3%
Refrigerant	6,649	<b>2,459</b>	-63%	1.0%
Transportation	2,201	<b>712</b>	-68%	0.3%
<b>Total emissions (tCO<sub>2</sub>e)</b>	541,987	<b>257,717</b>	-52%	<b>100%</b>

The GHG emissions for the Group broken down into their respective scopes are shown below in Table 2.

**Table 2: 2020 emissions by Scope (tonnes tCO<sub>2</sub>e)**

Emissions source	Scope 1	Scope 2	Scope 3	Total
Natural gas	42,386	0	0	42,386
Electricity	0	202,329	9,831	212,160
Refrigerant	2,459	0	0	2,459
Transportation	712	0	0	712
<b>Total</b>	<b>45,557</b>	<b>202,329</b>	<b>9,831</b>	<b>257,717</b>

### Energy consumption

As part of the requirements for compliance with the Streamlined Energy and Carbon Reporting scheme, Table 3 shows the consumption data by source in kWh. As refrigerant use generates no kWh, this has been omitted.

Emissions source	2019 kWh	2020 kWh	% Change	Share %
Natural gas	292,748,043	230,520,317	-21%	32.0%
Electricity	844,734,573	485,957,463	-42%	67.5%
Transportation	7,354,904	2,983,404	-59%	0.4%
<b>Total</b>	<b>1,144,837,521</b>	<b>719,461,184</b>	<b>-37%</b>	<b>100%</b>

## DIRECTORS' REPORT CONTINUED

### Estimates and exclusions

United States electricity data for April was estimated by site using an average kWh value based on the rest of the year. This resulted in 4% of Group emissions being estimated.

### Emissions intensity

The chosen carbon intensity measure is financial turnover due to ready availability of the data. The value for the year 2020 was 302.38 tonnes CO<sub>2</sub>e per \$1m turnover. For comparison, 2019's intensity was 125.9 tonnes CO<sub>2</sub>e per \$1m turnover. The change in total emissions in 2020 relative to 2019 reflects the severe impact that COVID closures had on Group turnover, as well as the change in calculation methodology for 2020.

### Energy efficiency measures – Group Initiatives

Cineworld Group plc has been working with Inenco, its external energy advisers, to try to reduce carbon emissions across the UK estate by 5% annually against a baseline year of 2018. This project was started in May 2019.

As part of the project, a baseline model was created per cinema. The process for setting a baseline involved the investigation of variables including cooling degree day and heating degree day indices, that affect the energy consumption in cinemas by using single and multiple regression method. The results from the regression method are used to create a baseline energy model. Following the results, energy efficiency measures were introduced and implemented in several larger cinemas in the UK, focusing on optimised cooling systems. Measures included modifying temperature and time setpoints, and optimising the Heating Ventilation and Air Conditional system overall, as this was the primary source of electricity usage.

The Company has also been investigating the impact of energy efficient projector systems and on-site generation would have, while also raising energy awareness with regional management teams. Furthermore, the Inenco engineers carried out energy audits in cinemas, evaluating the status and identifying further energy saving opportunities. It is anticipated that further work in this area will be undertaken following the reopening of cinemas.

### Task Force on Climate-related Financial Disclosures (“TCFD”)

The Company is aware of the need to report under the TCFD framework for the financial year year ending 31 December 2021, and is working to ensure that it meets all requirements to enable it to do so.

### Annual General Meeting

The Notice convening the AGM, to be held at Vantage London, Great West Road, Brentford TW8 9AG at 10.30am on 12 May 2021, 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 2019, PricewaterhouseCoopers LLP was formally appointed as External Auditor at the AGM in 2020. 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 or she ought to have taken as a Director to make himself or herself 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

25 March 2021

Registered Office:  
8th Floor  
Vantage London  
Great West Rotad  
Brentford  
TW8 9AG  
Registered: England No: 5212407



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### 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 accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union"). The Directors 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- 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 Finance 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 Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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  
25 March 2021

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CINEWORLD GROUP PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion:

- Cineworld Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's and company's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the "Annual Report"), which comprise: consolidated statement of financial position and company statement of financial position as at 31 December 2020; consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity and consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the group in the period under audit.

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and company's ability to continue as a going concern.

The global pandemic has had a significant impact on the cinema exhibition industry, with the group's cinemas being closed for a significant part of 2020. During 2020, the group secured additional liquidity, agreeing terms for an extension of the \$111 million existing revolving credit facility (RCF), a new \$250 million secured loan in the Rest of World, and a further secured facility of \$450 million. The group also agreed waivers on pre-existing financial covenants until June 2022. The new \$450 million facility introduced a new minimum liquidity covenant, whereby the group is required to maintain an agreed monthly minimum level of liquidity, with restrictions on expenditure up until the point that the group achieves admission levels consistent with 80% of comparable periods in 2019 for a period of three consecutive months.

In light of the ongoing global pandemic, there remain material uncertainties over the short term in respect of the impact that this will continue to have on the group and the cinema exhibition industry. Management's basis of preparation in note 1 to the financial statements sets out the key assumptions in respect of both the weighted base case and severe but plausible downside forecasts.

In respect of the weighted base case, this currently forecasts sufficient liquidity for the going concern period, however it is sensitive to the ability to open cinemas in May 2021 at 60% of 2019 admission levels (increasing to 90% of 2019 admission levels by the fourth quarter of 2021), there being no significant delays to the current forecast movie slate, and no increases in government restrictions as a result of new Covid-19 variants, including further lockdowns over the going concern period. In the event of any of these situations materialising, a delay in the US CARES act tax receipt post April 2021 or the Dissenting Shareholders not agreeing to a deferred payment plan, then changes to the minimum liquidity covenant and further liquidity may be required as detailed in the severe but plausible downside forecasts.

These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the directors' assessment of the impact of reduced admission levels, changes to the forecast movie

- slate, further government restrictions as a result of new Covid-19 variants or further lockdowns, changes to the timing of contractual cash flows, and the ability of the group to manage costs, together with consideration of the covenant calculations;
- In assessing the impact of the above scenarios, referred to in note 1 of the financial statements, we performed the following procedures on the directors' assessment that the group and company will continue as a going concern:
    - agreed the underlying cash flow projections to management approved forecasts, assessed how these forecasts are compiled, and assessed the accuracy of management's forecasts by reviewing third-party industry and analysts' reports and applying appropriate sensitivities to the growth projections where required;
    - evaluated the assumptions in respect of the costs that could be avoided in a period of reduced attendance and/or closure of the cinemas;
    - assessed the impact of the mitigating factors available to management in respect of reducing cash flows over the going concern period, in particular relating to the terms of the covenants in place in restricting certain contractual cash flows;
    - checked the mathematical accuracy of the spreadsheet used to model future financial performance and determined in what circumstances there was a risk that the covenants may be breached;
    - held discussions with external legal advisors over the cash flow restrictions within the new financing arrangement and the enforceability of the clause under US law; and
    - engaged our US tax experts to assess the likelihood and timing of recovery of the US CARES Act tax cash receipt.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainties identified in note 1 to the financial statements, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting, or in respect of the directors' identification in the financial statements of any material uncertainties which may cast significant doubt upon the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Our audit approach Overview

### Audit scope

- The group operates in 10 countries, across 16 reporting units
- The eight reporting units, where we performed an audit of their complete financial information, accounted for 88% of group revenue and 89% of group loss before tax, adjusted for exceptional items

### Key audit matters

- Material uncertainty related to going concern
- Impairment of property, plant and equipment and right of use assets (group)

- Impairment of goodwill and indefinite lived intangibles (group)
- Impairment of investments (parent)
- Recoverability of deferred tax assets (group)
- Accounting for additional financing (group)
- Consideration of the impact of Covid-19 (group and parent)

### Materiality

- Overall group materiality: \$14.1 million (2019: \$14.1 million) based on 5% of average absolute profit/loss before tax (excluding exceptional items) over a three-year period (2018, 2019, 2020). This would have resulted in an increase in materiality given the size of the loss in 2020. Since we consider an increase in materiality would be inappropriate in the context of group's results, we then capped this at the overall materiality level from the prior year.
- Overall company materiality: \$16.7 million (2019: \$43.6 million) based on 1% of total assets.
- Performance materiality: \$9.2 million (group) (2019: \$9.2 million) and \$10.9 million (company) (2019: \$28.3 million).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing rules, UK and US tax legislation and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CINEWORLD GROUP PLC CONTINUED

- Enquiry of management, those charged with governance and the group's legal counsel around actual and potential fraud and non-compliance with laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.
- Enquiry of group's staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Obtaining and understanding the results of whistle blowing procedures and assessing any related investigations.
- Enquiry of the group's Head of Internal Audit and reviewing internal audit reports.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Recoverability of deferred tax assets, accounting for additional financing and consideration of the impact of Covid-19 are new key audit matters this year. Adoption of IFRS 16 was a key audit matter last year, and has been removed due to a reduction in the risk assessment given we are no longer in the year of implementation. Otherwise, the key audit matters below are consistent with last year.

**KEY AUDIT MATTER**

*Impairment of property, plant and equipment and right of use assets (group)*

Refer to the Report of the Audit Committee, Note 11 – Property, Plant and Equipment and Note 20 – Leases.

The group has Property, Plant and Equipment (“PPE”) of \$1,788 million and Right of Use (“ROU”) assets of \$2,306 million as at 31 December 2020 (2019: \$2,040 million and \$3,441 million respectively). During the period \$1,345 million of net impairment has been recorded (2019: \$47 million).

We have identified the risk of impairment in PPE and ROU assets as a significant risk for the group due to the inherent level of management estimation involved in calculating the value in use of the assets.

As part of its year-end reporting process, management conducted an impairment trigger assessment of PPE and ROU assets at the Cash Generating Unit (“CGU”) level as required by IAS 36. For sites with an identified trigger for impairment, management performed further detailed analysis at the CGU level. Impairment valuations and assessment are based on a number of key estimates and assumptions, which include the discount rates, the period over which admissions will recover back to a pre-pandemic level, forecasting admissions growth, average ticket pricing and spend per person.

Admissions growth is highly correlated with the ability to open cinemas and the strength of the film slate in any one year, which management is not able to control.

**HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER**

Our procedures included understanding and evaluating the controls related to the PPE and ROU asset impairment process, together with performing substantive audit procedures.

The procedures performed included the following:

- As a result of Covid-19 there was a clear impairment trigger in the period. Our work has therefore focussed on the estimates and judgements around when the industry will be able to open its doors to customers again and how quickly admissions will return. In doing so we have compared management’s views against those of external analysts and industry reports to assess the appropriateness.
- Testing the mathematical accuracy of the impairment models including assessing that revenue and costs have been appropriately allocated to each of the CGUs.
- Challenging management on the appropriateness of key assumptions such as discount rates, admissions, ticket prices and concession growth rates by comparing against industry forecasts and historical trends.
- We have assessed impairment reversals driven by the reduction in ROU asset carrying values in the period for lease modifications where the Incremental Borrowing Rate has increased since lease inception.
- Involving our internal experts to assess the appropriateness of the discount rates used.
- Performing look back assessments to consider the historic growth trends and therefore what growth may be achieved in a post pandemic environment, also factoring in potential changes to consumer behaviour.
- Performing independent sensitivity analysis to identify if we considered there to be further impairments.
- As the group engagement team, we were specifically involved in assessing the appropriateness of the audit approach of each component team, where relevant. This satisfied us that the area was well understood and that sufficient focus was placed on the risk area with no significant errors identified.

Based on our procedures we consider the impairment booked in the period to be appropriate and we also consider the disclosures around the sites which are sensitive to impairment to be reasonable.

It is worth noting that the increase in the discount rate has been a significant factor in driving some of the impairment booked in the period. If and when the credit rating of the group starts to improve, this may result in some of this impairment reversing in future periods.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CINEWORLD GROUP PLC CONTINUED

### KEY AUDIT MATTER

#### *Impairment of goodwill and indefinite lived intangibles and other intangibles (group)*

Refer to the Report of the Audit Committee and Note 12 – Intangible Assets.

The group has goodwill of \$4,868 million (2019: \$5,492 million) and indefinite lived intangibles of \$365 million (2019: \$365 million) as at 31 December 2020. During the period \$657 million of goodwill impairment has been recorded (2019: nil).

The Group assesses goodwill and indefinite lived intangibles for impairment based upon groups of CGUs at the level goodwill is monitored. These groups of CGUs are assessed to be UK, US and Rest of World. The recoverable amounts of these groups of CGUs are dependent on certain key assumptions, including the forecast cash flows, short and long term growth rates and the discount rate, all of which are dependent upon management judgement and estimates.

As with PPE and ROU assets, one of the other key judgements in the period has been the assessment of when the industry will recover to pre-pandemic levels, and ensuring that there is consistency in the assumptions applied across the different models.

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

The procedures performed by the group engagement team included the following:

- Understanding the controls and procedures in place in respect of the goodwill and indefinite lived intangibles impairment model.
- Testing the mechanics and mathematical integrity of management's impairment model.
- Evaluating the process by which management prepared its cash flow forecasts and comparing them to the Board approved forecasts.
- Assessing the appropriateness of the assumptions around the recovery profile back to a pre-pandemic level and ensuring the consistency of assumptions with other impairment models, and those used for the purposes of the going concern and viability assessments.
- Performing look back assessments to consider the historic growth trends and management forecasting reliability.
- Involving our internal experts to assess the appropriateness of the discount rates used, in particular due to the increase associated with the decline in the group's credit rating.
- Benchmarking against the industry and peers, external sources including industry and analysts' outlook reports and country inflation rates.
- Performing our own sensitivity analysis to understand the impact of reasonably possible changes to key assumptions.

Based on these procedures we consider the impairment booked in the period to be supportable and we also consider the sensitivity disclosures provided to be appropriate.

#### *Impairment of investments (parent)*

Refer to the Report of the Audit Committee and Note 31 – Fixed Asset Investments.

The parent company has investments in subsidiaries of \$1,135 million as at 31 December 2020 (2019: \$3,446 million). During the period \$2,510 million of impairment has been recorded (2019: nil).

Due to the magnitude of these balances, the market capitalisation at 31 December 2020, and the level of estimation and judgement inherent within management's impairment model, this has been a focus area for our company audit.

The valuation of these investments is dependent on certain key assumptions including the forecast cash flows, short and longer term growth rates and the discount rate. There is a risk that significant changes to assumptions or underperformance of trading could give rise to an impairment.

The procedures performed included the following:

- Confirming the mathematical integrity of the impairment model.
- Evaluating the appropriateness of key assumptions, as noted in the PPE and ROU asset and goodwill and intangible impairment sections above, ensuring there is appropriate consistency in the key assumptions applied.
- Assessing the fair value of the external debt at year end which has been deducted from the net present value of the forecast cash flows of the group, and comparing the outcome of the valuation to the market capitalisation.
- Performing sensitivity analysis to evaluate the impact of reasonably possible changes to key assumptions.

Based on these procedures we consider the impairment booked in the period to be appropriate and we also consider the disclosures provided to be appropriate.

It is worth noting that the increase in the discount rate has been a significant factor in driving some of the impairment booked in the period. If and when the credit rating of the group starts to improve, this may result in some of this impairment reversing in future periods.

**KEY AUDIT MATTER***Recoverability of deferred tax assets (group)*

Refer to the Report of the Audit Committee and Note 16 – Deferred Tax Assets and Liabilities.

The group has recognised deferred tax assets of \$278 million (2019: \$139 million) at 31 December 2020.

The recognition of deferred tax assets is on the basis of future levels of profitability in the relevant tax jurisdiction. The magnitude of the assets recognised necessitates the need for significant judgement in assessing the future levels of profitability over an extended period.

The loss reported for 2020 presents a heightened risk that deferred tax assets are recognised inappropriately. Further, there is an inherent increased level of uncertainty in the level of forecast profits over an extended period.

**HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER**

The procedures performed included the following:

- Evaluating management’s assessment as to the availability of sufficient taxable profits in future periods to support the recognition of deferred tax assets, taking into account both business model and the tax jurisdiction.
- Assessing the future profit forecasts and the underpinning assumptions.
- Where applicable, reconciling the forecasts used to justify the recognition of deferred tax assets to those used elsewhere in the business including for impairment assessments, or for the Directors’ viability and going concern statements.
- Assessing the adequacy of disclosures over this area.

Based on these procedures we consider the recognition of deferred tax assets and the disclosures provided to be appropriate.

*Accounting for additional financing (group)*

Refer to the Report of the Audit Committee and Note 19 – Loans and Borrowings.

The group entered into new and modified existing financing arrangements in the year to secure additional liquidity through the cinema closure period.

In May 2020 management extended an existing Revolving Credit Facility (RCF) by \$111 million and in June 2020 issued a secured private loan of \$250 million.

In November 2020, management converted the aforementioned RCF of \$111 million into a term loan, maturing in May 2024, and issued further private debt of \$450 million (maturity May 2024) plus upfront fees that were added to the outstanding loan balance. There were also financial covenants attached to the debt, including restrictions on the payment of other obligations and minimum liquidity covenants (refer to the ‘Material uncertainty related to going concern’ section above). A 1% Libor floor was also established on the existing debt, which may reverse in 2021.

The November 2020 financing was also issued with 5-year detachable equity warrants to the lenders of the private debt giving the warrant holders the right to receive new shares in the parent company on exercise any time up to 22 November 2025 at an exercise price of 41.49p per share (being a 10% discount to the share price on 20 November 2020). The option is over 153,539,786 shares which represents 9.99% of the fully diluted share capital of the parent company.

The additional financing included various clauses that were recognised as embedded derivatives, including interest rate floor, prepayment feature and default interest clauses.

Due to the magnitude and complexity of the additional financing, this has been a focus area for our audit.

The procedures performed included the following:

- Obtaining and reading the agreements to understand the terms, restrictions and covenants, and obligations pertaining to the new financing and warrants.
- Testing management’s classification of the additional financing on the balance sheet as debt, including the equity warrants.
- Understanding the nature of the various fees, including the Payment in Kind interest and the impact on the effective interest rate, and testing the accounting treatment of the fees.
- Testing and recalculating the amortised cost of the loans.
- Engaging our valuation specialists to independently value the equity warrants and embedded derivatives.
- Assessing the tax implications of the refinancing across the group involving tax specialists in both the UK and the US.
- Reviewing the disclosures to ensure these were appropriately presented in the financial statements, including the details of the restrictions and covenants.
- Ensuring the cash flow restrictions and implications were appropriately considered within management’s going concern assessment.

The tax implications and embedded derivative established as a result of the 1% Libor floor may reverse in 2021 if management is able to successfully negotiate the removal of this existing clause in the financing agreement.

Based on these procedures we consider the additional financing to be accounted for and disclosed appropriately.

## KEY AUDIT MATTER

### *Consideration of the impact of Covid-19 (group and parent)*

The Covid-19 pandemic has had a significant impact on the cinema entertainment industry and the group with consequences to the judgements and estimates, and current and future operations of the business.

The key impacts of Covid-19 on the group and parent company financial statements are:

- The budgets and models supporting the impairment assessments have been updated to reflect management's best estimate of the impacts of Covid-19. The assumptions applied in this analysis have been determined internally, however they incorporate views of external commentators and other third-party data sources, where relevant. Consideration of the impact on the carrying values is described in the related key audit matters above.
- Similarly, management's reassessment of the carrying value of the company's investment in subsidiary undertakings resulted in a reduction to the valuation at the year end, arising due to the impact of Covid-19 on the underlying businesses, as described in the related key audit matter above.
- The impact on the group resulted in the liquidity and covenant challenges accumulating into the need to obtain significant additional funding in November 2020 as described in the related audit matter above.
- These models and related assumptions also underpin management's going concern and viability assessments. Management has modelled severe but plausible downside scenarios to its weighted base case forecast. The outcome of these assessments is detailed in the material uncertainty in respect of the going concern section above.

## HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

The procedures we have performed over impairment of property, plant and equipment and right of use assets, impairment of goodwill, impairment of investments, recoverability of deferred tax assets, and accounting for additional financing, and our conclusions, are set out in the separate key audit matters above.

Additionally, the procedures we have performed over going concern, and our conclusions are set out in 'material uncertainty related to going concern' section above and the 'corporate governance statement' section below.

In those locations where we have undertaken our audit work remotely, we did not encounter any significant difficulties in performing our audit testing or in obtaining the required evidence to support our audit conclusions.

We have also considered the presentation of the one-off exceptionals associated with the impact which has resulted in an Inventory write-off of \$16 million and redundancy and other costs of \$4 million, considering both their nature and whether there has been any historic charges of a similar nature and magnitude. Based on this work we are comfortable with the presentation.

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group operates cinema sites within 10 countries, and there are 16 reporting components in total. We identified eight reporting components across four countries for which we determined that a full scope audit is required. The reporting components, excluding those audited by the group engagement team, were audited by the US and Poland component teams and reporting over the Digital Cinema Implementation Partners joint operation was obtained from its auditor. The group team performed the audit of the UK component. During the year the group engagement team held regular video conference calls to discuss the audit approach and findings with the component teams, and to attend their clearance meetings with local management.

Our audit scope was determined by considering the significance of each component's contribution to profit/loss before tax, excluding exceptionals, and individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks.

Our attendance at the clearance meetings via video conference, review of component team reporting results and workpapers electronically, together with the additional procedures performed at group level, gave us the evidence required for our opinion on the financial statements as a whole. Our audit procedures at the group level included the audit of the consolidations, goodwill impairment review and accounting for additional financing. The group engagement team also performed the audit of the parent company.



## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	FINANCIAL STATEMENTS - GROUP	FINANCIAL STATEMENTS - COMPANY
<b>Overall materiality</b>	\$14.1 million (2019: \$14.1 million)	\$16.7 million (2019: \$43.6 million)
<b>How we determined it</b>	5% of average absolute profit/loss before tax (excluding exceptional items) over a three-year period (2018, 2019, 2020). This would have resulted in an increase in materiality given the size of the loss in 2020. Since we consider an increase in materiality would be inappropriate in the context of the group's results, we then capped this at the overall materiality level from the prior year.	1% of total assets
<b>Rationale for benchmark applied</b>	Profit/loss on ordinary activities before tax, adjusted for the impact of all non-recurring exceptional items, provides us with a consistent year-on-year basis for determining materiality. It is, we believe, a metric commonly used by the Shareholders as a body in assessing the group's performance and is a generally accepted auditing benchmark.	We consider that total assets is the primary measure used by the shareholders in assessing the performance of a holding company and is a generally accepted auditing benchmark. For the purposes of the group audit, we applied a lower materiality of \$13 million to company balances and transactions, other than those which were eliminated on consolidation in the group financial statements.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$3 million and \$13.3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 65% of overall materiality, amounting to \$9.2 million for the group financial statements and \$10.9 million for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$0.7 million (group audit) (2019: \$0.7 million) and \$0.8 million (company audit) (2019: \$2.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### Directors' Remuneration

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

### Corporate governance statement

The Listing Rules require us to review the members' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and, except for the matters reported in the section headed 'Material uncertainty related to going concern', we have nothing material to add or draw attention to in relation to:

- The members' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report and Accounts 2020 that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The members' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The members' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The members' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The members' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the members' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit Responsibilities of the members for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also 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.

In preparing the financial statements, the members are responsible for assessing the group's and the 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 the members either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

### Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of members' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 17 June 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2019 to 31 December 2020.

**Christopher Richmond (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

25 March 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Revenue</b>	4	<b>852.3</b>	4,369.7
Cost of sales		<b>(888.1)</b>	(2,749.1)
<b>Gross (loss)/profit</b>		<b>(35.8)</b>	1,620.6
Other operating income	5	<b>2.3</b>	5.7
Administrative expenses		<b>(879.7)</b>	(854.7)
Net impairment of goodwill, property, plant and equipment, right-of-use assets and investments		<b>(1,344.5)</b>	(46.9)
<b>Operating (loss)/profit</b>	6	<b>(2,257.7)</b>	724.7
<b>Adjusted EBITDA as defined in Note 2</b>		<b>(115.1)</b>	1,580.3
Finance income	9	<b>69.6</b>	26.3
Finance expenses	9	<b>(786.8)</b>	(568.0)
<b>Net finance costs</b>		<b>(717.2)</b>	(541.7)
Share of (loss)/profit from jointly controlled entities using equity accounting method net of tax		<b>(33.0)</b>	29.3
<b>(Loss)/profit before tax</b>		<b>(3,007.9)</b>	212.3
Tax benefit/(charge) on profit	10	<b>356.4</b>	(32.0)
<b>(Loss)/profit for the year attributable to equity holders of the Group</b>		<b>(2,651.5)</b>	180.3
Basic (Deficit)/Earnings Per Share	7	<b>(193.2)</b>	13.1
Diluted (Deficit)/Earnings Per Share	7	<b>(193.2)</b>	13.1

The Notes on pages 102 to 162 are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>(Loss)/profit for the year attributable to equity holders of the Group</b>	<b>(2,651.5)</b>	180.3
Items that will not subsequently be reclassified to profit or loss		
Net change in fair value of equity investments	-	(7.5)
Items that will subsequently be reclassified to profit or loss		
Retranslation gain of foreign currency denominated operations	<b>3.5</b>	12.6
De-designation of net investment hedge	<b>9.8</b>	-
Movement of net investment hedge	<b>(19.8)</b>	22.2
Income tax (charge) recognised within other comprehensive income	<b>(0.1)</b>	(0.7)
<b>Comprehensive (loss)/income for the year, net of income tax</b>	<b>(6.6)</b>	26.6
<b>Total comprehensive (loss)/income for the year attributable to equity holders of the Group</b>	<b>(2,658.1)</b>	206.9

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2020**

	Note	31 December 2020 \$m	31 December 2019 \$m
<b>Non-current assets</b>			
Property, plant and equipment	11	1,788.2	2,039.5
Right-of-use assets	20	2,306.4	3,441.2
Goodwill	12	4,868.3	5,492.1
Other intangible assets	12	489.5	515.6
Investment in equity-accounted investees	13	215.1	300.2
Financial assets at FVOCI	15	10.0	10.0
Deferred tax assets	16	278.1	138.8
Fair value of financial derivatives	26	7.8	-
Other receivables	18	48.7	64.6
<b>Total non-current assets</b>		<b>10,012.1</b>	12,002.0
<b>Current assets</b>			
Assets classified as held for sale	11	2.9	0.9
Inventories	17	13.2	33.2
Current taxes receivables		206.6	1.6
Trade and other receivables	18	53.7	261.8
Fair value of financial derivatives	26	-	10.4
Cash and cash equivalents		336.7	140.6
<b>Total current assets</b>		<b>613.1</b>	448.5
<b>Total assets</b>		<b>10,625.2</b>	12,450.5
<b>Current liabilities</b>			
Loans and borrowings	19	(54.2)	(133.9)
Fair value of financial derivatives	26	-	(4.5)
Fair value of warrants	26	(97.2)	-
Lease liabilities	20	(596.6)	(321.6)
Trade and other payables	21	(596.3)	(712.1)
Deferred revenue	22	(270.9)	(263.1)
Current taxes payable		(40.6)	(48.8)
Provisions	24	(8.0)	(6.4)
<b>Total current liabilities</b>		<b>(1,663.8)</b>	(1,490.4)
<b>Non-current liabilities</b>			
Loans and borrowings	19	(4,608.5)	(3,485.4)
Fair value of financial derivatives	26	(130.1)	(9.7)
Lease liabilities	20	(3,375.1)	(3,875.9)
Other payables	21	(9.2)	(12.4)
Deferred revenue	22	(607.0)	(635.0)
Provisions	24	(1.1)	(0.5)
Employee benefits	23	(4.1)	(3.5)
<b>Total non-current liabilities</b>		<b>(8,735.1)</b>	(8,022.4)
<b>Total liabilities</b>		<b>(10,398.9)</b>	(9,512.8)
<b>Net assets</b>		<b>226.3</b>	2,937.7
<b>Equity attributable to equity holders of the Group</b>			
Share capital	25	20.1	20.1
Share premium	25	513.8	516.0
Foreign currency translation reserve	25	(247.3)	(250.8)
Hedging reserve	25	11.6	21.6
Fair value reserve	25	(14.4)	(14.4)
Retained earnings		(57.5)	2,645.2
<b>Total equity</b>		<b>226.3</b>	2,937.7

These Financial Statements on pages 89 to 167 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf by:

**Nisan Cohen**  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital \$m	Share premium \$m	Foreign currency translation reserve \$m	Hedging reserve \$m	Fair value reserve \$m	Retained earnings \$m	Total \$m
<b>1 January 2019</b>	20.1	513.8	(263.4)	(0.6)	(6.9)	2,984.0	3,247.0
<b>Profit for the year</b>	-	-	-	-	-	180.3	180.3
<b>Comprehensive income</b>							
Items that will not subsequently be reclassified to profit or loss							
Net change in fair value of equity investments	-	-	-	-	(7.5)	-	(7.5)
Items that will subsequently be reclassified to profit or loss							
Movement on net investment hedge	-	-	-	22.2	-	-	22.2
Tax that will subsequently be reclassified to profit or loss	-	-	-	-	-	(0.7)	(0.7)
Retranslation of foreign currency denominated operations	-	-	12.6	-	-	-	12.6
<b>Total comprehensive income</b>	-	-	<b>12.6</b>	<b>22.2</b>	<b>(7.5)</b>	<b>179.6</b>	<b>206.9</b>
<b>Contributions by and distributions to owners</b>							
Dividends	-	-	-	-	-	(520.2)	(520.2)
Movements due to share-based compensation	-	-	-	-	-	1.8	1.8
Transfer of shares	-	2.2	-	-	-	-	2.2
<b>31 December 2019</b>	<b>20.1</b>	<b>516.0</b>	<b>(250.8)</b>	<b>21.6</b>	<b>(14.4)</b>	<b>2,645.2</b>	<b>2,937.7</b>
<b>Loss for the year</b>	-	-	-	-	-	(2,651.5)	(2,651.5)
<b>Comprehensive income</b>							
Items that will not subsequently be reclassified to profit or loss							
Net change in fair value of equity investments	-	-	-	-	-	-	-
Items that will subsequently be reclassified to profit or loss							
De-designation of net investment hedge	-	-	-	9.8	-	-	9.8
Movement on net investment hedge	-	-	-	(19.8)	-	-	(19.8)
Tax that will subsequently be reclassified to profit or loss	-	-	-	-	-	(0.1)	(0.1)
Retranslation of foreign currency denominated operations	-	-	3.5	-	-	-	3.5
<b>Total comprehensive loss</b>	-	-	<b>3.5</b>	<b>(10.0)</b>	-	<b>(2,651.6)</b>	<b>(2,658.1)</b>
<b>Contributions by and distributions to owners</b>							
Dividends	-	-	-	-	-	(51.4)	(51.4)
Movements due to share-based compensation	-	-	-	-	-	(1.9)	(1.9)
Transfer of shares	-	(2.2)	-	-	-	2.2	-
<b>31 December 2020</b>	<b>20.1</b>	<b>513.8</b>	<b>(247.3)</b>	<b>11.6</b>	<b>(14.4)</b>	<b>(57.5)</b>	<b>226.3</b>

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Cash flow from operating activities</b>			
(Loss)/profit for the year		(2,651.5)	180.3
Adjustments for:			
Finance income	9	(69.6)	(26.3)
Finance expense	9	786.8	568.0
Taxation	10	(356.4)	32.0
Share of loss/(profit) of equity accounted investee		33.0	(29.3)
<b>Operating (loss)/profit</b>		<b>(2,257.7)</b>	724.7
Depreciation and amortisation	6	643.3	729.8
Share-based payments charge	2	(2.3)	4.9
Impairment and reversal of impairment of property, plant and equipment, right-of-use assets and goodwill	6	1,307.4	46.9
Impairment of investment	6	37.1	-
Decrease in trade and other receivables		214.4	37.9
Decrease in inventories		20.0	2.3
Decrease in trade, other payables and deferred income		(204.5)	(97.5)
Increase/(Decrease) in provisions and employee benefit obligations		2.1	(35.0)
Loss/(Gain) on sale of assets		6.4	(12.2)
<b>Cash (used)/generated from operations</b>		<b>(233.8)</b>	1,401.8
Tax received/(paid)		6.2	(108.1)
<b>Net cash flows from operating activities</b>		<b>(227.6)</b>	1,293.7
<b>Cash flows from investing activities</b>			
Interest received		6.5	3.6
Income from net investment in sub-lease		1.0	1.2
Acquisition of property, plant and equipment		(290.0)	(455.6)
Investment in joint ventures		(0.3)	-
Investment in financial asset at FVOCI		-	(10.0)
Acquisition of distribution rights and other intangibles		(2.5)	(5.2)
Distributions received from equity accounted investees		17.8	42.6
Proceeds from sale and leaseback		-	542.4
Proceeds from sale of property, plant and equipment		3.2	22.0
<b>Net cash flows from investing activities</b>		<b>(264.3)</b>	141.0
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(51.4)	(520.2)
Interest paid		(158.3)	(165.5)
Repayment of bank loans		(54.2)	(1,458.5)
Repayment of loans from equity accounted investees		-	(3.0)
Draw down of bank loans		1,207.8	1,130.3
Debt issuance costs paid		(73.2)	-
Repayment on termination of financial derivatives		(10.2)	-
Landlord contributions		13.5	28.4
Payment of lease liabilities*		(198.6)	(613.3)
<b>Net cash flows from financing activities</b>		<b>675.4</b>	(1,601.8)
Cash and cash equivalents at the start of the period		140.6	316.3
Net movements in cash and cash equivalents		183.5	(167.1)
Exchange gain/(loss) on cash and cash equivalents		12.6	(8.6)
<b>Cash and cash equivalents at the end of the year</b>		<b>336.7</b>	140.6

\* Payment of lease liabilities includes \$115.7m (2019: \$304.2m) of interest payments and \$82.9ml (2019: \$309.1m) of principal lease payments.

During the financial year \$47.8m (2019: \$nil) of government grants was received in cash.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS)

## 1. Accounting Policies Basis of preparation

Cineworld Group plc (the “Company”) is a company limited by shares, incorporated and domiciled in the UK. The Company’s registered address is 8th Floor, Vantage London, Great West Road, Brentford TW8 9AG.

The Group financial statements have been prepared and approved by the Directors in accordance with both “international accounting standards in conformity with the requirements of the Companies Act 2006” and “international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union”. The Company has elected to prepare its parent Company financial statements in accordance with FRS 101 Reduced Disclosure Framework and the Companies Act 2006; these are presented on pages 163 to 176.

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 4 to 5 and the Principal Risks and Uncertainties section on pages 14 to 19. 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 31. In addition, Note 25 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.

### Presentational currency

The financial results of the Group are presented in US dollars.

### Going concern

In assessing the appropriateness of applying the going concern basis in preparation of the consolidated and company financial statements the directors have considered the Group’s liquidity and forecast cash flows under a range of potential scenarios, taking into account reasonably possible outcomes over a 15-month period from the date of approval of these financial statements. Given the global political and economic uncertainty driven by the continuing COVID-19 pandemic, and its specific impact on the cinema exhibition industry, the directors consider some volatility in performance and a certain amount of disruption to business likely over the coming months. Although the recent roll out of vaccination programs, and the positive announcements from both the US and UK on cinema openings, suggest significant potential for recovery over the coming 15 months, the directors consider the performance to be sensitive to the ability to reopen, the availability of film content available and the recovery profile of admissions.

The scenarios modelled consider the potential impact of lifting and continuation of COVID-19 restrictions affecting the cinema exhibition industry, the availability and timing of film content, consumer behaviour driven by COVID-19, the impact on contractual cash flows specific to the Group and its liquidity position, as well as future access to liquidity. These scenarios cover a range of potential outcomes primarily based on the speed of recovery of the cinema exhibition industry from the COVID-19 pandemic, as well as the potential for further impact in the future. Each of the scenarios are sensitive to forecast admissions levels and certain material cash flows.

For the forthcoming re-openings, in line with the re-openings from the first outbreak of COVID-19 in 2020, the Group will re-implement safety measures across all territories to ensure the safety of customers and employees. These include staggered film start times, social distancing measures in auditoriums and foyers, additional cleaning procedures, temperature checks and the wearing of face coverings in certain territories. Restrictions in place, and additional measures taken in order to ensure appropriate social distancing is maintained in all cinemas, constrain the potential capacity for attendance. However, the level of unused capacity available in theatres, operational changes made regarding film times and the choice of films shown should ensure that forecast revenues are still achievable despite such restrictions.

In May 2020, in order to provide additional liquidity, the Group agreed the terms for an extension of \$110.8m on the revolving credit facility (RCF) and in June of 2020, a new \$250.0m secured loan. In November 2020, the Group agreed the terms of a further facility of \$450.0m and the amendment of the previously agreed incremental RCF of \$110.8m to a term loan with a maturity of May 2024. The Group also successfully agreed the waiver of all existing financial covenants until the June 2022 testing point.

The new \$450m facility includes certain new financial and operating covenants, which remain in place until the Group achieves admission levels consistent with 80% of comparable periods in 2019 for a period of three consecutive months. These covenants include minimum liquidity requirements, restrictions on cash disbursements for operations and capital expenditure and the prohibition of settlement of certain specific material liabilities. The Directors are confident that the Group can continue to operate and recover fully from the impact of the pandemic whilst complying with all obligations under its lending agreements.

The Group’s currently available facilities and indebtedness are set out in note 19.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **1. Accounting Policies continued Going concern continued Weighted base case scenario**

The Group's base case scenario assumes a gradual recovery from the current shutdown, with cinemas across all territories opening in May 2021 at 60% of comparable levels to 2019, returning to admissions levels of 90% of comparable periods in 2019 by the end of the year. Admissions are then forecast to remain on average 10% below 2019 levels throughout 2022 and 5% below through 2023. In addition to cinema performance, the Group's cash flows and liquidity are sensitive to the timing and level of rent payments. The Group has been successful in agreeing the waiver and deferral of significant rent payable under lease agreements through the current shutdown period, and beyond with the support of landlords. Rent payments have been modelled in line with actual modifications and the expectations of achievable deferrals over the coming 12-month period based on on-going discussions with the landlords. The Group has also taken into consideration mitigating actions available to it, these include stopping all non-essential capital expenditure for the coming nine months which has been modelled under the weighted base case scenario. In addition, the Group has taken steps to reduce operational and administrative costs, in order to further preserve liquidity. Further steps would be taken to operate at a minimal costs basis should the directors consider it necessary. No further lockdowns or operating restrictions in winter 2021 are considered within this forecast.

Under the weighted base case scenario, the Group maintains headroom against available cash and debt facilities throughout the going concern assessment period, including in May 2021 and the early months of reopening. Restrictions on operating and capital expenditure cash flows are complied with at all times. Financial covenants on the RCF, of 5.0x net leverage at the June 2022 testing point, would not be breached.

In addition, two significant matters arise in this period being a large one off tax cash receipt under the US CARES act which allows losses for 2020 to be offset against tax paid in earlier periods creating a cash tax refund of \$202m, and the expected judgement on the Regal Dissenting Shareholders claim where the Dissenting Shareholders are claiming more than \$202 million (excluding any interest payable).

The Group accelerated its tax year closure in order to bring forward the expected cash refund. Following professional advice and in line with government guidelines, the Directors are satisfied that the receipt in respect of the claim will occur by the end of April 2021.

The Group is currently prohibited from making payments in respect of the Dissenting Shareholder liability by the terms of \$450 million loan, except for any payments made from the proceeds of an equity raise or from permitted subordinated debt in accordance with the \$450 loan agreement. A judgment in respect of the Dissenting Shareholder liability is expected to be received no later than 30 June 2021, and the Directors anticipate that judgment will be in line with the fair value of the original transaction plus interest. The Directors are satisfied, based on external legal advice, that the restriction on paying the dissenting shareholders under the \$450 million loan is enforceable and that no payments in respect thereof are likely to arise in the going concern period that are in violation of the terms of the \$450 million loan.

### **Severe but plausible downside scenarios**

Given the current uncertainty around the potential impact of disruption caused by COVID-19 in the forthcoming period and the challenges around forecasting the impact on the cinema industry, the Directors have considered the following severe but plausible downside scenarios to stress test the Group's financial forecasts.

1. In the event that the US CARES Act tax cash receipt of \$202 million is not received before the end of April 2021 there would be a breach in the minimum liquidity covenant in April 2021 which would require a waiver from the lenders. Further, if both the tax receipt was not received, and cinemas were not to open, before the end of May 2021, then additional liquidity would be required in May 2021. As a mitigating action management has engaged advisors around the potential for raising additional unsecured liquidity. In parallel the Group is requesting consent of its shareholders to amend its articles of association to release it from its current borrowing limits.
2. Modelling the same cash flow positions as the weighted base case but with; a) a slower recovery from the current wave of COVID-19 affecting all of the Group's territories to the extent that the forecast reopening of its cinemas is delayed until August 2021 and, b) that no rent abatements are achieved on leases yet to be renegotiated. The scenario forecasts no revenue until August 2021, at which point, admissions are forecast to be 60% of 2019 levels in August and increase to an average of 75% of 2019 levels for the remainder of 2021. Admissions are then forecast to remain at 80% of 2019 levels until 2023, 90% in 2024 and fully recover from 2025 onward. The modelling for this scenario indicates that the Group, in addition to breaching the covenants under its lending agreements in May 2021 and the leverage covenant in June 2022, would need additional liquidity in order to continue to operate from September 2021.
3. There remains uncertainty in the market around consumer confidence, the ability to visit cinemas in the short term and the scheduling of movies. This has been reflected in recent announcements by certain studios and the vaccination challenges being faced across Central Europe. If forecast admissions on films were to decline by a further 10% in 2021 this would result in a breach of the Rest of World covenant in December 2021 and the Group leverage covenant in June 2022. Further, if cinema openings were delayed until June 2021, or if admissions were only at 19% of 2019 levels in May 2021, then this would result in a breach of the minimum liquidity covenant in May 2021 and June 2021 respectively.
4. In addition, should an agreement not be reached with the Dissenting Shareholders there is a risk that they may wish to challenge any failure not to pay them in accordance with a judgement.

## 1. Accounting Policies continued

### Going concern continued

#### Conclusion

The Directors recognise the challenges facing the business and the uncertainty around the recovery of the cinema industry following the impact of COVID-19, and the potential risks that remain, which represent material uncertainties with respect to the Group's and company's ability to continue as a going concern. Having considered all known factors the Directors are comfortable that the weighted base case supports the going concern assumption.

However, whilst sufficient liquidity is considered to exist in the weighted base case, and waivers have been obtained in respect of covenants which are forecast to be breached, the uncertainty around the recovery profile and the availability of film content, the timing of the US CARES Act tax cash receipt, the payment restriction on the Dissenting Shareholder liability, as well as the lack of headroom in the severe but plausible scenario, indicate the existence of material uncertainties that may cast significant doubt upon the Group's and company's ability to continue to operate as a Going Concern. The Consolidated and company Financial Statements do not include the adjustments that would result if the Group or company were unable to continue as a going concern.

#### Measurement convention

The financial statements are prepared on the historic cost basis except for the following assets and liabilities stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the Statement of Comprehensive Income.

#### 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.

##### Joint arrangements

Under IFRS 11 "Joint Arrangements" investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group holds both joint operations and joint ventures.

##### Joint operations

The Group recognises its share of any jointly held or incurred assets, liabilities, revenues and expenses of the joint operation. These have been incorporated in the Consolidated Financial Statements under the appropriate headings. Details of the joint operation are set out in Note 14.

##### Joint ventures

Joint ventures 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. Joint ventures are accounted for using the equity method and are initially recognised at cost. 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.

#### Equity investments

Equity investments are held in entities which have not been classified as a subsidiary, associate or joint arrangement and are accounted for at fair value. These equity investments are not held for trading purposes and represent strategic investments.

The Group has elected at initial recognition to present value changes through the Statement of Comprehensive Income within the revaluation reserve. Any dividends received from these equity investments will be recognised within the Consolidated Statement of Profit or Loss.

On disposal of these equity investments, any related balance previously recognised within the fair value through other comprehensive income ("FVOCI") reserve is reclassified to retained earnings.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **1. Accounting Policies continued**

#### **Foreign currency 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 Consolidated Statement of Profit or Loss. Transaction 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.

#### **Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate relevant at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Consolidated Statement of Financial Position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated 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 Consolidated Statement of Financial Position 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. Translation movements are recognised within the Statement of Comprehensive Income and in the foreign currency translation reserve. As share capital, share premium are denominated in sterling, these are translated into presentational currency at the historic rate prevailing on the date of each transaction.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are de-recognised when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously. IFRS 9 contains three classification categories for financial assets and liabilities: measured at amortised cost, fair value through profit or loss ("FVPL") and fair value through other comprehensive income ("FVOCI").

At initial recognition, the Group classifies its financial instruments in the following categories depending on the purpose for which the financial instruments were acquired:

##### **i. Financial assets and financial liabilities at FVPL:**

Financial instruments in this category are recognised initially and subsequently at fair value. Transaction costs are expensed in the Consolidated Statement of Profit or Loss. Gains and losses arising from changes in fair value are presented in the Consolidated Statement of Profit or Loss. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realised or paid beyond 12 months of the Consolidated Statement of Financial Position date, which is classified as non-current.

Embedded derivative features identified within contractual arrangements are separately recognised where it is assessed that they are not closely related to the terms of the contract, where such features are considered closely related they are not separately recognised.

##### **ii. Financial assets and liabilities at amortised cost:**

The Group's financial assets at amortised cost comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Financial assets are initially recognised at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets are measured at amortised cost using the effective interest method, less an loss allowance.

Financial liabilities at amortised cost include trade payables, bank indebtedness and long-term debt. Trade payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. Bank indebtedness and long term debt, are recognised initially at fair value, net of any transaction costs incurred and, subsequently, at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

## 1. Accounting Policies continued

### Financial instruments continued

#### iii. Financial instruments at FVOCI:

At initial recognition, the Group can make an irrevocable election to classify equity instruments at FVOCI, with all subsequent changes in fair value being recognised in OCI. The Group has classified certain equity instruments as FVOCI as outlined in Note 15.

In addition, the Group uses the following derivatives:

#### Net investment hedge

The Group uses net investment hedges to mitigate foreign currency translation exposure on certain net investments in subsidiary companies. Changes in the fair values of hedging instruments are taken directly to the Statement of Comprehensive Income together with gains or losses on the foreign currency translation of the hedged investments. Until the investment is disposed of, all gains and losses are recognised in equity, within the hedging reserve. Any ineffective portion of the hedging relationship is recognised immediately in the Consolidated Statement of Profit or Loss, within Other Income/(Expenses).

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss, within Other Income/(Expenses). Amounts accumulated in equity are reclassified to finance costs within the Statement of Profit or Loss at the same time as the relating interest expense on hedged borrowings.

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.

#### Impairment of financial assets

The Group measures expected credit losses using a lifetime expected loss allowance for all current trade and other receivables.

Loss allowances will be measured on either of the following bases:

- i. 12-month expected credit losses ("ECLs") are the ECLs that result from possible default events within 12 months after the reporting date; and
- ii. lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instruments.

The expected loss rates are based on current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and cash amounts in transit due from credit cards which are settled within seven days from the date of the reporting period. 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.

#### Leases

The Group's leases predominantly relate to property leases for each cinema site, however the Group's lease portfolio also includes other assets such as motor vehicles. Rental contracts are typically made for fixed periods of on average 15 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 January 2019, on adoption of IFRS 16 "Leases" leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group in the Consolidated Statement of Financials Position. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Both principal and finance cost elements of lease payments are recognised within financing cash flows within the Consolidated Statement of Cash Flows. The depreciation charge recognised on the right-of-use assets is being charged to administration expenses in the Group's Statement of Profit and Loss, in-line with where depreciation has previously been recorded.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **1. Accounting Policies continued Leases continued**

Liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less or leases on adoption date which has a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office and cinema equipment.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

### **Lease modifications**

Where lease contracts are amended resulting in extensions to the minimum lease term or increases to the overall consideration under the lease, they are treated as modifications under IFRS 16.

### **Landlord contributions**

Where the Group receives contributions and incentives from landlords at the start of the lease, these are recorded against the right-of-use asset.

### **Sub-leases**

The Group applies IFRS 16 to all leases of right-of-use assets in sub-leases. The Group classifies the sub-lease as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. The Group treats the right-of-use asset as the underlying asset in the sub-lease, not the item of property, plant and equipment that it leases from the head lessor.

For sub-leases classified as operating leases, rental income will continue to be recognised in the Consolidated Statement of Profit or Loss in the period to which it relates.

For sub-leases classified as finance leases, the Group will recognise an asset classified as net investment in a sub-lease. The Group uses the discount rate it uses for the head lease, adjusted for any initial direct costs associated with the sub-lease to account for the sub-lease.

During the term of the sub-lease, the Group recognises both interest income on the sub-lease and interest expense on the head lease.

### **Variable lease payments**

Some property leases contain variable payment terms that are linked to sales generated from a particular cinema site. For individual sites, up to 4% of lease payments are on the basis of variable payment terms with percentages ranging from 4% to 18% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established sites. Variable lease payments that depend on sales are recognised in cost of sales within the Consolidated Statement of Profit or Loss in the period in which the condition that triggers those payments occurs.

## 1. Accounting Policies continued

### Leases continued

#### Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. We have identified the inclusion of extensions and termination options within the lease term as a significant judgement. Refer to significant accounting estimates and uncertainties section of the accounting policies for further details.

#### Sale and leaseback

In a sale-and-leaseback transaction the Group transfers an underlying asset to another entity and leases that asset back from the buyer-lessor. If a sale is deemed to have taken place, the Group de-recognises the underlying asset and applies the lessee accounting model to the leaseback arrangement. A right-of-use asset is recognised based on the retained portion of the previous carrying amount of the asset and only the gain or loss is recognised related to the rights which are transferred to the lessor. If a sale has not been deemed to have taken place, the Group continues to recognise the underlying asset and recognise a financial liability.

#### Property, plant and equipment

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

Depreciation is charged to the Consolidated Statement of Profit or Loss to write assets down to their residual values on a straight-line basis within operating expenses 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	20 to 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 20 years
- Fixtures and fittings	3 to 20 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.

#### Goodwill and other intangible assets

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units ("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 Consolidated 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 Statement of Financial Position 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 years to indefinite life
- Distribution rights	3 years
- Other intangibles	4 to 10 years

#### Assets held for sale

Non-current assets, or disposal groups are 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, 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 Consolidated 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **1. Accounting Policies continued 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 Statement of Financial Position 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 Statement of Financial Position date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (‘CGU’) exceeds its recoverable amount. Impairment losses are recognised in the Consolidated 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.

Where individual sites’ cash inflows are determined not to operate independently 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.

### **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.

### **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. Where leases have been modified, resulting in a reduction in the carrying value of the right-of-use asset, the impairment loss reversal will not exceed the modified carrying amount.

### **Employee benefits**

#### **Defined contribution pension plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Profit or Loss in the periods which services are rendered by employees.

#### **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.

Remeasurement 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 Consolidated 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 Consolidated Statement of Profit or Loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.



## 1. Accounting Policies continued

### Employee Benefits continued

#### 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 Statement of Financial Position date and at settlement date and any changes in fair value are recognised in the Consolidated Statement of Profit or Loss.

#### Provisions

A provision is recognised in the Consolidated Statement of Financial Position 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, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as an interest expense.

#### Revenue

Revenue represents the total amount receivable for goods sold and services provided, excluding sales-related taxes and intra-group transactions. All the Group's revenue is received from the sale of goods and services. The Group disaggregates revenue into three material revenue streams which are made up of the following:

##### Box office revenue

- Box office revenue is recognised on the date of the showing of the film the ticket sold relates to.
- Unlimited card revenue is received annually or monthly in advance. When revenue from the Unlimited card is received annually in advance it is initially recognised within deferred revenue and subsequently recognised on a straight-line basis over the year. Monthly Unlimited card revenue is recognised in the period to which it relates.

##### Retail revenue

- Concessions revenue includes the sale of food and drink in the cinemas, in our VIP offerings, Starbucks sites and bars and restaurants. All concession revenue is recognised at the point of sale. The Group operates a licence arrangement with Starbucks in the UK&I operating segment. As part of the licence arrangement, the Group is required to pay to the licensor a licence and royalty fee which is recognised in cost of sales.
- The Group records proceeds from the sale of gift cards and other advanced bulk tickets in deferred revenue and recognises admissions or retail revenue when redeemed. Dependent on the revenue stream the gift card is redeemed against, revenue will either be recorded within box office revenue or retail revenue. Additionally, the Group recognises unredeemed gift cards and bulk tickets as other revenues based on a proportion of redemptions, which is estimated primarily based on the Group's historical experience.
- The Group operates loyalty schemes which allow members to earn rewards. The most significant of these is the Regal Crown Club. Members earn credits for each dollar spent at the Regal theatres and can redeem such credits for tickets, concession items and other rewards. To determine the amount of revenue to defer upon issuance of credits to customers, an estimate is made of the value expected to be redeemed by customers for those credits. The estimates are based on rewards that have historically been offered under the loyalty programme which are considered to be representative of rewards offered in future. Upon redemption, deferred rewards are recognised as revenues in line with the revenue stream they are redeemed under. Dependent on the revenue stream the loyalty scheme credits are redeemed against, revenue will either be recorded within box office or retail.

##### Other revenue

Other revenue includes the following:

- Fees are charged for advanced bookings of tickets classified as booking fee revenue. This revenue is recognised at the point when the tickets are purchased.
- Advertising revenue is recognised at the point the advertisement is shown in cinemas or the related impressions are delivered.
- An element of advertising revenue relates to the Exhibitor Services Agreement ("ESA") with National CineMedia ("NCM"). This advanced payment was recognised within deferred revenue and is being released over the life of the agreement.
- 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **1. Accounting Policies continued Revenue continued**

– Rebates – the Group receives rebates primarily from concession vendors. The rebates are either a fixed amount or a specified percentage based on the total purchases made from the vendor. The rebates are subject to some estimation uncertainty but the arrangements are not complex. Rebates are calculated and accrued monthly based on the volume of purchases. These rebates are either recognised as other revenues, a reduction of cost of goods sold, or a combination of the two, dependent on the nature of the services provided. For arrangements where the Group is providing various forms of in-theatre, lobby or website advertising in exchange for the rebate, such rebates are accounted for as a component of other revenues. For arrangements under which the Group provides no material form of advertising such rebates are accounted for as a reduction of cost of goods sold. Total rebates recognised in the Consolidated Statement of Profit or Loss during 2020 were \$nil (2019: \$47.8m).

#### **Deferred revenue**

Deferred revenue primarily consists of the following:

- NCM Exhibitor Services Agreement ('ESA'): Revenue generated from the NCM ESA in the United States is recognised over time as rights to advertising services are provided. The original agreement was due to end in 2037, but was extended until 2041 as part of the amendments made to the ESA in 2019. As part of the business combination accounting for Regal, a fair value assessment of the ESA assumed contract liability was undertaken, being the Group's obligation to perform under the acquired NCM advertising arrangement. This valuation was recognised within deferred revenue and the revenue is recognised on a straight-line basis over the remaining term of the ESA. The valuation of the ESA includes a significant financing component due to the significant length of time between receiving the non-cash consideration and fulfilling the performance obligation. The interest expense is calculated using discount rates implicit within the acquisition of the Regal business. Annually, pursuant to the Common Unit Adjustment Agreement (the "CUA") the Group receives the non-cash consideration in the form of newly issued common units in NCM, in exchange for rights to exclusive access to the Group's theatre screens and attendees through to February 2041. Any adjustments to the number of common units held goes to deferred revenue and this is recognised as advertising revenue on a straight-line basis over the remaining term of the ESA. Refer to revenue accounting policy for details on how this revenue is recognised.
- Revenue received from the Unlimited scheme. Refer to revenue accounting policy for details on how this revenue is recognised.
- Unredeemed gift cards and bulk tickets: Revenue is initially recognised in deferred revenue and subsequently recognised in revenue in proportion to the pattern exercised by the customer.
- Revenue received in advance for advertising contracts.
- Unredeemed credits on customer loyalty schemes. The deferred revenue for credits earned through the loyalty scheme is calculated based on the fair value of the credits earned multiplied by an expected redemption rate. The deferred revenue is recognised as box office or concession revenue when the credits are redeemed.

#### **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. Government grants relating to costs are deferred and recognised in the Consolidated Statement of Profit or Loss over the period necessary to match them with the costs that they are intended to compensate. During the year, the Group received support from governments in connection with its response to the COVID-19 pandemic. This support included furlough and job retention scheme reliefs, direct tax payment deferrals, business rate relief and beneficial loans, details are provided in Notes 2, 4, 8 and 19.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and they are credited to the Consolidated Statement of Profit or Loss on a straight-line basis over the expected lives of the related assets.

#### **Other operating income**

Other income represents rent receivable from sub-leases classified as operating leases (as described in the leases accounting policy). Rental income is recognised on a straight-line basis over the life of the lease.

#### **Net financing costs**

Net financing costs comprise finance income and expenses as detailed in the note 9.

#### **Exceptional items**

Exceptional items are charges and credits which are a non-recurring item that is outside the Group's normal course of business and material by size or nature. Adjustments have been made for specific costs associated with the impact of COVID-19, as detailed in note 2.

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

## 1. Accounting Policies continued

### Taxation continued

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the Statement of Financial Position 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 Consolidated Statement of Financial Position date.

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

### Operating segments

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

### Reporting segments

Reportable segments are the Group's operating segments or aggregations of operating segments.

## Significant accounting judgements and estimates

### Climate Change Impact

The Group considered the potential impact of climate change, and concluded that, while it is an emerging risk the Group does not expect it to have a material financial impact and is sufficiently far into the future not to warrant any amendment to the assumptions used in the impairment testing of goodwill, property, plant and equipment and right-of-use-assets.

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 and estimates made by the Directors in the application of these accounting policies that have significant effect on the Consolidated 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:

#### Lease term

IFRS 16 "Leases" defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, beyond the non-cancellable period, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; current and future trading forecast as to the ongoing profitability of the site; and the level and type of planned future capital investment.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Therefore potential future cash outflows have not been included in the lease liability where it is not reasonably certain the extension periods will be taken or that the leases will be extended on similar terms (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Refer to Note 20 which quantifies the impact on lease liability should the lease term include extension or termination options.

#### Lease discount rate

IFRS 16 requires that the discount rate applied in calculating the lease asset and liability represents the incremental borrowing rate at the date the lease is signed or modified. Leases are signed and amended over the course of each year; the Group elects to apply an average discount rate over periods for which its cost of borrowing and credit rating are consistent. Given the judgement required around the date of amendment and the uncertainty affecting incremental borrowing rates, using a rate covering the three-month period is considered to be appropriate. Refer to Note 20 which sets out the details of the discount rate applied during the year.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **1. Accounting Policies continued Judgements continued**

#### **Lease modifications**

Judgement is required to determine when the terms of an amendment to an existing lease is formally agreed, which in some cases is considered to have occurred prior to the date of signing the agreement. The timing of the modification can affect the discount rate and the period in which it is reported. Management consider a modification to have been completed when it is reasonably certain to occur without any further changes to agreed terms.

Management have determined that all renegotiated leases are treated as modifications under IFRS 16, and management have taken the judgement that all renegotiated leases met the criteria for amendment based on the changes to the cash flows, length and conditions of the original leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Refer to Note 20 which quantifies the impact on the judgements relating to lease modifications.

#### **Embedded Derivatives**

Judgement is required in assessing whether certain elements of debt contracts entered into during the year were closely related to the terms of the overall contract itself. Management consider that a LIBOR floor applied to existing US dollar term loans, a LIBOR floor applied in a new debt facility entered into during the year and a prepayment feature in that loan (all of which are disclosed in detail in note 26) were not closely related to the terms of the underlying contracts in which they were identified and therefore required to be separately recognised.

#### **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 could have a significant impact on the amounts recognised in the Consolidated Financial Statements in the next financial year.

#### **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 cash-generating unit "CGU" 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 country 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 12). 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.

#### **Impairment of property, plant and equipment and right-of-use assets**

The Group determines whether property, plant and equipment and right-of-use 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 site's cash flows are not determined to be 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 11).

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 11). The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the key assumptions made within the cash flow forecasts include admissions levels, average ticket price, concession spend per person, and discount rates. 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. Based on the sensitivity analysis performed, there would be additional impairment, refer to Note 11 for full details. Therefore 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

### Estimates continued

#### Impairment of investments in joint ventures

The Group determines whether investments in joint ventures are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the fair value and value in use of each investment held at amortised cost. Impairment charges recognised are assessed by reference to the higher of fair value less cost to sell and value in use.

Estimating the fair value of joint ventures with a comparable observable market price involves multiplying the Group's shareholding by the current market price. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the joint venture and discount these to their net present value at a discount rate which is appropriate for the asset. 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 joint venture 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 13).

#### Fair value of financing arrangements

The complex nature of additional financing entered into during the year resulted in estimation being required in the assessment of the fair value to the instruments included. The new B2 loan (disclosed in note 26) was recognised at a discount to the face value of the principal amount of the loan, the fair value applied resulted in a gain on extinguishment which is recognised within finance income. Estimating the fair value involved consideration around the fair value of the Groups debt prior to the new instrument being issued, comparable effective interest rates of another loan entered into on the same date, the Groups credit rating and incremental borrowing rates at the date of issuance.

#### Valuation of warrants

The Group values warrants using the Black-Scholes model, applying a risk-free interest rate, expected term of five years and an estimated share price and volatility. The Directors consider that the assumptions made represent their best estimate.

#### Deferred tax asset recognition

The Group recognises deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilised. This assessment requires estimation.

Estimates are required in assessing whether sufficient future taxable profits will be made in order to recognise the benefit of deferred tax assets accumulated at the Balance Sheet date. In assessing recognised and unrecognised deferred tax assets, the Group has considered its forecast performance in line with the scenarios set out in its going concern analysis, as set out in Note 1. Details of the deferred tax assets, recognised and unrecognised, are set out in Note 16.

#### Forthcoming requirements

There were no new standards adopted by the Group in the year but the following amendments became applicable during the year:

Definition of Material – amendments to IAS 1 and IAS 8

Definition of a Business – amendments to IFRS 3

Revised Conceptual Framework for Financial Reporting

Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

These amendments did not have a material impact on the Group's accounting policies and have therefore not resulted in any changes.

In response to COVID-19, the IASB announced, considered and issued a COVID-19 specific amendment to IFRS 16 on 28 May 2020. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The exemption applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The Group elected not to apply the exemption.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 1. Accounting Policies continued Forthcoming requirements continued

The following new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group:

Title	Key requirements	Effective date
Interest rate benchmark reform – Amendments to IFRS 9, IFRS 7 and IFRS 16	<p>The IASB has made amendments to IFRS 9 “Financial Instruments”, IFRS 7 “Financial Instruments: Disclosures” and IFRS 16 “Leases” which are impacted by the interest rate benchmark reform.</p> <p>For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis.</p> <p>IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.</p> <p>The amendments also require disclosure of: i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and iii) a description of any changes to the risk management strategy as a result of IBOR reform.</p>	1 January 2021

These standards and others not yet effective are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

### 2. Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (“APMs”) in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure.

The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, one-off items and the timing of acquisitions.

The APMs are used internally in the management of the Group’s business performance, budgeting and forecasting, and for determining Executive Directors’ remuneration and that of other management throughout the business. The APMs are also presented externally to meet investors’ requirements for further clarity and transparency of the Group’s financial performance. Where items of profits or costs are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual income or costs of the Group.

Other commentary within the Annual Report and Accounts (such as the Chief Financial Officer’s Review on pages 26 to 31), should be referred to in order to fully appreciate all the factors that affect the business.

The Group’s Alternative Performance Measures are set out below. Additional adjustments have been made in the current period to reflect exceptional items incurred due to the impact of the COVID-19 pandemic:

#### Adjusted EBITDA

Adjusted EBITDA is defined as operating (loss)/profit adjusted for (losses)/profits of jointly controlled entities using the equity accounting method net of tax and excess cash distributions, depreciation and amortisation, impairments of goodwill, property, plant and equipment, right-of-use assets and investments in the ordinary course of business, property-related charges and releases, business interruption costs, share-based payment charges and operating exceptional items. Exceptional items are charges and credits which are a non-recurring item that is outside the Group’s normal course of business and material by size or nature. Adjustments have been made for specific costs associated with the impact of COVID-19 including stock write offs, additional cleaning costs, legal costs associated with employee furlough schemes, redundancy and refinancing.

The following items are adjusted for within the Group’s Adjusted EBITDA APM as they are non-cash items: depreciation and amortisation, impairment of property, plant and equipment, right-of-use assets and investments in the ordinary course of business, property-related charges and releases, and share-based payment charges.

The net impact of share of profit of jointly controlled entities and the associated excess cash distributions from joint controlled entities are included within Adjusted EBITDA as these items are cash items outside of operating profit.

## 2. Alternative Performance Measures continued Adjusted (Loss)/Profit

Adjusted (loss)/profit before tax is defined as (loss)/profit before tax adjusted for amortisation of intangible asset created on acquisition, excess cash distributions from jointly controlled entities, impairments of goodwill, property, plant and equipment, right-of-use assets and investments in the ordinary course of business, property-related charges and releases, business interruption costs, share-based payment charges, movements on financial derivatives, exceptional operating items, foreign exchange translation gains and losses, de-designation of net investment hedge, exceptional financing items and exceptional tax items. Adjustments have been made for exceptional items associated with the impact of COVID-19 including stock write offs, additional cleaning costs, legal costs associated with employee furlough schemes, redundancy and refinancing.

Adjusted (loss)/profit after tax is arrived by applying an effective tax rate to the taxable adjustments and deducting the total from adjusted (loss)/profit.

The Adjusted EBITDA and Adjusted (Loss)/Profit after tax reconciliation to statutory operating profit are presented as follows:

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Operating (loss)/profit</b>	<b>(2,257.7)</b>	724.7
Depreciation and amortisation	643.3	729.8
Share of (loss)/profit of jointly controlled entity using equity accounting method net of tax	(33.0)	29.3
Excess cash distributions from jointly controlled entities	56.4	20.3
Impairment of property, plant and equipment, right-of-use assets and investments in the ordinary course of business	-	46.9
Business interruption	-	6.3
Property-related charges and releases	6.4	5.3
Share-based payment charges	(2.3)	4.9
Operating exceptional items:		
- Net impairment of property, plant and equipment, right-of-use assets and investments	1,344.5	-
- Transaction and reorganisation costs	60.8	17.1
- COVID-19 costs	19.9	-
- Cost of refinancing	46.6	-
- One-time write off of other current assets	-	13.2
- Gain on sale and leaseback transaction	-	(17.5)
<b>Adjusted EBITDA</b>	<b>(115.1)</b>	1,580.3
Depreciation and amortisation	(643.3)	(729.8)
Amortisation of intangibles created on acquisition	25.7	27.8
Net finance costs	(717.2)	(541.7)
Movement on financial derivatives	46.4	(2.2)
Foreign exchange translation gains and losses	(9.3)	5.9
De-designation of net investment hedge	9.8	-
Financing exceptional items:		
- Accelerated amortisation of capitalised finance fees	-	15.1
- Gain on extinguishment of debt	(33.2)	-
- Remeasurement loss on financial instrument	98.0	-
- Remeasurement of financial asset amortised cost	11.3	-
<b>Adjusted (Loss)/Profit before Tax</b>	<b>(1,326.9)</b>	355.4
Tax benefit/(charge)	356.4	(32.0)
Tax impact of adjustments	(225.4)	(30.4)
De-recognition of deferred tax assets due to impact of COVID-19	319.7	-
Tax credit arising on capitalised foreign exchange loss	(37.0)	-
<b>Adjusted (Loss)/Profit after Tax</b>	<b>(913.2)</b>	293.0

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **2. Alternative Performance Measures continued Adjusted (Loss)/Profit continued**

#### **Excess cash distributions from jointly controlled entities**

The Group receives cash distributions over and above the level of profit recognised in equity accounting for its joint ventures. This is a recurring cash amount. Joint venture earnings recognised and distributions received are disclosed in Note 13.

#### **Net impairment of goodwill, property, plant and equipment, right-of-use assets and investments**

Disclosure in respect of these impairment charges can be found in Notes 11, 12, 13 and 20.

#### **Business interruption**

In 2019 the Group incurred expenses of \$6.3m in relation to sites which were closed or partially closed during the year for refurbishment or were under construction.

#### **Property-related charges and releases**

The loss of \$6.4m (2019: \$5.3m) is composed of the following:

- \$12.3m gain as a result of remeasurement of right-of-use assets which were modified and due to the modification the asset was decreased by an amount in excess of its carrying value. The excess above carrying value was therefore recognised in the income statement.
- Disposal of 18 sites in US has resulted in \$1.0m gain due to the de-recognition of the lease liabilities and right-of-use assets. Losses of \$13.6m were incurred on property, plant and equipment disposed of at these sites.
- During the year, 6,416 digital projectors were transferred to the Group from its joint operation DCIP. At the date of transfer the assets had a net with a net book value of \$117.6m. Following the transfer, the Group disposed of projector assets with a net book value of \$5.8m. In addition, a \$4.7m gain incurred connected to the termination of the master lease with DCIP.
- \$5.0m in losses assets disposed at on sites under construction in the UK, which are no longer expected to go ahead, were also incurred.
- The loss of \$5.3m during 2019 related to the closure of 16 theatres in the US and one in ROW.

#### **Operating exceptional items**

The following operating exceptional items were recognised during the year:

- The impact of the COVID-19 pandemic on the Group's forecasts cash flows. In addition to increased uncertainty in the market, a higher discount rate driven by the higher cost of debt, and changes to forecast cash flows have resulted in the impairment of property, plant and equipment, right-of-use assets and investments at cinema CGUs, as well as goodwill in country level CGUs amounting to a net total charge of \$1,344.5m. These impairments are considered to be driven by the impact of the pandemic and are therefore considered to be exceptional charges.
- Transaction and reorganisation costs of \$60.8m were incurred in 2020 of which \$2.2m relates to reorganisation costs, \$12.8m to costs incurred with the Cineplex transaction and receipt of a VAT refund of (\$1.6m). Costs in connection with the dissenting shareholder liability which arose on the acquisition of Regal of \$47.4m were incurred, which includes \$41.6m in respect of interest on the outstanding liability. Transaction costs of \$17.1m were recognised in 2019 of which \$4.3m relates to the proposed Cineplex acquisition, \$6.4m reorganisation costs and \$6.4m in other legal costs.
- One-off costs of \$19.9m associated with the impact of COVID-19 including stock write offs of \$16.0m, additional cleaning expenses, redundancy and write offs of \$3.9m.
- Legal and adviser costs, in addition to those capitalised as directly attributable to new debt instruments, \$46.6m were incurred in connection with the new debt facilities entered into during the year.
- In the year ended 31 December 2019 a one-off charge of \$13.2m in respect of plastic cards acquired for resale as gift cards, that were no longer considered recoverable and should have been adjusted at the time of the purchase price allocation but was not material to restate the prior period.
- In the year ended 31 December 2019 a gain of \$17.5m in relation to the two sale and leaseback transactions was recognised.

#### **Accelerated amortisation of capitalised finance fees**

These costs represent the accelerated amortisation of capitalised finance fees following the partial settlement of the Group's term loans during 2019.

#### **Gain on extinguishment of debt**

The Group amended a previously agreed incremental revolving credit facility of \$110.8m to a term loan. The amendment to this facility was considered to represent a discount to the face value of the debt at the time of the agreement and therefore resulted in a gain on extinguishment of \$33.2m, please refer to note 19 for further information.



## 2. Alternative Performance Measures continued Adjusted (Loss)/Profit continued

### Remeasurement loss on financial asset

During the year the Group reassessed the time frame over which its tax receivable asset from National Cinemedia LLC would be received, which resulted in a longer timeframe and the asset was remeasured. As such the Group wrote off \$11.3m of the tax receivable asset during the year.

### Movement on financial derivatives

In 2019 the Group entered a contingent forward contract and a contingent swap contracts in order to hedge certain cash flows expected to take place on completion of the proposed Cineplex combination. Due to the termination of the deal, the contingent elements of the derivatives were not met. The Group terminated the swap resulting in a gain of \$4.5m and a loss of \$10.4m on the deal contingent forward in line with the fair values reported at 31 December 2019. In addition, the forward contract was modified on termination, resulting in additional losses of \$10.2m recognised within movement on financial derivatives and \$16.8m which was assessed to be in respect of debt issuance costs which were capitalised and fully amortised over the remainder of the year elsewhere within finance expenses.

During the year the Group recognised three derivative financial instruments in respect to its new financing arrangements. On term loan B1, the Group recognised detachable equity warrants, and the fair value movement for the year was a loss of \$15.2m. Additionally, linked to term loan B1 is a call option, and the fair value movement during the year amounts to a gain of \$4.5m. Term loan B2 includes an embedded derivative linked to the USD-LIBOR and the fair value movement for the year amounts to a loss of \$0.1m.

In addition to the charge arising due to the termination of a hedge relationship set out below, there was a further movement on the fair value of the Group's cross currency swaps during the year. This movement totalled \$13.9m and was recognised in the movement on financial derivatives. The movement was driven by interest rate and currency fluctuations, as well as being significantly affected by reductions in the Group's credit rating. Upon modifications being made to existing debt agreements during the year, which implemented a 1% floor in LIBOR-linked interest rates applied to US dollar-denominated term loans, embedded derivative liabilities with a total value of \$103.6m were identified, of which \$98.0m is recognised as a remeasurement loss on financial instrument and \$5.6m as a fair value movement on derivative. These derivatives were recognised as a cost within movement on financial derivatives during the year. Subsequent to the year end, it is expected that the underlying contracts relating to these derivatives will be further modified, resulting in their de-recognition.

In 2019 the Group has recognised gains or losses on three financial derivatives during the year. A gain of \$10.4m and a loss of \$4.5m have been recognised respectively on a contingent forward contract and contingent cross currency swap entered into to hedge certain expected transaction flows linked to the proposed acquisition of Cineplex. A further loss \$3.7m was incurred on a short term forward contract entered into as part of the minor financing restructure.

### Unwind of net investment hedge

The Group had previously designated the Euro leg of three cross currency swaps held as a net investment hedge against the assets of certain Euro denominated subsidiaries. During the period the hedge relationship became ineffective and the hedge relationship ended. This resulted in a \$9.8m credit to the hedge reserve and charge to the income statement.

### Foreign exchange translation gains and losses

Gains and losses arise due to movements on foreign exchange in respect of the Group's unhedged Euro denominated term loan. These gains and losses are excluded from Adjusted Profit Before Tax. During the year the Group's Euro denominated term loan was designated as a net investment hedge.

### Tax exceptional items

During the year the Group recognised a one-off tax credit under the CARES Act in the United States of \$37.0m due to the carry back of losses against profits of earlier years with higher tax rates. In addition, the Group has de-recognised \$319.7m in deferred tax assets due to reduction in the Group's forecast cash flows.

### Net debt

Net Debt is defined as total liabilities from financing, excluding embedded derivatives, net of cash at bank and in hand. A reconciliation of movements in Net Debt is provided in Note 19.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 3. Operating Segments

The Group has determined that it has three reporting operating segments: the US; the UK&I and the ROW. The ROW operating segment includes the cinema chain brands Cinema City in Central and Eastern Europe territories and Yes Planet and Rav-Chen in Israel. The ROW reporting segment includes Poland, Romania, Hungary, the Czech Republic, Bulgaria, Slovakia and Israel. The results for the United States include the three cinema chain brands Regal, United Artists and Edwards Theatres. UK&I includes two cinema chain brands, Cineworld and Picturehouse, which operate in the same territory with the same external regulatory environment and ultimately provide the same services and products. On this basis it is deemed appropriate that these two segments can be aggregated and reported as one reporting segment for the UK&I.

	US \$m	UK&I \$m	ROW \$m	Total \$m
<b>Year ended 31 December 2020</b>				
Total revenues	575.9	153.9	122.5	852.3
Adjusted EBITDA as defined in Note 2	(87.2)	(35.0)	7.1	(115.1)
Operating loss	(1,500.3)	(585.9)	(171.5)	(2,257.7)
Finance income	8.4	49.7	11.5	69.6
Finance expense	(462.1)	(269.4)	(55.3)	(786.8)
Depreciation and amortisation	481.6	90.7	71.0	643.3
Net impairment of property, plant and equipment and right-of-use assets, goodwill and investments	761.5	493.8	89.2	1,344.5
Share of loss from jointly controlled entities using equity accounting method net of tax	(32.7)	-	(0.3)	(33.0)
<b>Loss before tax</b>	<b>(1,986.7)</b>	<b>(805.6)</b>	<b>(215.6)</b>	<b>(3,007.9)</b>
Non-current asset additions - property, plant and equipment (Note 11)	231.8	41.1	9.8	282.7
Non-current asset additions - intangible assets (Note 12)	-	0.3	2.2	2.5
Investment in equity accounted investee (Note 13)	213.3	1.0	0.8	215.1
<b>Total assets</b>	<b>8,552.8</b>	<b>1,163.9</b>	<b>908.5</b>	<b>10,625.2</b>
<b>Total liabilities</b>	<b>8,403.9</b>	<b>1,377.2</b>	<b>617.8</b>	<b>10,398.9</b>
<b>Year ended 31 December 2019</b>				
Total revenues	3,209.6	648.4	511.7	4,369.7
Adjusted EBITDA as defined in Note 2	1,197.1	192.2	191.0	1,580.3
Operating profit	535.5	65.0	124.2	724.7
Finance income	(6.0)	(11.5)	(8.8)	(26.3)
Finance expense	448.7	96.5	22.8	568.0
Depreciation and amortisation	558.2	92.5	79.1	729.8
Impairment of property, plant and equipment and right-of-use assets	40.5	5.3	1.1	46.9
Share of profit/(loss) from jointly controlled entities using equity accounting method net of tax	29.6	-	(0.3)	29.3
<b>Profit/(loss) before tax</b>	<b>122.6</b>	<b>(5.0)</b>	<b>94.7</b>	<b>212.3</b>
Non-current asset additions - property, plant and equipment (Note 11)	328.8	120.4	34.4	483.6
Non-current asset additions - intangible assets (Note 12)	-	1.7	3.6	5.3
Investment in equity accounted investee (Note 13)	298.8	0.9	0.5	300.2
<b>Total assets</b>	<b>9,801.0</b>	<b>1,381.0</b>	<b>1,268.5</b>	<b>12,450.5</b>
<b>Total liabilities</b>	<b>7,999.4</b>	<b>1,134.1</b>	<b>379.3</b>	<b>9,512.8</b>

There were no revenues from transactions with other operating segments. All revenue is generated from external customers.

## 4. Revenue

The Group derives revenue from the transfer of goods at a point in time and services over time in the following territories:

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Revenue by country</b>		
United States	575.9	3,209.6
United Kingdom & Ireland	153.9	648.4
Poland	42.7	153.8
Israel	15.9	113.2
Hungary	22.0	77.3
Romania	16.0	73.4
Czech Republic	17.1	58.4
Bulgaria	4.8	21.5
Slovakia	4.0	14.1
<b>Total revenue</b>	<b>852.3</b>	<b>4,369.7</b>

Revenue per operating segment can be broken down by product and service provided as follows:

### United States

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Revenue by product and service provided</b>		
Box office	280.3	1,859.6
Retail	161.1	953.9
Other	134.5	396.1
<b>Total revenue</b>	<b>575.9</b>	<b>3,209.6</b>
<b>Timing of revenue recognition</b>		
At a point in time	474.0	3,016.0
Over time	101.9	193.6

### UK and Ireland

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Revenue by product and service provided</b>		
Box office	99.4	405.7
Retail	37.2	156.7
Other	17.3	86.0
<b>Total revenue</b>	<b>153.9</b>	<b>648.4</b>
<b>Timing of revenue recognition</b>		
At a point in time	152.6	646.0
Over time	1.3	2.4

### ROW

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Revenue by product and service provided</b>		
Box office	68.9	270.8
Retail	33.9	129.7
Other	19.7	111.2
<b>Total revenue</b>	<b>122.5</b>	<b>511.7</b>
<b>Timing of revenue recognition</b>		
At a point in time	116.5	463.7
Over time	6.0	48.0

All revenue is generated from external customers except for the funding received from government support schemes in ROW for an amount of \$1.0m in 2020 (2019: nil).

Refer to Note 22 for a breakdown of contract liabilities recognised during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

**5. Other Operating Income**

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Rental income	2.3	5.7
<b>Total other operating income</b>	<b>2.3</b>	<b>5.7</b>

**6. Operating Profit**

Included in operating profit for the year are the following:

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Depreciation	613.5	697.2
Amortisation of intangibles	29.8	32.6
Impairment of property, plant and equipment, right-of-use assets and investments assets in the ordinary course of business	-	46.9
Property-related charges and releases	6.4	5.3
Net exceptional impairment of property, plant and equipment, right-of-use assets and investments assets	1,344.5	-
Other operating exceptional items	127.3	12.8
Short-term and turnover rent leases	4.8	30.9

Details of these items are presented in Note 2.

The total remuneration of the Group Auditor, PricewaterhouseCoopers LLP, and its affiliates for the services to the Group in 2019 and 2020 is analysed below:

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Auditor's remuneration:</b>		
Group - audit	2.3	2.0
Amounts received by Auditors and their associates in respect of:		
- Audit of financial statements pursuant to legislation	0.5	0.5
- Audit-related assurance services	0.3	0.1
- All other services	0.6	0.4

## 7. 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.

Diluted Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares plus any dilutive non-vested/non-exercised ordinary shares. Where dilutive options are not considered likely to vest, no dilution is applied.

Adjusted Earnings Per Share is calculated dividing the adjusted profit after tax 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.

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Earnings attributable to ordinary shareholders	<b>(2,651.5)</b>	180.3
Adjustments:		
Amortisation of intangible assets <sup>(1)</sup>	<b>25.7</b>	27.8
Excess cash distributions from jointly controlled entities	<b>56.4</b>	20.3
Impairment of property, plant and equipment, right-of-use assets and investments in the ordinary course of business	-	46.9
Business interruption	-	6.3
Property-related charges and releases	<b>6.4</b>	5.3
Share-based payment charges	<b>(2.3)</b>	4.9
Operating exceptional items:		
- Net impairment of property, plant and equipment, right-of-use assets and investments	<b>1,344.5</b>	-
- Transaction and reorganisation costs	<b>60.8</b>	17.1
- COVID-19 costs	<b>19.9</b>	-
- Refinancing costs	<b>46.6</b>	-
- One time write off of other current assets	-	13.2
- Gain on sale and leaseback transaction	-	(17.5)
Financing exceptional items:		
- Accelerated amortisation of capitalised finance fees	-	15.1
- Gain on extinguishment of debt	<b>(33.2)</b>	-
- Remeasurement of financial asset amortised cost	<b>11.3</b>	-
- Remeasurement loss on financial instrument	<b>98.0</b>	-
Movement on financial derivatives	<b>46.4</b>	(2.2)
Foreign exchange translation gains and losses <sup>(2)</sup>	<b>(9.3)</b>	5.9
Recycle of net investment hedge	<b>9.8</b>	-
Adjusted earnings	<b>(970.5)</b>	323.4
Tax effect of above items	<b>(225.4)</b>	(30.4)
Tax exceptional items		
De-recognition of deferred tax assets due to impact of COVID-19	<b>319.7</b>	-
Tax credit arising on capitalised foreign exchange loss	<b>(37.0)</b>	-
<b>Adjusted (loss)/profit after tax</b>	<b>(913.2)</b>	293.0

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

**7. Earnings Per Share continued**

	<b>Year ended 31 December 2020 \$m</b>	<b>Year ended 31 December 2019 \$m</b>
Weighted average number of shares in issue	<b>1,372.4</b>	1,371.6
Basic Earnings Per Share denominator	<b>1,372.4</b>	1,371.6
Dilutive options	<b>-</b>	3.6
Diluted Earnings Per Share denominator	<b>1,372.4</b>	1,375.2
Shares in issue at year end	<b>1,372.8</b>	1,372.0
	<b>Cents</b>	<b>Cents</b>
Basic (Deficit)/Earnings Per Share	<b>(193.2)</b>	13.1
Diluted (Deficit)/Earnings Per Share	<b>(193.2)</b>	13.1
Adjusted basic (Deficit)/Earnings Per Share	<b>(66.5)</b>	21.4
Adjusted diluted (Deficit)/Earnings Per Share	<b>(66.5)</b>	21.3

- (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 and Regal business combination which totalled \$25.7m (2019: \$27.8m). It does not include amortisation of purchased distribution rights.
- (2) Net foreign exchange gains and losses included within earnings comprises \$9.3m (2019: \$5.9m) foreign exchange loss recognised on translation of the loans.

## 8. Staff Numbers and Costs

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

	Number of staff	
	2020	2019
Head office	1,161	1,255
Cinemas	29,270	36,227
	<b>30,431</b>	<b>37,482</b>

Included in the monthly 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 2020 \$m	Year ended 31 December 2019 \$m
Wages and salaries	206.7	490.1
Social security costs	38.1	56.9
Other pension costs – defined contribution	1.6	3.1
Share-based payments	(2.3)	4.9
	<b>244.1</b>	<b>555.0</b>

Payroll costs for the year ended 31 December 2020 are net of funding received during the year from government support schemes which amounted to \$44.5m and \$2.3m in the UK and RoW respectively.

See page 70 for details of Directors' remuneration.

## 9. Finance Income and Expense

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Interest income	7.4	4.5
Foreign exchange gain	10.9	7.3
Unwind of discount on sub-lease assets	0.7	0.7
Gain on movement in the fair value of financial derivatives	9.0	10.4
Gain on extinguishment of debt	33.2	-
Unwind of discount on non-current receivables	8.4	3.4
<b>Finance income</b>	<b>69.6</b>	<b>26.3</b>
Interest expense on bank loans and overdrafts	166.3	167.3
Amortisation of financing costs	33.1	27.2
Lease liability interest	349.0	304.2
Unwind of discount of deferred revenue	49.4	51.3
Remeasurement of financial asset amortised cost	11.3	-
Remeasurement of net investment in sub-lease assets	2.7	-
Loss on movement in the fair value of financial derivatives	55.4	8.1
Remeasurement loss on financial instrument	98.0	-
Foreign exchange loss	11.8	9.9
De-designation of net investment hedge	9.8	-
<b>Finance expense</b>	<b>786.8</b>	<b>568.0</b>
<b>Net finance costs</b>	<b>(717.2)</b>	<b>541.7</b>

## Recognised within other comprehensive income

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Movement on net investment hedge	(19.8)	22.2
De-designation of net investment hedge	9.8	-
Retranslation gain/(loss) of foreign currency denominated operations	3.5	12.6

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

**10. Taxation  
Recognised in the Consolidated Statement of Profit or Loss**

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>Current tax expense</b>		
Current year	(220.9)	102.1
Adjustments in respect of prior years	(3.1)	2.5
<b>Total current tax (credit)/expense</b>	<b>(224.0)</b>	104.6
<b>Deferred tax expense</b>		
Current year	(138.0)	(66.7)
Adjustments in respect of prior years	8.9	(6.8)
Adjustments from change in tax rates	(3.3)	0.9
<b>Total tax (credit)/charge in the Statement of Profit or Loss</b>	<b>(356.4)</b>	32.0

**Reconciliation of effective tax rate**

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
<b>(Loss)/profit before tax</b>	<b>(3,007.9)</b>	212.3
Tax using the UK corporation tax rate of 19.0% (2019: 19.0%)	(571.5)	40.3
Differences in overseas tax rates	(100.3)	(10.6)
Permanently disallowed depreciation	9.2	2.0
Permanently disallowed exceptional costs	2.4	2.4
Impact of higher prior year US tax rate applied to loss carry backs	(37.0)	-
Impairment of goodwill on which no deferred tax asset is recognised	124.7	-
De-recognition of deferred tax assets	319.7	-
Tax effect of Fair Value adjustments	(85.5)	-
Other permanent differences	(20.7)	1.3
Adjustment in respect of prior years	5.8	(4.3)
Effect of change in statutory rate of deferred tax	(3.2)	0.9
<b>Total tax (credit)/charge in the Statement of Profit or Loss</b>	<b>(356.4)</b>	32.0

During the year there was a tax charge of \$0.1m, recognised directly in the Statement of Comprehensive Income (2019: credit of \$1.3m). This related to share remuneration schemes.



## Factors that may affect future tax charges

The Group expects that the tax rate in the future will be affected by the geographical split of profits and the different tax rates that will apply to those profits.

The UK Budget on 3 March 2021 announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The effect of the rate increase is not reflected in the financial statements as it was not substantively enacted at the balance sheet date. If the rate increase had been substantively enacted at the balance sheet date an additional \$19.4m UK deferred tax asset would be recognised, resulting in an increase of \$19.4m in the tax credit for the period.

No deferred tax liability has been recognised on \$236.8m of taxable temporary differences related to investments, as the Group can control the timing of the reversal and it is probable that no reversal will happen in the foreseeable future.

At 31 December 2020 the Group had unrecognised deferred tax assets relating to the following temporary differences:

- US tax losses of \$797.7m with no expiry date (2019: \$44.6m in 2019 with expiry dates between 2020 and 2032);
- US deferred revenue of \$239.4m (2019: nil);
- UK tax losses of \$137.6m with no expiry date (2019: nil);
- UK deferred rent deductions of \$67.2m (2019: nil);
- Israeli tax losses of \$20.0m with no expiry date (2019: nil);
- Israeli deferred rent deductions of \$16.4m (2019: nil);
- Bulgarian tax losses of \$3.1m with no expiry date (2019: nil);
- Bulgarian deferred rent deductions of \$2.8m (2019: nil);
- Slovakian deferred rent deductions of \$5.1m (2019: nil);
- Hungarian tax losses of \$143.9m with no expiry date (2019: nil); and
- UK capital losses of \$9.8m with no expiry date (2019: \$9.5m).

On 25 April 2019 the European Commission released its decision which concluded that for years to 31 December 2018 the UK Controlled Foreign Company legislation represents recoverable State Aid in some circumstances. There remains uncertainty surrounding the quantum of any additional tax exposure which is subject to ongoing discussion with HM Revenue & Customs. Following a review of the potential application of the decision to Controlled Foreign Company claims to 31 December 2018 the Group has recognised a provision of \$0.9m against potential exposures. The maximum potential exposure is \$11.1m.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

**11. 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
<b>Cost</b>					
<b>Balance at 1 January 2019</b>	1,002.4	1,203.1	644.5	35.0	2,885.0
Additions	49.3	168.7	62.4	203.2	483.6
Disposals	(474.0)	(58.4)	(11.0)	(2.0)	(545.4)
Transfers	52.0	50.2	13.8	(116.0)	-
Effects of movement in foreign exchange	14.0	2.2	8.8	0.2	25.2
<b>Balance at 31 December 2019</b>	<b>643.7</b>	<b>1,365.8</b>	<b>718.5</b>	<b>120.4</b>	<b>2,848.4</b>
Additions	41.9	47.8	24.3	168.7	282.7
Disposals	(58.8)	(19.5)	(20.8)	(6.1)	(105.2)
Transfers	38.9	4.9	10.9	(54.7)	-
Effects of movement in foreign exchange	18.0	14.6	23.3	0.1	56.0
<b>Balance at 31 December 2020</b>	<b>683.7</b>	<b>1,413.6</b>	<b>756.2</b>	<b>228.4</b>	<b>3,081.9</b>
<b>Accumulated depreciation and impairment</b>					
<b>Balance at 1 January 2019</b>	85.5	258.7	189.9	-	534.1
Charge for the year	20.1	201.1	77.8	-	299.0
Disposals	(13.7)	(33.3)	(13.7)	-	(60.7)
Effects of movement in foreign exchange	2.9	0.9	4.6	-	8.4
Impairments	24.3	3.4	0.4	-	28.1
<b>Balance at 31 December 2019</b>	<b>119.1</b>	<b>430.8</b>	<b>259.0</b>	<b>-</b>	<b>808.9</b>
Charge for the year	130.9	64.0	69.9	-	264.8
Disposals	(48.1)	(18.4)	(16.5)	-	(83.0)
Effects of movement in foreign exchange	8.3	12.7	15.7	-	36.7
Impairments	148.1	71.1	55.8	23.7	298.7
Impairment reversals	(17.2)	(6.0)	(7.4)	(1.8)	(32.4)
<b>Balance at 31 December 2020</b>	<b>341.1</b>	<b>554.2</b>	<b>376.5</b>	<b>21.9</b>	<b>1,293.7</b>
<b>Net book value</b>					
At 31 December 2019	524.6	935.0	459.5	120.4	2,039.5
<b>At 31 December 2020</b>	<b>342.6</b>	<b>859.4</b>	<b>379.7</b>	<b>206.5</b>	<b>1,788.2</b>

Interest of \$5.2m (2019: \$1.2m) and payroll costs of \$9.0m (2019: \$11.1m) has been capitalised during the year which relates to the construction of new sites.

Contractual commitments in relation to future capital expenditure is outlined within Note 27.

Property, plant and equipment at specific sites has been pledged as security against the borrowing facilities as outlined in Note 19.

**Impairment**

The Group determines whether these 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 property, plant and equipment and right-of-use-assets are allocated, which is predominantly at the individual cinema site level.

Where individual sites' cash inflows are determined not to operate independently 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. Where the recoverable amount is less than the carrying amount, an impairment charge to reduce the assets down to recoverable amount is recognised.

The recoverable amount of a CGU is the higher of value in use or fair value less cost of disposal. The Group determines the recoverable amount with reference to its value in use.

As disclosed within the Group's interim financial statements, the impact of the COVID-19 pandemic on the Group during the period was considered a triggering event and an impairment assessment was performed at 30 June 2020.

Total impairments recognised across property, plant and equipment and right-of-use-assets during the period to 30 June 2020 was \$612.6m. This was in relation to 225 sites in the US, 42 sites in the UK and 21 sites in the ROW, whose recoverable amount was less than the carrying amount.

The recoverable amount of these sites subsequent to impairment at 30 June 2020 was \$1,499.7m.

## 11. Property, Plant and Equipment continued Impairment continued

In performing the impairment review at 31 December 2020 management compared the carrying value of each CGU for which included the impairment recognised at 30 June 2020.

Subsequent to 30 June 2020 a number of leases held by CGUs were amended, which resulted in a revised right-of-use asset being calculated, in turn reducing the carrying value of the right-of-use asset. As a result management identified a number of CGUs which were impaired at 30 June 2020 whose recoverable amount was now greater than that of its carrying amount. Where this was the case, management have recognised a reversal of the impairment charge booked at 30 June 2020 for these CGUs. The impairment reversal is the lower of the estimated recoverable amount at 31 December 2020 or impairment booked at 30 June 2020, less depreciation since the date of the original impairment.

Total impairments recognised, across property, plant and equipment and right-of-use assets during the six month period to 31 December 2020 was a net charge of \$36.6m. The total net impairment charge for the year ended 31 December 2020 was \$649.2m (2019: \$46.9m). Of this impairment charge \$382.9m (2019: \$18.8m) related to ROU assets (30 June 2020 charge \$385.3m; 31 December 2020 \$2.4m reversal) and \$266.3m (2019: \$28.1m) related to property, plant and equipment (30 June 2020 charge \$227.3m; 31 December 2020 \$39.0m charge). This charge was split between the reporting segments as follows:

Impairment recognised across each reporting segment	Period ended 30 June 2020 \$m	Period ended 31 December 2020 \$m	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
United States	465.8	16.2	482.0	40.5
United Kingdom and Ireland	111.6	11.4	123.0	5.3
Rest of world	35.2	9.0	43.2	1.1
<b>Total</b>	<b>612.6</b>	<b>36.6</b>	<b>649.2</b>	46.9

Impairments recognised during 2020 were in relation to 239 sites in the US (2019: 49), 53 sites in the UK (2019: five) and 28 sites in the ROW (2019: one), whose recoverable amount (calculated by reference to its value in use) was less than carrying amount. The most significant factors causing impairment were the forecast continued impact of COVID-19 on operations and a higher discount rate, driven by the Group's higher cost of debt. The recoverable amount of these CGUs subsequent to impairment was \$1,362.4m (2019: \$198.6m).

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 2020 %	Period ended 30 June 2020 %	Year ended 31 December 2019 %
United States	14.2	11.3	9.0
United Kingdom	14.5	11.1	8.1
Poland	14.9	11.1	9.8
Israel <sup>(1)</sup>	14.2	11.1	9.4
Hungary	14.9	12.0	9.3
Romania	15.6	12.0	10.1
Czech Republic	14.4	11.5	8.9
Bulgaria	14.5	11.1	9.3
Slovakia	14.9	11.2	9.3

(1) For sites which generate significant rental cash flows in addition to cinema cash flows a separate discount rate of 12.8% (30 June 2020: 9.68%; 2019: 8.0%) was applied to rental cash flows to reflect the specific risks related to them.

The higher cost of financing facilities entered into during the year have caused cost of debt components of the weighted average cost of capital ("WACC") to increase materially. This has had the effect of increasing overall WACC, reflecting increased volatility in forecast cash flows.

The value in use is calculated using forecast cash flows (defined as the Adjusted EBITDA generated by each CGU), which are based on management's anticipated performance of the CGU's over the term remaining on its respective lease.

Management have prepared individual cash flow forecasts for each CGU. These cash flow forecasts apply specific growth assumptions to the key drivers within the cash flow such as attendance, average ticket price ("ATP"), spend per patron ("SPP") and long-term growth rates of other revenue and cost streams. COVID-19 has had a significant impact on the operations of the business and the territories in which it operates. The impact of COVID-19 has impacted each CGU's ability to generate future cash flows in the short term and management have factored this into each CGU's cash flow forecast.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

### **11. Property, Plant and Equipment continued Impairment continued**

During these uncertain times, there are significant challenges in preparing forecasts necessary to estimate the recoverable amount of a CGU. Management determined that using an expected cash flow approach is the most effective means of reflecting the uncertainties of the COVID-19 pandemic in its estimates of recoverable amount. This approach reflects all expectations about possible cash flows instead of the single expected outcome.

The key assumptions applied within these models are as follows:

- Adjusted EBITDA for the year ended 31 December 2019 is deemed to represent a standard year of cash flows generated under normal operating conditions. Management have therefore used 31 December 2019 actuals as the base assumptions within the cash flow forecast.
- These assumptions, however, have been adjusted to reflect management's assessment of the short-term impact of COVID-19 and longer-term growth over the life of each CGU.
- As part of the Group's assessment of long-term viability a five-year forecast reflecting the impact of COVID-19 has been prepared. Management have compared the assumptions used within this model to that of the actuals at 31 December 2019. The differential between 31 December 2019 and the COVID-19 five-year forecast has been deemed to represent a reduction as a result of the virus.
- Within this five-year forecast management believe monthly cash flows will return to pre-COVID-19 levels (31 December 2019 actual Adjusted EBITDA) by the year ended 31 December 2023.
- For the 2021-2023 forecast period, management have applied the respective financial year's hair-cut to the 31 December 2019 actuals to generate the forecast Adjusted EBITDA for each financial year on a like for like basis. In turn, this will result in the Adjusted EBITDA for the year ended 31 December 2023 to represent the 31 December 2019 actuals.
- From 31 December 2023 onwards management have forecast attendance will remain at 31 December 2019 levels. However, all other assumptions will grow at a long-term growth rate of 1%, with the exception of specific sites within the US CGU which have had specific upside assumptions applied to them.

Similar assumptions were applied as part of the impairment assessment performed at 30 June 2020. The discount rates applied at the date of 30 June 2020 testing differ from those used at 31 December 2020 as outlined in the above table. The hair-cuts applied as part of the 30 June 2020 testing reflected the 2021-2023 forecast used as part of the 30 June 2020 going concern assessment, as disclosed in the 30 June 2020 interim report. This forecast differed to that used as part of the 31 December 2020 testing and therefore different hair-cut assumptions were applied between the two models.

For CGU's which have either opened within the 31 December 2018 or 2019 financial years, or refurbishments occurring during the 2019 financial year management acknowledge that 31 December 2019 actuals do not represent a full year of standard trading. Therefore, specific assumptions have been applied to the key drivers over the 2021-2023 forecast period, in order for the forecast 2023 adjusted EBITDA to represent management's expectations of a standard year of operations (pre COVID-19) for that CGU.

For specific CGUs which have had negative decline in EBITDA over the 2017-2019 financial years, management have assumed this historical decline will continue to at least 31 December 2023. Further declines have been applied for those CGUs for which forecast admissions per screen at 31 December 2023 were above the territories average admissions per screen, until the financial year the admissions per screen is below the territory's average.

The recoverable amount of any CGU is determined as the greater of value-in-use or fair value less cost to sell. Consideration was given to whether the fair value less cost to sell of each CGU is higher than the calculated value in use. In all cases the fair value less cost to sell was found to be lower than the value in use.

### **Sensitivity to changes in assumptions**

Impairment reviews are sensitive to changes in key assumptions, especially given that the full extent of COVID-19 on the operations and future cash flows of the Group is not fully known at this stage. Management have determined that the following assumptions used within the cash flow forecast are most sensitive to further changes as a result of COVID-19. Sensitivity analysis has been performed on all CGU's calculated recoverable amounts giving consideration to incremental changes in the key assumptions of the following:

In calculating the CGU recoverable amount, management have applied specific growth rates in admissions which are deemed to be highly sensitive to the short-term impact of COVID-19 and in the recovery of the operations of the business. The growth rate of admissions has been reduced by 1% per annum over the forecast period. This has therefore reflected the assumption that attendance for each CGU would decline by 1% per annum over the forecast period.

## 11. Property, Plant and Equipment continued Sensitivity to changes in assumptions continued

Growth rates of 1% have been applied to various assumptions within the model such as ATP, SPP and other revenue and costs. Management believe the most sensitive of these assumptions is ATP and SPP and have factored in a decrease in these growth rates by 1% to 0% within the sensitised scenarios.

Discount rates are largely derived from market data, and these rates are intended to be long term in nature. However, the models are sensitive to changes in these rates. An increase by a factor of 1% has been applied in the sensitised scenarios.

The implied hair-cuts applied to the model over the 2021–2023 forecast period is sensitive to the outcomes of various scenarios used within the Group's assessment of going concern and long-term viability as set out in Note 1. We have recalculated the implied hair-cuts based on a severe but plausible scenario over a 2021–2025 forecast period and applied this as a sensitised scenario.

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

The sensitivity analysis has been prepared on the basis that the reasonably possible change in each key assumption would not have a consequential impact on other assumptions used in the impairment review.

The impact on the total impairment charge allocated between both property, plant and equipment and right-of-use asset of applying different assumptions to the growth rates used over the forecast period and the discount rates would be as follows:

	Additional impairment \$m
Growth in admissions reduced by 1%	108.3
Growth in average ticket price and spend per person reduced by 1%	119.0
1 percentage point increase to the discount rates	45.4
Severe but plausible scenario	317.1

Management also performed a sensitivity analysis to assess the potential upside as a result of a 1 percentage point decrease to the discount rates. This would result in a reduction to the December 2020 impairment of \$53.8m.

### Assets held for sale

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 2020 \$m	31 December 2019 \$m
<b>Property, plant and equipment</b>	<b>2.9</b>	0.9

Assets held for sale of \$2.9m at 31 December 2020 related to one theatre in the US, and two remaining buildings of the old US head office facilities. The majority of these office facilities were sold in 2019, with the balance of \$0.9m at 31 December 2019 representing two remaining buildings.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

**12. Intangible Assets**

	Goodwill \$m	Brand \$m	Distribution rights \$m	Other intangibles \$m	Total \$m
<b>Cost</b>					
<b>Balance at 1 January 2019</b>	5,493.1	420.0	48.3	165.5	6,126.9
Additions	-	-	3.9	1.4	5.3
Disposals	-	-	-	-	-
Effects of movement in foreign exchange	10.1	1.2	0.9	-	12.2
<b>Balance at 31 December 2019</b>	<b>5,503.2</b>	<b>421.2</b>	<b>53.1</b>	<b>166.9</b>	<b>6,144.4</b>
Additions	-	-	1.0	1.5	2.5
Disposals	-	-	-	(3.4)	(3.4)
Effects of movement in foreign exchange	33.6	3.8	3.0	1.10	41.5
<b>Balance at 31 December 2020</b>	<b>5,536.8</b>	<b>425.0</b>	<b>57.1</b>	<b>166.1</b>	<b>6,185.0</b>
<b>Accumulated amortisation and impairment</b>					
<b>Balance at 1 January 2019</b>	10.7	21.3	39.4	30.8	102.2
Amortisation	-	3.7	5.7	23.2	32.6
Disposals	-	-	-	-	-
Effects of movement in foreign exchange	0.4	0.8	0.6	0.1	1.9
<b>Balance at 31 December 2019</b>	<b>11.1</b>	<b>25.8</b>	<b>45.7</b>	<b>54.1</b>	<b>136.7</b>
Amortisation	-	3.7	4.4	21.7	29.8
Disposals	-	-	-	-	-
Impairments	657.4	-	-	-	657.4
Effects of movement in foreign exchange	-	2.8	2.8	(2.3)	3.3
<b>Balance at 31 December 2020</b>	<b>668.5</b>	<b>32.3</b>	<b>52.9</b>	<b>73.5</b>	<b>827.2</b>
<b>Net book value</b>					
At 31 December 2019	5,492.1	395.4	7.4	112.9	6,007.8
<b>At 31 December 2020</b>	<b>4,868.3</b>	<b>392.7</b>	<b>4.2</b>	<b>92.6</b>	<b>5,357.8</b>

Included within the brand intangible asset is \$365.0m in relation to Regal, \$24.0m in relation to Cinema City B.V and \$3.7m in relation to Picturehouse. The Regal brand has been determined as having an indefinite useful life. The remaining amortisation period of the Cinema City B.V and Picturehouse brands is 13 years and two years respectively.

Included within other intangible assets is customer relationships and distribution rights. The remaining amortisation period of these intangible are between three and nine years.

Additions during the current year of \$2.5m (2019: \$5.3m) were all acquired separately.

No amounts included within capital commitments as outlined in Note 27 are in relation to intangible assets (2019: \$Nil).

**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 Group has the following CGUs for the purpose of testing goodwill for impairment:

Goodwill for the US operating segment was acquired as a part of the acquisition of Regal in 2018 and is assessed as one CGU.

The ex-Cine-UK, ex-UGC (including Dublin) businesses are now fully integrated, meaning that goodwill is now monitored on a Cineworld level. The Picturehouse business is monitored as a separate UK CGU. 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, Israel, Hungary, Romania, Bulgaria, Czech and Slovakia.

## 12. Intangible Assets (continued)

The value of goodwill allocated to each CGU is as follows:

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
United States	4,060.5	4,302.8
United Kingdom - Cineworld	354.8	700.2
United Kingdom - Picturehouse	9.9	25.2
Poland	133.3	130.7
Israel	77.8	88.0
Hungary	58.5	59.0
Romania	107.2	124.1
Czech Republic	39.3	37.2
Bulgaria	21.6	20.1
Slovakia	5.4	4.8
<b>Total</b>	<b>4,868.3</b>	<b>5,492.1</b>

In testing goodwill for impairment, the value of each CGU's other intangible assets, investments and other long-term assets, right-of-use assets and property, plant and equipment is included within the carrying value of the CGU. Included within the United States CGU is the Regal brand which has an indefinite useful life.

The recoverable amounts of US, Cineworld, Picturehouse and Cinema City CGU Groups have been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period. The five-year forecast annual Adjusted EBITDA, as defined in Note 2, was used as the basis of the future cash flow calculation. Cash flows beyond the first five year period have been extrapolated using the below assumptions, with cash flows adjusted for rent at a CGU level applied beyond the period covered by each current lease. This growth rate does not exceed the long-term average growth rate for the market in which the CGU Groups operate.

The pre-tax discount rates applied are detailed in Note 11. This is considered to reflect the risks associated with the relevant cash flows for each CGU Group.

At 30 June 2020, the impact of COVID-19 on the operations of the Group was deemed as a triggering event and an impairment assessment was performed. As a result of this test, the Group impaired \$342.1m in respect of the United Kingdom goodwill. Of this impairment \$14.5m was in relation to the Picturehouse CGU.

A further impairment test was performed at 31 December 2020, which resulted in an additional impairment charge of \$315.3m in respect of the United States goodwill (\$242.3m), United Kingdom goodwill (\$29.9m), Israel goodwill (\$16.8m), Romania goodwill (\$25.9m) and Bulgaria goodwill (\$0.4m).

The most significant factors causing impairment were the forecast of the continuous impact of COVID-19 on operations and a higher discount rate, driven by the Group's higher cost of debt.

Management have sensitised the key assumptions in the goodwill impairment tests and under both the base case and severe but plausible case. The key assumptions used and sensitised were the drivers for the cash flows forecast (as set out in Note 1) and the relevant discount rate, as they are the key variable elements of the value in use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 12. Intangible Assets (continued)

Sensitivities have been applied to the forecast cash flows to assess the potential impairment under different scenarios. The scenarios applied are the severe but plausible scenario (as set out in Note 1), a 1% reduction in long-term growth rates and a 1% increase in discount rate. The additional impairment as a result of these scenarios by CGU would be as follows. These values are after considering the property, plant and equipment sensitivities:

CGU	Severe but plausible case \$m	Long-term growth rates reduced by 1% \$m	1 percentage point increase in the discount rates \$m
US	870.8	254.7	445.4
UK - Cineworld	152.0	28.2	57.4
Bulgaria	4.4	1.0	2.2
Romania	21.0	4.5	8.1
Israel	14.1	3.7	8.5

No additional impairment under the above sensitivity scenarios would be recognised for Poland, Hungary, Czech and Slovakia CGU's.

### Indefinite life intangible assets

The Regal brand is instrumental in driving revenues and therefore we valued this at \$365.0m. We have determined that this brand has an indefinite useful life. The factors that played a significant role in determining that this asset has an indefinite useful life are the historical term over which it has been used and management's intention to continue to invest in its value.

### Amortisation charge

The amortisation of intangible assets is recognised in the following line items in the Consolidated Statement of Profit or Loss:

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Administrative expenses	29.8	32.6



### 13. Equity-Accounted Investees

The Group has the following investment in jointly controlled entities:

	Country of incorporation	Class of shares held	Ownership	Carrying value 31 December 2020 \$m	Carrying value 31 December 2019 \$m
National CineMedia, LLC	United States	Ordinary	26.1%	208.0	289.9
AC JV, LLC	United States	Ordinary	32.0%	4.1	5.7
Digital Cinema Distribution Coalition	United States	Ordinary	14.6%	1.4	3.0
Digital Cinema Media Limited	England and Wales	Ordinary	50.0%	0.9	0.9
Black Shrauber Limited	Israel	Ordinary	50.0%	0.7	0.5

#### National CineMedia, LLC

In March 2005, Regal and AMC announced the combination of the operations of RCM Regal and AMC's subsidiary, National Cinema Network, into a joint venture company known as National CineMedia ('NCM'). In July 2005, Cinemark joined the NCM joint venture. NCM operates the largest digital in-theatre advertising network in North America.

Regal entered into an Exhibitor Services Agreement ('ESA') with NCM, pursuant to which NCM primarily provides advertising to our cinemas. National CineMedia, Inc. ('NCMI') is an entity that serves as the sole manager of NCM, and has no business operations or material assets other than its cash and ownership interest in NCM. NCMI completed an IPO of its common stock and as a result Regal amended its operating agreement and the ESA. At the time of the NCM IPO and as a result of amending the ESA, Regal received approximately \$281.0m in cash consideration from NCM. The proceeds were recorded as deferred revenue and were being amortised over the term of the ESA, until February 2037. During 2019, the Group amended the ESA under which the Group will provide incremental advertising time to NCM and has extended the term of the ESA through February 2041.

Also in connection with the IPO, the joint venture partners entered into a Common Unit Adjustment Agreement with NCM. Pursuant to the Common Unit Adjustment Agreement, from time to time, shares of NCM held by the joint venture partners will be adjusted up or down through a formula primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each joint venture partner. The common unit adjustment is computed annually, except that an earlier common unit adjustment will occur for a joint venture partner if its acquisition or disposition of theatres, in a single transaction or cumulatively since the most recent common unit adjustment, will cause a change of 2% or more in the total annual attendance of all of the joint venture partners.

On 12 March 2020 as a result of the annual adjustment provisions of the Common Unit Adjustment Agreement, the Group received 520,025 newly issued common units in NCM, each of which is convertible into one share of NCMI. The Group records additional common units received at estimated fair value using the available closing stock prices of NCMI as of the date on which the units were issued. During 2020, the Group recorded an increase to its investment in NCM (along with a corresponding increase to deferred revenue) of approximately \$1.8m related to the common unit adjustment. The deferred revenue will be recognised as advertising revenue on a straight-line basis over the remaining term of the ESA.

The Group receives a monthly theatre access fee for participation in the NCM network and also earn screen advertising revenue on a per patron basis. The theatre access fee revenues are based on a combination of both fixed and variable factors which include the total number of theatre screens, attendance and actual revenues generated by NCM. The ESA does not require the Group to maintain a minimum number of screens and does not provide a fixed amount of access fee revenue to be earned by the Group in any period. In addition, we receive mandatory quarterly distributions of any excess cash from NCM.

The NCMI IPO and related transactions have the effect of reducing the amounts NCMI would otherwise pay in the future to various tax authorities. On the IPO date, NCMI, the Company, AMC and Cinemark entered into a tax receivable agreement. Under the terms of this agreement, NCMI will make cash payments to us, AMC and Cinemark in amounts equal to 90% of NCMI's actual tax benefit realised from the tax amortisation of certain intangible assets.

As of December 31 2020, the Group owned a total of 42,290,694 common units of NCM, representing an ownership interest of approximately 26%. Each of the Group's common units in NCM is convertible into one share of NCMI common stock. As of 31 December 2020, the estimated fair value of the Group's investment in NCM was approximately \$157.3m based on NCMI's stock price as of December 31 2020 of \$3.72 per share. The market value of NCMI's stock price may vary due to the performance of the business, industry trends, general and economic conditions and other factors, including those resulting from the impact of COVID-19.

Management however recognise the carrying value of investment in NCM at its recoverable amount. The recoverable amount is the higher of fair value or value in use. As outlined within the impairment testing section, the recoverable amount of NCM with reference to its value-in-use is \$208.0m.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**13. Equity-Accounted Investees continued  
National CineMedia, LLC continued**

	As of and for the year ended 31 December 2020			For the year ended 31 December 2020		
	Investment in NCM \$m	Tax receivable agreement \$m	Deferred revenue \$m	Share of profit \$m	Other revenue \$m	Cash distributions \$m
<b>Balance as of 1 January 2020</b>	289.9	50.2	(653.8)	-	-	-
Receipt of additional common units <sup>(1)</sup>	1.8	-	(1.8)	-	-	-
Dividends received <sup>(2)</sup>	(16.5)	-	-	-	-	16.5
Receipt under tax receivable agreement <sup>(2)</sup>	-	(5.8)	-	-	-	5.8
Discount unwind on tax receivable agreement <sup>(2)</sup>	-	4.0	-	-	-	-
Remeasurement of tax receivable agreement <sup>(2)</sup>	-	(11.3)	-	-	-	-
Revenues earned under ESA <sup>(3)</sup>	-	-	-	-	6.1	-
Amortisation of deferred revenue <sup>(4)</sup>	-	-	77.6	-	77.6	-
Discount unwind on deferred revenue <sup>(4)</sup>	-	-	(49.4)	-	-	-
Share of loss <sup>(5)</sup>	(30.1)	-	-	(30.1)	-	-
Impairment of investments	(37.1)	-	-	-	-	-
<b>Balance as of 31 December 2020</b>	<b>208.0</b>	<b>37.1</b>	<b>(627.4)</b>	<b>(30.1)</b>	<b>83.7</b>	<b>22.3</b>

- (1) During the year the Group received from NCM approximately 0.5 million newly issued common units in NCM in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement.
- (2) During the year the Group received cash distributions of \$22.3m from NCM, including payments of \$5.8m received under the tax receivable agreement. During the year the Group reassessed the time frame over which the asset would be received which resulted in a longer timeframe and the asset was remeasured. As such the Group wrote off \$11.3m of the tax receivable agreement asset during the year ended 31 December 2020.
- (3) Amounts include the per patron and per digital screen theatre access fees, net of amounts due to NCM for on-screen advertising time provided to the Group's concession supplier.
- (4) Amounts represent the amortisation of the ESA to advertising revenue and the associated unwind of discount. The revenue is recognised on a straight-line basis over the remaining term of the ESA, the unwind of discount is recognised as finance cost.
- (5) Amounts represent the Group's share in the net profit/(losses) of NCM.

**Impairment testing**

Each investment is tested for impairment individually. The impact of COVID-19 was considered a triggering event for the investment in NCM, with the share price of NCMI, whose shares represent a comparable for shares in NCM, falling significantly below the level at which NCM is valued in the Group's statement of financial position.

The recoverable amount of each investment is considered by assessing the higher of the value in use and fair value less cost to sell. Fair value less cost to sell is determined with reference to the value of shares in NCMI. As outlined above the fair value of these shares at 31 December 2020 was \$157.3m, however, NCMI's stock price may vary due to the performance of the business, industry trends, general and economic conditions and other factors, including those resulting from the impact of COVID-19. Value in use is determined by applying the Group's WACC (see Note 11) to forecast dividend cash flows to discount them to present value generated by the joint venture over the term of the ESA. A reduction in forecast dividends has been applied for the years 2021 to 2023, while NCM recovers from the impact of the COVID-19 pandemic.

Based on forecast cashflows, consistent with the Group's own weighted scenario analysis set out in note 1 and underpinned by contractual arrangements, the Group determined that the value in use, in excess of the fair value indicated by the NCMI share price, represents the recoverable amount of the NCM asset.

The Group therefore determined that the carrying amount exceeded the recoverable amount and, as such, recorded an impairment charge of \$37.1m to the investment in NCM for the year ended 31 December 2020.

Management performed additional analysis as to how sensitive the impairment charge was to changes in key variables within the forecast used to determine the recoverable amount. If the discount rate was to increase by 1% an additional impairment of \$13.1m would be recognised. If no long-term growth was applied an additional impairment of \$9.4m would be recognised.

Under the terms of the shareholder agreement between the Group and other NCM shareholders, key business decisions in respect of NCM require the unanimous approval of the shareholders. As a consequence, the Directors of the Group do not have total management control of NCM, therefore the Group's investment is accounted for as a joint venture.

### 13. Equity-Accounted Investees continued National CineMedia, LLC continued

Summary aggregated financial information of NCM:

	31 December 2020 \$m	31 December 2019 \$m
Current assets	142.6	185.4
Non-current assets	685.6	706.6
Current liabilities	(46.9)	(125.4)
Non-current liabilities	(1,072.2)	(947.9)
<b>Net liabilities</b>	<b>(290.9)</b>	(181.3)
Income	89.9	444.8
Expenses	(205.7)	(346.1)
<b>Net profit</b>	<b>(115.8)</b>	98.7

Reconciliation to carrying amounts:

	31 December 2020 \$m	31 December 2019 \$m
Opening net liabilities 1 January	(181.3)	(140.6)
(Loss)/profit for the period	(115.8)	98.7
Dividends paid	(8.5)	(148.9)
Common unit adjustment	10.5	7.6
Other comprehensive income	1.1	1.9
Retained earnings adjustment due to change in accounting policy	3.1	-
<b>Closing net liabilities</b>	<b>(290.9)</b>	(181.3)
Group's share of closing liabilities	26.1%	26.1%
Value of share of liabilities prior to adjustments	-	-
Fair value adjustment on acquisition	200.0	200.0
Purchase of additional shares at fair value	78.4	78.4
Receipt of additional common units since acquisition	22.2	20.4
Group share of earnings since acquisition	(55.5)	(9.0)
Impairment of investments	(37.1)	-
<b>Carrying amount</b>	<b>208.0</b>	289.9

The opening fair value adjustment on acquisition related to fair value uplift to the NCM investment as part of the Regal purchase price acquisition accounting.

The current year fair value adjustments at 31 December 2019 and 31 December 2020 represent additional units issued to the Group as part of the Common Unit Adjustment Agreement. These are recognised at prevailing share price on date of issuance.

#### AC JV LLC

The Group maintains an investment in AC JV LLC ("AC JV"), a Delaware limited liability company owned 32.0%, by each of the Group, AMC and Cinemark and 4.0% by NCM. AC JV acquired the Fathom Events business from NCM on 26 December 2013. AC JV owns and manages the Fathom Events business, which markets and distributes live and pre-recorded entertainment programming to various theatre operators (including Regal, AMC and Cinemark) to provide additional programme to augment their feature film schedule and includes events such as live and pre-recorded concerts, opera and symphony, marketing events, theatrical premieres, Broadway plays, live sporting events and other special events.

In consideration for the sale, NCM received a total of \$25.0m in promissory notes from the Group, Cinemark and AMC (one third or approximately \$8.3m from each). The notes bear interest at 5.0% per annum. Interest and principal payments are due annually in six equal instalments commencing on the first anniversary of the closing. NCM recorded a gain of approximately \$25.4m in connection with the sale. The Group's proportionate share of such gain (approximately \$1.9m) was excluded from equity earnings in NCM and recorded as a reduction in the Group's investment in AC JV. The \$3.0m loan note payable outstanding at 31 December 2018 was repaid in full during 2019. Since the Group does not have a controlling financial interest in AC JV, its investment in AC JV is accounted for as a joint venture.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**13. Equity-Accounted Investees continued  
AC JV LLC continued**

Summary aggregated financial information of AC JV LLC:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
Current assets	7.7	14.0
Non-current assets	14.2	16.1
Current liabilities	(5.0)	(8.1)
<b>Net assets</b>	<b>16.9</b>	22.0
Income	16.0	80.1
Expenses	(21.0)	(71.8)
<b>Net (loss)/profit</b>	<b>(5.0)</b>	8.3

Reconciliation to carrying amounts:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
Opening net liabilities 1 January	22.0	24.5
(Loss)/profit for period	(5.0)	8.3
Dividends paid	(0.1)	(10.8)
<b>Closing net assets</b>	<b>16.9</b>	22.0
Group share in %	32.0%	32.0%
Group share	5.4	7.0
Fair value adjustment	(1.3)	(1.3)
<b>Carrying amount</b>	<b>4.1</b>	5.7

**Digital Cinema Distribution Coalition**

The Group is a party to a joint venture with certain exhibitors and distributors called Digital Cinema Distribution Coalition ("DCDC"). DCDC has established a satellite distribution network that distributes digital content to theatres via satellite.

Under the terms of the shareholder agreement between the Group and other DCDC shareholders, key business decisions in respect of DCDC require the unanimous approval of the shareholders. As a consequence, the Directors of the Group do not have total management control of DCDC, therefore the Group's investment is accounted for as a joint venture.

Summary aggregated financial information of DCDC:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
Current assets	6.7	14.9
Non-current assets	8.0	10.0
Current liabilities	(4.8)	(2.8)
<b>Net assets</b>	<b>9.9</b>	22.1
Income	6.6	28.6
Expenses	(13.7)	(19.6)
<b>Net (loss)/profit</b>	<b>(7.1)</b>	9.0

Reconciliation to carrying amounts:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
Opening net liabilities 1 January	22.1	14.9
(Loss)/profit for period	(7.1)	9.0
Dividends paid	(5.1)	(1.8)
<b>Closing net assets</b>	<b>9.9</b>	22.1
Group share in %	14.6%	14.6%
Group share	1.4	3.0
<b>Carrying amount</b>	<b>1.4</b>	3.0

### 13. Equity-Accounted Investees continued Digital Cinema Media Limited

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.

As at 31 December 2020 and 31 December 2019 the assets, liabilities and net profit of DCM were not material to the Group.

### Black Shrauber Limited

On 24 June 2015 the Group jointly formed a partnership for running a restaurant in the new complex in Jerusalem.

Under the terms of the partnership agreement, key business decisions in respect of Black Shrauber Limited require the unanimous approval of the partners. As a consequence, the Directors of the Group do not have total management control of Black Shrauber Limited, therefore the Group’s investment is accounted for as a joint venture.

As at 31 December 2020 and 31 December 2019 the assets, liabilities and net profit of Black Shrauber Limited were not material to the Group.

### 14. Jointly Controlled Operation

Digital Cinema Implementation Partners (“DCIP”) is a joint arrangement with other United States exhibitors set up to collect and administrate Virtual Print Fee (“VPF”) income received from studios to compensate exhibitors for their investment in digital projection equipment. Through long term leasing arrangements with DCIP, the exhibitors retain control over the projection equipment it has acquired. In addition, it was determined that under the terms of the leasing arrangements and the associated minimum rental charges expected to be made, it has a joint obligation for the debt taken out by DCIP to finance the acquisition of the projection equipment. It was concluded that, with joint control over these, the material assets and liabilities of DCIP, it should be classified as a joint operation.

The Group holds a 46.7% interest in a joint arrangement DCIP and recognises its direct right to the assets, liabilities, revenues and expenses of DCIP under the appropriate headings. The impact on the Group’s financial statements is as follows:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
<b>Consolidated Statement of Profit or Loss</b>		
Gross profit	<b>6.3</b>	80.1
Operating profit	<b>(9.7)</b>	47.1
Profit before tax	<b>40.8</b>	1.9
Net profit	<b>40.4</b>	1.6
<b>Consolidated Statement of Financial Position</b>		
Property, plant and equipment	<b>-</b>	171.1
Total assets	<b>14.1</b>	311.8
Total liabilities	<b>10.5</b>	26.8

On 1 November 2020, DCIP terminated the master lease agreement it held with the Group and distributed and transferred all of its right, title and interest in the digital projectors the Group leased to the Group. The Group, however, is required to continue to make lease payments as if this agreement had remained in place until DCIP recoups its cost of the property, plant and equipment.

On 1 November 2020, 6,416 digital projectors were transferred to the Group with a carrying value of \$116.1m. In total projectors with a carrying value of \$5.8m were disposed of following the transfer, having been taken out of active use. In addition, the Group recognised an impairment charge of \$35.2m in respect of assets transferred. The assets impaired are held as property, plant and equipment at cinema CGUs. Details of the impairment analysis is set out in Note 11.

The Group recognised a termination of the master lease fee of \$6.6m. This represents the monthly lease obligation from the date of transfer to the revised cost recoupment date in October 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 15. Financial Assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading. The Group has irrevocably elected at initial recognition to recognise the investments in this category. These are strategic investments and the Group considers this classification to be more relevant, than financial assets at fair value through profit or loss.

Equity investments at FVOCI comprise the following individual investments:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
<b>Non-current assets</b>		
<b>Listed securities</b>		
iPic Entertainment, Inc.	-	-
<b>Unlisted securities</b>		
Spyglass Media Group, LLC	<b>10.0</b>	10.0
Atom Tickets, LLC	-	-
<b>Total</b>	<b>10.0</b>	10.0

During the year ended 31 December 2019, the Group deemed the fair value of the iPic Entertainment, Inc. and Atom Tickets, LLC investments to be \$Nil. The \$7.5m revaluation of these investments in 2019 was recognised within other comprehensive income.

During the year ended 31 December 2019, the Group made an investment in Spyglass Media Group, LLC for \$10.0m. Management believe that the cost of this investment is approximate to its fair value at both 31 December 2020 and 31 December 2019. Given the proximity of purchase to each year end and no significant events impacting the operations and valuation of Spyglass Media Group, LLC from acquisition, management deem that the cost which represents the purchase price is approximate to its fair value.

Amounts recognised in the Statement of Comprehensive Income during the financial year in relation to equity investments were as follows:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
Losses recognised in comprehensive income as a result of the revaluation of equity investments	-	(7.5)

Refer to Note 26 as to how the fair value of these equity instruments has been determined.

## 16. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2020 \$m	31 December 2019 \$m	31 December 2020 \$m	31 December 2019 \$m	31 December 2020 \$m	31 December 2019 \$m
Property, plant and equipment	200.5	147.3	(6.3)	-	194.2	147.3
Deferred rent	26.6	7.7	-	-	26.6	7.7
Deferred revenue	143.5	188.3	-	-	143.5	188.3
Intangible assets	-	-	(121.7)	(114.0)	(121.7)	(114.0)
Investments	-	-	(53.5)	(112.2)	(53.5)	(112.2)
Employee benefits	2.4	1.5	-	-	2.4	1.5
Tax losses	91.1	36.0	-	-	91.1	36.0
Other	2.7	-	(7.2)	(15.8)	(4.5)	(15.8)
Tax assets/(liabilities)	466.8	380.8	(188.7)	(242.0)	278.1	138.8
Set off tax	(188.7)	(242.0)	188.7	242.0	-	-
<b>Net tax assets/(liabilities)</b>	<b>278.1</b>	<b>138.8</b>	<b>-</b>	<b>-</b>	<b>278.1</b>	<b>138.8</b>

See Note 10 for details of unrecognised tax assets.

Deferred taxation provided for in the Consolidated Financial Statements at the year end represents provision at the local tax rates on the above items.

A review of the deferred tax is performed at each Balance Sheet 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 2020 \$m	Recognised in income \$m	Recognised in equity \$m	Foreign exchange \$m	31 December 2020 \$m
Property, plant and equipment	147.3	46.9	-	-	194.2
Deferred rent	7.7	16.8	-	2.1	26.6
Deferred revenue	188.3	(44.8)	-	-	143.5
Intangible assets	(114.0)	(7.5)	-	(0.2)	(121.7)
Investment	(112.2)	58.7	-	-	(53.5)
Employee benefits	1.5	0.9	(0.1)	0.1	2.4
Tax losses	36.0	50.0	-	5.1	91.1
Other	(15.8)	11.4	-	-	(4.4)
<b>Tax (liabilities)/assets</b>	<b>138.8</b>	<b>132.3</b>	<b>(0.1)</b>	<b>7.1</b>	<b>278.1</b>

Deferred tax assets have been recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. In estimating future taxable profits the Group has considered its forecast performance in line with its going concern analysis.

## 17. Inventories

	31 December 2020 \$m	31 December 2019 \$m
Goods for resale	10.5	30.5
Equipment and spare parts	2.7	2.7
<b>Total inventories</b>	<b>13.2</b>	<b>33.2</b>

Inventory recognised in cost of sales in the year amounted to \$43.1m (2019: \$203.6m).

While goods for resale are perishable they typically have a long shelf-life of up to 12 months. Given the current closure of the cinemas, management performed an assessment at 31 December 2020 to write off any perishable stock which could not be resold. In total \$16.0m (2019: \$Nil) of stock was written off during the current financial year due to the closure of cinemas and was recognised in COVID-19 exceptional costs. All remaining goods for resale held at 31 December 2020 are expected to be resold upon reopening of cinemas in 2021.

No stock written off during the current and prior financial year has been reversed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 18. Trade and Other Receivables

Current	31 December 2020 \$m	Represented 31 December 2019 \$m
Trade receivables	12.6	184.5
Loss allowance	(2.2)	(1.1)
Other receivables	21.7	42.5
Prepayments	20.9	31.5
Accrued income	0.2	3.9
Net investment in sub-lease	0.5	0.5
<b>Trade and other receivables</b>	<b>53.7</b>	<b>261.8</b>

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Other receivables represents any other amount due to the Group at Balance Sheet date which has not been classified as a trade receivable.

Due to the short-term nature of the current receivables, their carrying amount is not considered to be materially different to their fair value.

Net investment in sub-lease represents the future cash flows expected to be received from the sub-leasing of specific sites, discounted at the rate used for the head lease, adjusted for any initial direct costs associated with the sub-lease.

Included within the 31 December 2019 other receivables balance was \$1.6m in relation to a tax receivable. In the current year this has been separately disclosed on the face of the statement of financial position, with the prior year comparative represented.

Non-current	31 December 2020 \$m	31 December 2019 \$m
Other long-term receivables	41.6	54.5
Loan to jointly controlled entity	0.7	0.7
Net investment in sub-lease	6.4	9.4
<b>Other receivables</b>	<b>48.7</b>	<b>64.6</b>

Included within other long-term receivables is the NCM tax receivable as detailed in Note 13.

Further information relating to loans to jointly controlled entities is set out in Note 14.

### 19. Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	31 December 2020 \$m	31 December 2019 \$m
<b>Non-current liabilities</b>		
Secured bank and private placement loans, less issue costs of debt to be amortised	4,608.5	3,485.4
<b>Total non-current liabilities</b>	<b>4,608.5</b>	<b>3,485.4</b>
<b>Current liabilities</b>		
Secured bank and private placement loans, less issue costs of debt to be amortised	32.4	131.4
Overdraft	21.8	2.5
<b>Total current liabilities</b>	<b>54.2</b>	<b>133.9</b>



## 19. Loans and Borrowings continued

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2020		31 December 2019	
				Face value \$m	Carrying amount \$m	Face value \$m	Carrying amount \$m
Initial US Dollar term loan	USD	Eurocurrency Base Rate <sup>(1)</sup> plus applicable margin <sup>(2)</sup>	2025	<b>2,692.7</b>	<b>2,658.2</b>	2,716.8	2,672.1
Initial Euro term loan	EUR	Eurocurrency Base Rate <sup>(1)</sup> plus applicable margin <sup>(2)</sup>	2025	<b>233.8</b>	<b>230.9</b>	215.4	212.2
Incremental US Dollar term loan	USD	Eurocurrency Base Rate <sup>(1)</sup> plus applicable margin <sup>(2)</sup>	2026	<b>643.5</b>	<b>635.2</b>	648.4	642.3
B1 term loan	USD	7.0% plus 8.25% PIK	2024	<b>480.8</b>	<b>342.4</b>	-	-
B2 term loan	USD	Eurocurrency Base Rate <sup>(1)</sup> plus 5.0% margin	2024	<b>110.8</b>	<b>69.4</b>	-	-
Private placement loan	USD and EUR	11.0%	2023	<b>263.3</b>	<b>246.2</b>	-	-
Revolving credit facility	USD	Eurocurrency Base Rate <sup>(1)</sup> plus applicable margin <sup>(2)</sup>	2023	<b>456.8</b>	<b>451.6</b>	95.0	90.2
Secured bank loan – DCIP	USD	4.17%	2021	<b>0.4</b>	<b>0.4</b>	-	-
Israeli government loan	NIS	Base rate plus 2%	2026	<b>6.6</b>	<b>6.6</b>	-	-
<b>Total interest-bearing liabilities</b>				<b>4,888.7</b>	<b>4,640.9</b>	3,675.6	3,616.8

(1) The rate of interest in the case of any Eurocurrency Rate Loan denominated in Dollars is the rate per annum equal to the London interbank offered rate administered by ICE Benchmark Administration Limited, subject to a 1% floor (2019: zero floor). The rate of interest in the case of any Eurocurrency Rate Loan denominated in Euro is the rate per annum equal to the Euro interbank offered rate administered by the European Money Markets Institute, subject to a zero floor. B2 term loan is subject to a LIBOR floor of 1.00%.

(2) The margin applicable to each tranche of term loans and to drawings under the revolving credit facility is calculated according to the first lien net leverage ratio of Crown UK Holdco Limited and its subsidiaries. The applicable margin on Eurocurrency Rate Loans is as follows:

Initial US Dollar term loan – 2.50% per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00 and otherwise 2.25% per annum;

Initial Euro term loan – 2.625% per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00 and otherwise 2.375% per annum;

Incremental US Dollar term loan – 2.75% per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00, 2.25% per annum where the first lien net leverage ratio is less than or equal to 3.00:1.00 and otherwise 2.50% per annum; and

Revolving credit facility drawings – 3.00% per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00, 2.50% per annum where the first lien net leverage ratio is less than 3.00:1.00 and otherwise 2.75% per annum.

On 30 June 2020 the Group secured a \$250.0m private placement debt facility with a maturity of 30 June 2023. The \$250.0m debt facility consisted of a €122.9m and \$112.5m loan. An original issue discount of €4.9m and \$4.5m was incurred on draw down respectively alongside borrowing costs of \$9.3m which were capitalised against this facility.

On 28 May 2020 the Group further increased its RCF limit by \$110.8m to \$573.3m. On 23 November 2020, the Group converted the incremental RCF of \$110.8m into a term loan facility (B2 term loan) with a maturity of May 2024. The amendment to this facility was considered to represent a discount to the face value of the debt at the time of the agreement and therefore resulted in a gain on extinguishment of debt of \$33.2m, which has been recognised within finance income. The new amended facility has been secured with the same collateral as the new debt facility, bringing lenders in second line on these assets. The remaining RCF of \$462.5m was fully utilised as of December 2020.

On 23 November 2020, the Group secured a new debt facility of \$450.0m with majority group of existing term loan lenders with a maturity of 24 May 2024. Alongside the new debt facility, the Group issued to participating TLB lenders 153,539,786 equity warrants representing in aggregate 9.99% of the fully diluted ordinary share capital of the Company assuming full exercise of the warrants. Each of the equity warrants that were issued alongside the new debt facility are exercisable into one ordinary share of the Company at an exercise price of 41.49 pence per share with the proceeds of such exercise being retained by the Company. The warrants are exercisable at any time over the next five years. The exercise price represents a 10% discount to the closing share price on 20 November 2020. The detachable equity warrants include an antidilution provision, meaning that the number of shares to be issued on exercise of the warrants is not fixed.

The separate initial recognition of the equity warrants issued in connection with the new facility as a derivative liability of \$80.2m, the recognition of a derivative asset in respect of a prepayment option within the new agreement of \$3.3m and fees directly incurred in connection with obtaining the facility of \$36.0m resulted in an initial carrying value of \$337.1. The Group also incurred upfront fees of \$27.0m on issuance of this debt on draw down, which were capitalised against this facility. The new debt facility has been secured with specific assets in the US as collateral. At year end the separate recognition of the equity warrants are valued at \$97.2m and the embedded derivative asset in respect of a prepayment option within the new agreement valued at \$7.8m.

During the year the Israeli government granted a loan of NIS 24.0m (\$6.9m) with a maturity of 2026. There are no conditions attached to the loan.

During the year the Group drew \$0.4m on the DCIP secured bank loan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 19. Loans and Borrowings continued

#### Loans and Borrowings covenants

##### Revolving credit facility

The RCF is subject to a springing covenant when utilisation is above 35.0%. The covenant requires the Company to maintain a leverage ratio below 5.0x. In 2020, the Company secured a covenant waiver on the RCF until June 2022 testing date.

##### Private placement loan

The following financial covenants are attached to the private placement debt facility raised in June 2020. These financial covenants are calculated only on those entities within the ROW operating segment:

- Springing liquidity covenant: Minimum liquidity of \$30.0m, tested monthly from closing provided that if on a test date falling after 30 June 2021, net leverage is less than 2.0x, the minimum liquidity covenant shall not be required to be tested on that test date.
- Net leverage: 5.0x, tested semi-annually from 31 December 2021, on a 12 month rolling basis.

##### B1/B2 term loan

The B1 and B2 term loan facilities are subject to financial and liquidity covenants. Until the group reaches 80% of admission levels for a 3 month comparable period in 2019, it is subject to a minimum liquidity covenant and restrictions on operating and capital cash disbursements. The minimum liquidity covenant ranges between \$66.9 and \$297.1m during 2021. The agreement also entitles the lenders to appoint a board observer.

### Analysis of Net Debt

	Bank loans \$m	Loan note \$m	Lease liabilities \$m	Derivatives \$m	Bank overdraft \$m	Total financing activity liabilities \$m	Cash at bank and in hand \$m	Net Debt \$m
<b>1 January 2019</b>	(3,946.2)	(3.0)	(3,496.8)	0.2	-	(7,445.8)	316.3	(7,129.5)
Cash flows	330.7	3.0	613.3	-	(2.5)	944.5	(167.1)	777.4
Non-cash movement	(27.2)	-	(1,285.3)	(4.0)	-	(1,316.5)	-	(1,316.5)
Effect of movement in foreign exchange rates	25.9	-	(28.7)	-	-	(2.8)	(8.6)	(11.4)
<b>At 31 December 2019</b>	<b>(3,616.8)</b>	<b>-</b>	<b>(4,197.5)</b>	<b>(3.8)</b>	<b>(2.5)</b>	<b>(7,820.6)</b>	<b>140.6</b>	<b>(7,680.0)</b>
Cash flows	(1,062.1)	-	198.6	10.2	(18.3)	(871.6)	183.5	(688.1)
Non-cash movement	71.3	-	67.4	(24.9)	-	113.8	-	113.8
Effect of movement in foreign exchange rates	(33.3)	-	(40.2)	-	(1.0)	(74.5)	12.6	(61.9)
<b>At 31 December 2020</b>	<b>(4,640.9)</b>	<b>-</b>	<b>(3,971.7)</b>	<b>(18.5)</b>	<b>(21.8)</b>	<b>(8,652.9)</b>	<b>336.7</b>	<b>(8,316.2)</b>

Net debt as defined in note 2, excludes an embedded derivative of \$103.6m (2019: \$nil) which was a non cash movement in the year and equity warrants of \$97.2m (2019: \$nil) explained further below.

Cash flows from bank loans, loan notes and bank overdraft in the current year of \$1,080.4m (2019: \$331.2m) are made up of the following:

	31 December 2020 \$m	31 December 2019 \$m
Repayment of bank loans and overdrafts	54.2	1,458.5
Repayment of loans from equity accounted investees	-	3.0
Draw down of bank loans	(1,207.8)	(1,130.3)
Debt issuance costs paid	73.2	-
<b>Total cash flows</b>	<b>(1,080.4)</b>	<b>331.2</b>

In the Analysis of Net Debt table above, cash flows from bank loans includes the full cash proceeds of the new financing arranged in the year. In accordance with IFRS 9, \$80.2m of the transaction price was allocated to the equity warrants, which has been recognised within non cash movements in bank loans above. A non-cash fair value movement of \$17.0m was recognised on the equity warrants between initial recognition and year end.

Non-cash movements on bank loans also includes \$0.6m attributed to the initial fair value of embedded derivatives with an equal and opposite non-cash movement in the derivatives column.

In addition, the non-cash movements of \$71.3m (2019: \$27.2m) within bank loans includes the amortisation of debt issuance costs, accrued interest, accrued debt issuance costs and discounting on draw down of term and Israeli government loan.

The non-cash movement of \$67.4m (2019: \$1,285.3m) within lease liabilities relates to the following: the interest expense related to lease liabilities of \$349.0m (2019: \$304.2m), the impact of entering into new leases \$52.8m (2019: \$982.4m), modifications of existing leases of \$447.5m (2019: \$nil), and disposal of leases during the year of \$21.7m (2019: \$1.3m).

## 20. Leases

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

	Land and buildings \$m	Plant and machinery \$m	Other \$m	Total \$m
<b>Right-of-use assets</b>				
Balance at 1 January 2019	2,937.4	1.5	2.2	<b>2,941.1</b>
Additions	897.1	-	0.1	<b>897.2</b>
Depreciation of right-of-use assets	(396.5)	(0.5)	(1.2)	<b>(398.2)</b>
Disposals	(0.8)	-	-	<b>(0.8)</b>
Impairments	(18.8)	-	-	<b>(18.8)</b>
Effects of movement in foreign exchange	20.7	-	-	<b>20.7</b>
<b>31 December 2019</b>	<b>3,439.1</b>	<b>1.0</b>	<b>1.1</b>	<b>3,441.2</b>
Additions	44.6	-	-	<b>44.6</b>
Modifications	(435.3)	-	-	<b>(435.3)</b>
Depreciation of right-of-use assets	(347.2)	(0.5)	(1.0)	<b>(348.7)</b>
Disposals	(20.7)	-	-	<b>(20.7)</b>
Impairments	(519.1)	-	-	<b>(519.1)</b>
Reversal of Impairments	136.2	-	-	<b>136.2</b>
Effects of movement in foreign exchange	8.2	(0.1)	0.1	<b>8.2</b>
<b>31 December 2020</b>	<b>2,305.8</b>	<b>0.4</b>	<b>0.2</b>	<b>2,306.4</b>
<b>Lease liabilities</b>				
Balance at 1 January 2019	3,494.1	0.5	2.2	<b>3,496.8</b>
Additions	982.3	-	0.1	<b>982.4</b>
Interest expense related to lease liabilities	304.0	0.1	0.1	<b>304.2</b>
Disposals	(1.3)	-	-	<b>(1.3)</b>
Effects of movement in foreign exchange	28.7	-	-	<b>28.7</b>
Repayment of lease liabilities (including interest)	(611.9)	(0.2)	(1.2)	<b>(613.3)</b>
<b>31 December 2019</b>	<b>4,195.9</b>	<b>0.4</b>	<b>1.2</b>	<b>4,197.5</b>
Additions	52.8	-	-	<b>52.8</b>
Modifications	(447.5)	-	-	<b>(447.5)</b>
Interest expense related to lease liabilities	348.9	0.1	-	<b>349.0</b>
Disposals	(21.7)	-	-	<b>(21.7)</b>
Effects of movements in foreign exchange	40.2	-	-	<b>40.2</b>
Repayment of lease liabilities (including interest)	(197.3)	(0.2)	(1.1)	<b>(198.6)</b>
<b>31 December 2020</b>	<b>3,971.3</b>	<b>0.3</b>	<b>0.1</b>	<b>3,971.7</b>
Current	<b>596.2</b>	<b>0.3</b>	<b>0.1</b>	<b>596.6</b>
Non-current	<b>3,375.1</b>	<b>-</b>	<b>-</b>	<b>3,375.1</b>

In response to COVID-19, the IASB announced, considered and issued a COVID-19 specific amendment to IFRS 16 on 28 May 2020.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The exemption applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The Group elected not to apply the exemption.

### Modification and discount rates

Due to the negotiations held with landlords, the amended leases have changed in substance either from a consideration or term perspective. Thus, the modification treatment per IFRS 16 has been followed.

In line with the approach on transition to IFRS 16, the Group has used an incremental borrowing rate and made a corresponding adjustment to the right-of-use asset. The amendments did not result in the identification of a separate lease.

On transition, the incremental borrowing rates applied to property leases ranged between 2.6% and 11.7%. The asset specific incremental borrowing rate applied to each lease was determined by taking into account the risk-free rate, adjusted for factors such as the credit rating linked to the life of the underlying lease agreement. These rates are intended to be long term in nature and calculated on inception of each lease. The incremental borrowing rates applied to property leases for the COVID-19 amendments ranged between 5.9% and 16.8% for modifications between March and September and ranged between 17.9% and 26.4% for modifications between October and December.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 20. Leases continued Modification and discount rates continued

Due to the number of renegotiated lease agreements in the period, the Group has recognised a large number of lease modifications and expects further modifications in 2021.

During the year, there were lease modifications that would have required a reduction to the right of use asset in excess of the carrying amount at the date of modification. For these leases, the asset carrying values were reduced to \$nil with the excess gain credited to the consolidated statement of profit or loss. Where these leases were previously impaired, this is first presented as an impairment reversal (up to the amount of impairment reversal permitted by IFRSs) with any remaining gain presented as a lease modification gain within property related releases and charges as part of administrative expenses.

The consolidated statement of profit or loss includes within administrative expenses a lease modification gain of \$12.3m. The impairment reversal is part of net impairments of goodwill, property, plant and equipment, right-of-use assets and investments in the consolidated statement of profit or loss.

The number and size of amendments made are such that judgements taken were significant. These judgements included the following:

- Where a lease includes the option for the Group to extend the lease term, beyond the non-cancellable period, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; the current and future trading forecast as to the ongoing profitability of the site; and the level and type of planned future capital investment. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Therefore, potential future cash outflows have not been included in the lease liability where it is not reasonably certain the extension periods will be taken or that the leases will be extended on similar terms (or not terminated).
- The discount rate applied. The Group elected to apply an average discount rate over periods with consistent relevant characteristics rather than applying the rate at the specific date of the amendment. Given the judgement required around the date of amendment and the uncertainty affecting incremental borrowing rates, using such a rate is considered to be appropriate.
- The date of the amendment. Judgement was required to determine when the terms of each amendment were formally agreed, which in some cases was considered to have occurred prior to the date of signing the agreement.
- All renegotiated leases were treated as modification under IFRS 16. Management has taken the judgement that all renegotiated leases met the criteria for amendment based on the changes to the cash flows, and length and conditions of the original leases.

### Impairments and disposals

The Group recognised impairment charges of \$519.1m on right-of-use assets. Note 11 summarises the assumptions applied in assessing impairments, including the accounting for reversals of impairments.

The Group also recognised \$136.2m reversal of impairments. The reversals relate to 102 cinema CGUs.

The disposals relate to 18 sites in the US segment that were closed, resulting in a \$1.0m gain.

### Consolidated Statement of Profit or Loss

The Consolidated Statement of Profit or Loss shows the following amounts relating to leases:

	Year ended 31 December 2020 \$m	Year ended 31 December 2019 \$m
Depreciation charge of right-of-use assets	348.7	398.2
– Land and buildings	347.2	396.5
– Other	1.5	1.7
Sub-lease income	(2.3)	(5.7)
Impairment of right-of-use assets	519.1	18.8
Reversal of Impairment of right-of-use assets	(136.2)	–
Expenses relating to short-term leases (included in cost of goods sold and administrative expenses)	1.3	13.2
Expenses relating to variable lease payments not included in lease liabilities (included in cost of sales)	3.5	19.9
<b>Charge to operating profit</b>	<b>734.1</b>	444.4
Interest expense (included in finance costs)	349.0	304.2
<b>Charge to profit before taxation for leases</b>	<b>1,083.1</b>	748.6

The total cash outflow for leases in 2020 was \$198.6m (2019: \$613.3m).

Commitments for short-term leases at 31 December 2020 was \$Nil (2019: \$1.2m).

## 20. Leases continued Sensitivity

In 2020, for sites which are subject to variable lease payments, a 10% increase in sales across all sites in the Group with such variable lease contracts would increase total lease payments by approximately \$0.4m (2019: \$1.9m).

As outlined in Note 1 extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Should the next available option for all leases be taken the impact on the lease liability and right-of-use asset would be an increase of \$249.6m (2019: 524.2m) increasing future cash flows by \$1,703.9m (2019: \$1,014.4m).

No leases contain a residual value guarantee clause.

Some cinema sites are sub-leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Sub-lease income of \$2.3m was recognised during the current financial year (2019: \$5.7m).

Minimum lease payments receivable on sub-leases are as follows:

	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
Within 1 year	<b>5.5</b>	5.0
Between 1 and 2 years	<b>4.1</b>	4.7
Between 2 and 3 years	<b>2.9</b>	3.9
Between 3 and 4 years	<b>2.4</b>	2.7
Between 4 and 5 years	<b>1.8</b>	2.4
Later than 5 years	<b>11.9</b>	10.5

## Sale and leaseback

On 15 May 2019 the Group announced the signing and completion of a sale and leaseback transaction relating to 18 US-based multiscreen cinemas totalling 255 screens. On 13 June 2019, the Group announced the signing and completion of the second sale and leaseback transaction relating to a further 17 US-based multiscreen cinemas totalling 251 screens. The transactions are consistent with the Group's existing business model of operating a predominantly leasehold estate and long-term strategy of crystallising value for its shareholders. The properties had a book value of \$462.0m at the sale date and the total sales proceeds from the two transactions were \$556.3m. This resulted in a gain of \$17.5m recognised within the Consolidated Statement of Profit or Loss as per the table below:

	<b>31 December 2019 \$m</b>
Sales proceeds	556.3
Assets disposed of	(462.0)
Cost to sell	(13.9)
Gain prior to right-of-use assets adjustment	80.4
Adjustment for right-of-use asset retained under IFRS 16	(62.9)
Gain on disposal	17.5

The Group has not been involved in any sale and leaseback transaction during 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED**

**21. Trade and Other Payables**

	<b>31 December 2020 \$m</b>	<b>Represented 31 December 2019 \$m</b>
<b>Current</b>		
Trade payables	<b>169.0</b>	127.4
Other payables	<b>290.2</b>	275.2
Accruals	<b>137.1</b>	309.5
<b>Trade and other payables</b>	<b>596.3</b>	712.1
	<b>31 December 2020 \$m</b>	<b>31 December 2019 \$m</b>
<b>Non-current</b>		
Accruals	-	2.6
Other payables	<b>9.2</b>	9.8
<b>Other payables</b>	<b>9.2</b>	12.4

Included within other payables is \$244.2m which represents consideration payable to a group of Regal's previous shareholders who challenged whether they received a fair market price for their shares. The \$202.6m was part of the total consideration due for the acquisition of Regal and the value represented the number of shares held by these shareholders multiplied by the \$23.00 per share due to be paid to them under the terms of the acquisition. The additional \$41.6m represents further costs including interest due on outstanding payment. The existence of the legal dispute meant that the cash consideration in respect of these shareholdings is retained by the Group until such time as the dispute is settled.

In the Company's view, there has been no reasonable evidence presented to date to the court by the dissenting shareholders that the consideration should have been in excess of the \$23.00 per share paid, thus providing the basis for conclusion that the claim is without merit and therefore we have only recognised an amount contractually payable to them.

Included within other payables is \$3.7m (2019: \$NIL) accrued interest in relation to the Libor floors.

**22. Deferred Revenue**

	<b>31 December 2020 \$m</b>	<b>Represented 31 December 2019 \$m</b>
Government grants	<b>8.9</b>	9.3
Customer advances	<b>192.5</b>	213.8
Customer loyalty schemes	<b>34.2</b>	15.3
Advertising contracts	<b>642.3</b>	659.7
<b>Deferred revenue</b>	<b>877.9</b>	898.1
Current	<b>270.9</b>	263.1
Non-current	<b>607.0</b>	635.0
<b>Total</b>	<b>877.9</b>	898.1

Refer to Note 1 for further details of the items classified within deferred revenue and the timing of recognition of these items.

The following table shows how much revenue has been recognised in relation to carried-forward contract liabilities:

	<b>Year ended 31 December 2020 \$m</b>	<b>Year ended 31 December 2019 \$m</b>
Revenue recognised which was included within the opening contract liability balance:		
Contract liabilities - customer loyalty programme	<b>9.9</b>	25.7
Contract liabilities - advertising income	<b>83.1</b>	78.1
Contract liabilities - other deferred income	<b>73.3</b>	153.0

Movements on customer advances and customer loyalty schemes is due to the timing of receipt of cash and recognition of revenue in relation to the redemption of advanced tickets and vouchers sold and loyalty points redeemed. COVID-19 has impacted the sale of advanced tickets and vouchers and redemption of customer loyalty points which has caused the movement between the two financial years.

Movements on contract liabilities in connection with advertising contracts is predominantly due to the exhibitor service agreement with NCM, details of which are disclosed further within Note 13.

## 23. Employee Benefits

### Defined benefit pension plans

The Group operates one externally funded defined benefit pension scheme in Ireland, the 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 \$1.1m as at 31 December 2020 (2019: \$0.8m).

Actuaries for Adelphi-Carlton Limited carried out the last actuarial valuation of the Scheme as at 1 April 2019. Based on this assessment, the actuarial value of the assets is \$2.9m 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 2020. Total contributions for the years ended 31 December 2020 were \$Nil (2019: \$Nil). No contributions are expected for the year ending 31 December 2021.

### 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 benefit 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 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:

- Average discount rate at 31 December 2020 0.79% (2019: 2.08%)
- Expected returns on plan assets at 31 December 2020 0.81% (2019: 2.0%)

The net provision for accrued employee rights upon retirement comprises:

	31 December 2020 \$m	31 December 2019 \$m
Present value of unfunded obligation	7.1	6.9
Less: Fair value of plan assets	(3.0)	(3.4)
<b>Total obligation</b>	<b>4.1</b>	<b>3.5</b>

Movements in the provision for accrued employee rights upon retirement:

	Gross amount \$m	Amount deposited \$m	Net amount \$m
At start of period	6.8	(3.3)	3.5
Payments made upon retirement	(0.4)	(0.6)	(1.0)
Net movement in provision – charged to net profit	0.2	1.1	1.3
Foreign exchange movements	0.5	(0.2)	0.3
<b>Total obligation</b>	<b>7.1</b>	<b>(3.0)</b>	<b>4.1</b>

### Defined contribution pension plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was \$1.6m (2019: \$1.8m). There was \$Nil accruing to these pension schemes as at 31 December 2019 (2019: \$Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 23. Employee Benefits continued Share-based payments

As at 31 December 2020 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 2017 Long-Term Incentive Plan. Details of each of the schemes are set out in the Directors' Remuneration Report on pages 78 to 79.

#### The Cineworld Group Performance Share Plan ("PSP")

Assumptions relating to grants of share options outstanding are as follows:

Date of grant	Exercise period	2020 Number of options '000	2019 Number of options '000
22 November 2016	6 months from 22 November 2019	-	19
12 April 2017	6 months from 12 April 2020	-	834

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:

#### 18 April 2016 and 22 November 2016

Under these grants, awards of 866,567 options were made in total. Awards of 598,715 options were made with the performance conditions set out below:

- 30% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2016 and the EPS for the financial year ended 31 December 2018) is not less than 6.0%;
- 100% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2016 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 31 December 2016 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-off income or expenses and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period.

Awards over 267,852 options were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

#### 12 April 2017

Under these grants, awards of 854,332 options were made in total. Awards of 670,343 options were made with the performance conditions set out below:

- 25% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2017 and the EPS for the financial year ended 31 December 2019) is not less than 5.0%.
- 100% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2017 and the EPS for the financial year ended 31 December 2019) is at least 11.0%.
- Where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2017 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-off income or expenses and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period.

Awards over 183,989 options 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 \$
22 November 2016	6.83	-	38	3	2.9	0.37	6.26
12 April 2017	8.39	-	37	3	3.6	0.30	7.52

Expected volatility has been calculated as the annualised volatility of the natural logarithm of the daily stock price observation.



### 23. Employee Benefits continued The Cineworld Group Performance Share Plan (“PSP”) continued

On 2 February 2018, the Group performed a rights issue, resulting in four additional shares being granted for one share. An indicative bonus factor was applied to the fair value of the PSP options. This resulted in a revised fair value of the 2016 and 2017 PSP options to \$2.79 and \$3.34 respectively.

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

	Number of options 2020 Equity-settled '000	Number of options 2019 Equity-settled '000
Outstanding at the beginning of the year	854	1,651
Exercised in shares during the year	(847)	(785)
Lapsed during the year	(7)	(12)
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>854</b>

A charge of \$0.3m was recorded in the Consolidated Statement of Profit or Loss for the four PSP schemes (2019: \$1.4m).

### The Company Long-Term Incentive Plan (“LTIP”)

The following share options have been granted under the LTIP and were outstanding at 31 December 2020:

Date of grant	Exercise period	2020 Number of options '000	2019 Number of options '000
23 April 2018	6 months from 23 April 2021	1,560	1,604
21 May 2019	6 months from 21 May 2022	1,752	1,770
18 September 2019	6 months from 21 May 2022	6	6
14 April 2020	6 months from 14 April 2023	7,015	-
1 June 2020	6 months from 1 June 2023	16	-

#### 23 April 2018

Under these grants, awards of 1,617,997 options were made in total. Awards of 1,399,843 options were made with the performance conditions set out below:

- 25% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2018 and the EPS for the financial year ended 31 December 2020) is not less than 8%;
- 100% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2018 and the EPS for the financial year ended 31 December 2020) is at least 15%; and
- Where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2018 and the EPS for the financial year ended 31 December 2020) is between the two limits above, the Award shall vest on a straight-line basis between 25% and 100%.

Awards of 218,154 options were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

#### 21 May 2019 and 18 September 2019

Under these grants, awards of 1,805,489 options were made in total. Awards of 1,242,908 options were made with the performance conditions set out below:

- 25% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2019 and the EPS for the financial year ended 31 December 2021) is not less than 8%;
- 100% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2019 and the EPS for the financial year ended 31 December 2021) is at least 15%; and
- Where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2019 and the EPS for the financial year ended 31 December 2021) 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-off income or expenses and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period.

Further awards over 562,581 options were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 23. Employee Benefits continued The Company Long-Term Incentive Plan (“LTIP”) continued 14 April 2020 and 1 June 2020

Under these grants, awards of 7,129,676 options were made in total. Awards of 4,942,540 options were made with the performance conditions set out below:

- 25% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2020 and the EPS for the financial year ended 31 December 2022) is not less than 8%;
- 100% of the options under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2020 and the EPS for the financial year ended 31 December 2022) is at least 15%; and
- Where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2020 and the EPS for the financial year ended 31 December 2022) 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-off income or expenses and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period.

Further awards over 2,187,136 options 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 \$
23 April 2018	3.6	–	38.1	3	2.5	0.91	3.3
21 May 2019	4.0	–	38.0	3	7.9	0.83	3.0
18 September 2019	3.9	–	38.0	2.8	8.4	0.78	2.9
14 April 2020	0.63		60.8	3	24.0	0.70	0.31
1 June 2020	0.80		63.4	3	28.9	0.20	0.34

Expected volatility has been calculated as the annualised volatility of the natural logarithm of the historical daily stock price observation from the date of initial listing through to the date of grant.

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

	Number of options 2020 Equity-settled '000	Number of options 2019 Equity-settled '000
Outstanding at the beginning of the year	3,380	1,618
Granted during the year	7,129	1,805
Lapsed during the year	(121)	(43)
<b>Outstanding at the end of the year</b>	<b>10,388</b>	<b>3,380</b>

A credit of \$2.6m was recorded in the Consolidated Statement of Profit or Loss for the LTIP scheme (2019: charge \$3.5m).

### The Company Share Option Plan (“CSOP”)

The following share options have been granted under the CSOP and were outstanding at 31 December 2020:

Date of grant	Exercise period	2020 Number of options '000	2019 Number of options '000	Performance conditions
6 June 2014	6 June 2017 – 5 June 2024	7	7	Awards of 2,891 options 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	23 April 2018 – 22 April 2025	54	54	All awards were made with no performance conditions attached.
18 April 2016	18 April 2019 – 17 April 2026	34	34	All awards were made with no performance conditions attached.

### 23. Employee Benefits continued

#### The Company Share Option Plan (“CSOP”) continued

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	5.82	5.82	41	3-10 years	4.3	0.56	1.23
23 April 2015	7.23	7.23	39	3-10 years	4.3	0.59	1.41
18 April 2016	7.79	7.78	38	3-10 years	2.9	0.37	1.65

Expected volatility has been calculated as the annualised volatility of the natural logarithm of the historical daily stock price observation from the date of initial listing through to the date of grant.

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

	Number of options 2020 Equity-settled	Number of options 2019 Equity-settled
Outstanding at the beginning of the year	95	95
<b>Outstanding at the end of the year</b>	<b>95</b>	<b>95</b>

A charge of \$Nil was recorded in the Consolidated Statement of Profit or Loss for the three CSOP schemes (2019: \$Nil).

The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options.

#### Sharesave Scheme

The following share options have been granted under the Sharesave Scheme and were outstanding at 31 December 2020:

Exercise period	2020 Number of options '000	2019 Number of options '000
8 May 2014      3 years from 23 April 2015	-	-
12 May 2015      3 years from 30 June 2015	-	-

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

	Number of options 2020 Equity-settled '000	Number of options 2019 Equity-settled '000
Outstanding at the beginning of the year	-	2
Exercised during the year	-	(2)
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>

A charge of \$Nil was recorded in the Consolidated Statement of Profit or Loss for the two Sharesave Schemes (2019: \$Nil).

#### Total share-based payments

At 31 December 2020, management have assumed based on latest forecast that the performance conditions attached to the 2018 and 2019 LTIP would not be met and these options would not vest. As a result management have updated their share-based payment calculations to take into account the revised shares expected to vest. This resulted in a reversal of prior year share-based payment charges attached to the 2018 and 2019 LTIP with performance conditions to the current year profit and loss. A total credit recognised for the year arising from share-based payments is \$2.3m (2019: charge \$4.9m).

The share-based payment expense recognised in creditors relates to dividends accrued by the option holders over the vesting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 23. Employee Benefits continued Total share-based payments continued

The number and weighted average exercise prices of share options in equity-settled schemes are as follows:

	Weighted average exercise price 2020 Equity-settled \$	Number of options 2020 Equity-settled '000	Weighted average exercise price 2019 Equity-settled \$	Number of options 2019 Equity-settled '000
Outstanding at the beginning of the year	0.1	4,328	0.2	3,367
Adjustments due to rights issue	-	-	-	-
Exercised during the year	(0.1)	(847)	(0.1)	(788)
Granted during the year	-	7,130	-	1,805
Lapsed during the year	-	(128)	-	(56)
<b>Outstanding at the end of the year</b>	-	<b>10,483</b>	0.1	4,328
<b>Exercisable at the end of the year</b>	-	<b>96</b>	0.1	115

The weighted average remaining contractual life of the share options is 1.8 years (2019: 1.5 years).

### 2021 LTIP

On 25 January 2021 resolutions were proposed to approve the new Group 2021 LTIP. Details of this have been outlined within the Directors' Remuneration Report on page 63.

### Single Total Figure Table

The table below gives a single figure for the total remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2020 financial year. Comparative figures for the 2019 financial year have also been provided.

	Salary and fees including bonus \$000	Pension contributions \$000	Total \$000
<b>Year ended 31 December 2020</b>			
Total compensation for Directors	2,747.0	281.1	3,028.1
	Salary and fees including bonus \$000	Pension contributions \$000	Total \$000
<b>Year ended 31 December 2019</b>			
Total compensation for Directors	7,451.1	363.4	7,814.5

Full details of Directors' Remuneration including aggregate emoluments, contributions made in respect of money purchase schemes and details on the highest paid Director, including if they exercised any share options and participated in a defined benefit pension scheme can be found in the Directors' Remuneration Report. Refer to pages 70 to 73 for this information.

### 24. Provisions

	Provisions for contracts with suppliers \$m	Other provisions \$m	Total provisions \$m
<b>Balance at 31 December 2019</b>	<b>2.4</b>	<b>4.5</b>	<b>6.9</b>
Provisions made	-	2.7	2.7
Provisions utilised	-	(0.5)	(0.5)
Provisions released to profit or loss during the year	-	-	-
<b>Balance at 31 December 2020</b>	<b>2.4</b>	<b>6.7</b>	<b>9.1</b>
Current	2.4	5.6	8.0
Non-current	-	1.1	1.1
<b>Total</b>	<b>2.4</b>	<b>6.7</b>	<b>9.1</b>

Provisions for contracts with suppliers relate to claims from suppliers against contractual obligations. These provisions were assessed by applying the expected payments based on settlement of historic claims, and legal claims which have been assessed based on legal advice received.

Other provisions relate to legal, sales tax and unclaimed property amounts. A provision in respect of royalty claims in the ROW segment was made during the year and, based on legal advice, is not expected to be used within the next two years.

## 25. Capital and Reserves

### Share capital

	31 December 2020 \$m	31 December 2019 \$m
Allotted, called up and fully paid 1,372,797,489 (2019: 1,371,950,293) ordinary shares of £0.01 each.	20.1	20.1

847,196 shares were issued during the year on vesting of the 2017 PSP plan as outlined within Note 23.

The Company has no limits to the number of shares which can be issued, however does seek authority at each AGM to allot shares.

### Foreign currency 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.

### Fair value reserve

The fair value reserve comprises the net change in the fair value of equity securities designated as held at fair value.

### Hedging reserve

The hedging reserve at 31 December 2019 comprised the foreign exchange movements on the Euro loan which had been designated in a hedge relationship with the net investment in the foreign operations denominated in Euro. On 30 September 2019 this loan was substantially repaid with the hedging relationship ending. A gain of \$31.4m was recognised in the reserve up to this point. As the Group still holds the investment in the hedged item, the cumulative gain within the reserve in relation to this net investment hedge will remain until the point this investment is sold.

On 30 September 2019 the Group entered into three Euro:US dollar cross currency interest rate swap and designated the swaps as a hedge of the net investment in the Group's Euro investments. A movement of \$9.7m was recognised in the reserve in 2019 in relation to changes in fair value on the swaps.

During the year 2020 the hedge relationship became ineffective and the hedge relationship ended. This resulted in \$9.8m credit to the hedge reserve and charge to the income statement.

On 30 June 2020 the Group designated the Euro denominated term loan and the assets of a Euro trading subsidiary as a net investment hedge. A loss of \$19.8m was recognised in the reserve for the year ended 31 December 2020. The total loss recognised within the reserve at 31 December 2020 in relation to net investment hedges was \$10.0m.

### Dividends

The following dividends were recognised during the year:

	2020 \$m	2019 \$m
Special	-	278.1
Q1 Interim	-	51.4
Q2 Interim	-	51.4
Q3 Interim	-	-
Interim	-	-
Final (for the preceding year)	51.4	139.3
<b>Total dividends</b>	<b>51.4</b>	<b>520.2</b>

On 7 April 2020 the Board announced the suspension of the 2019 fourth quarter dividend of 4.25 cents per share to conserve cash for the Group.

Prior to the impact of the COVID-19 pandemic, the Board paid four interim dividends for each financial year. Payments in relation to the first three quarters of the year are equal to 25% of the full year dividend of the prior year, with the final payment reflective of the Group's full year earnings performance and resulting in a full year dividend payment aligned with the Group's pay-out ratio.

In 2020, only the interim dividend of 3.75 US cents per ordinary share in respect of the third quarter of 2019 was paid to shareholders on 10 January 2020. The total cash consideration was \$51.4m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 26. 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 obligation. Management believe the credit risk on cash and cash equivalents is low because the counterparties are banks with high credit ratings.

Accounts receivable include trade and other receivables. Trade receivables are amounts billed to customers for the sale of services, and represent the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within 30 days. Other receivables include amounts due from suppliers and landlords and other miscellaneous amounts. The Group's credit risk is primarily related to its trade receivables, as other receivables generally are recoverable through ongoing business relationships with the counterparties. Due to the nature of its receivables, the Group defines default with regard to the specific nature of each contractual arrangement, given the nature and number of transactions involving credit risk, events of default are not considered to be high risk and are assessed on specific basis for each asset held at the reporting date.

The Group grants credit to customers in the normal course of business. The Group typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit when warranted and periodically thereafter. The Group records a reserve for estimated uncollectable amounts, which management believes reduces credit risk. See Note 1, for policy on Impairment of financial assets.

The ageing profile of the Group's trade receivables is as follows:

	31 December 2020 \$m	31 December 2019 \$m
Within 30 days	5.1	161.3
Between 30 and 60 days	0.4	11.9
Between 60 and 90 days	0.7	3.9
Over 90 days	4.2	7.4
<b>Total trade receivables</b>	<b>10.4</b>	<b>184.5</b>

Standard credit terms granted to customers is between 30 to 60 days. The percentage of trade receivables past due date is 52% (2019: 20.6%). The percentage of trade receivables outstanding more than 90 days is 40.8% (2019: 5.6%).

The following schedule reflects the changes in the allowance for trade receivables during the year:

	31 December 2020 \$m	31 December 2019 \$m
Opening loss allowance	1.1	1.1
Additional allowance	2.1	0.4
Amounts written off	(1.0)	(0.4)
<b>Closing loss allowance</b>	<b>2.2</b>	<b>1.1</b>

There are no material expected credit losses against contract assets, cash or other receivables. Due to the Group's diversified client base, management believes the Group does not have a significant concentration of credit risk.

## 26. Financial Instruments continued

### 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.

### 31 December 2020

	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
<b>Non-derivative financial liabilities</b>							
Secured bank and private placement loans <sup>(1) (2)</sup>	4,640.9	(5,806.7)	(114.1)	(113.5)	(229.0)	(4,725.6)	(624.6)
Bank overdraft	21.8	(21.8)	(21.8)	-	-	-	-
Lease liabilities	3,971.7	(6,824.9)	(644.0)	(332.6)	(688.3)	(1,815.2)	(3,344.8)
Trade payables	169.0	(169.0)	(169.0)	-	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>8,803.4</b>	<b>(12,822.4)</b>	<b>(948.9)</b>	<b>(446.1)</b>	<b>(917.3)</b>	<b>(6,540.8)</b>	<b>(3,969.4)</b>
<b>Derivative financial liabilities</b>							
Cross currency swaps							
Inflow	23.6	346.3	4.0	4.0	7.9	23.8	306.6
(Outflow)	-	(364.5)	(2.6)	(2.6)	(5.2)	(15.7)	(338.4)
Embedded derivative	106.5	(136.7)	(13.2)	(13.2)	(26.5)	(79.5)	(4.3)
<b>Total derivative financial liabilities</b>	<b>130.1</b>	<b>(154.9)</b>	<b>(11.8)</b>	<b>(11.8)</b>	<b>(23.8)</b>	<b>(71.4)</b>	<b>(36.1)</b>

### 31 December 2019

	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
<b>Non-derivative financial liabilities</b>							
Secured bank and private placement loans	3,616.8	(3,675.6)	(23.2)	(118.3)	(46.6)	(146.2)	(3,341.3)
Bank overdraft	2.5	(2.5)	(2.5)	-	-	-	-
Lease liabilities	4,197.5	(6,355.2)	(344.5)	(325.7)	(639.2)	(1,193.5)	(3,852.3)
Trade payables	127.4	(127.4)	(127.4)	-	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>7,944.2</b>	<b>(10,160.7)</b>	<b>(497.6)</b>	<b>(444.0)</b>	<b>(685.8)</b>	<b>(1,339.7)</b>	<b>(7,193.6)</b>
<b>Derivative financial liabilities</b>							
Hedged cross currency swaps							
(Inflow)	9.7	582.2	9.6	9.6	19.2	76.7	467.1
Outflow	-	(509.3)	(3.7)	(3.7)	(7.4)	(29.7)	(464.8)
<b>Total derivative financial liabilities</b>	<b>9.7</b>	<b>72.9</b>	<b>5.9</b>	<b>5.9</b>	<b>11.8</b>	<b>47.0</b>	<b>2.3</b>

Refer to Note 19 for details on the Group's borrowing facilities, including covenants attached to these.

(1) The B1 term loan contains a prepayment option allowing the company to repay up to 30% of the principal in certain circumstances at a premium anytime up to maturity. The cashflows presented above do not factor in early repayments. The prepayment option is separated as an embedded derivative as disclosed in note 19.

(2) The warrant instruments will be settled by issue of equity and therefore there are no fixed contractual cash flows.

At 31 December 2019 the Group had three cross currency swaps. These were designated as a net investment hedge, with changes in fair value of these derivatives recognised in equity to match translation adjustments on foreign currency equity instruments which they are hedged against. During the year, \$9.8m was credited to the hedge reserve and charge to the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 26. Financial Instruments continued Net Investment Hedging

On 30 June 2020 the Group designated the Euro denominated term loan and the assets of a Euro trading subsidiary as a net investment hedge.

Items held in net investment hedge:

	Year of maturity	31 December 2020		31 December 2019	
		Change in value of hedging instrument \$m	Change in value of hedged item \$m	Change in value of hedging instrument \$m	Change in value of hedged item \$m
Initial Euro term loan	2025	(19.8)	19.8	-	-
Cross currency swaps	2026	-	-	(9.7)	9.7

At 31 December 2020 the nominal amount of the hedging instruments held in net investment hedge was \$233.8m (2019: \$Nil) and the nominal amounts of the hedged risk were €230.9m (2019 €Nil). The hedge ratio is 1:1. The items held in a net investment hedge mitigate the net asset translation exposure arising from movements in non-functional currencies. Potential sources of hedge ineffectiveness are credit risk and cross currency basis.

The hedging reserve contains a balance of (\$19.8m) in relation to continuing net investment hedges and a balance of \$31.4m in relation to net investment hedge relationships for which hedge accounting is no longer applied.

#### 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 ten territories increase the Group's 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, no hedging has been undertaken.

In 2019 the Group entered a contingent forward contract and a contingent swap contracts in order to hedge certain cash flows expected to take place on completion of the proposed Cineplex combination. Due to the termination of the deal, the contingent elements of the derivatives were not met. The Group terminated the swap resulting in a gain of \$4.5m and a loss of \$10.4m on the deal contingent forward in line with the fair values reported at 31 December 2019. In addition, the forward contract was modified on termination, resulting in an additional loss of \$10.2m.

#### Interest rate risk

Interest rate risk arises from the Group's borrowing facilities in which a variable rate of interest is charged. The Group has historically managed this risk by securing fixed interest rates on a portion of its term loans.

While 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.

Exposure to interest rate risk is monitored through several measures including sensitivity and scenario testing and a cost benefit analysis of entering into interest rate swaps to mitigate this risk.

The Group believes it is more cost effective for the US term loan to remain unhedged. The Group however uses interest rate swaps agreed with other parties to hedge a portion of the interest charged on the Euro term loan. Interest rate swaps are measured at fair value, which have been calculated by discounting the expected future cash flows at prevailing interest rates.

At 31 December 2020 the Group had two (2019: three) cross currency interest rate swaps. During 2019 an incremental USD term loan was taken out for \$650.0m and this was used in part to enter three Euro to USD cross currency interest rate swaps. Under the arrangements of these swaps the Group received €408.7m. One of these swaps was settled during the current financial year.

These proceeds in the prior year were used to settle €408.0m of the Group's outstanding Euro term loan and the Group now pays a Euro coupon on the notional outstanding balance of the Euro legs of the swaps and receives a coupon on the notional outstanding balance of the USD legs of the swaps. The USD coupon is then used to pay the coupon on the \$650.0m new term loan. On maturity of the swaps and the incremental USD term loan, the Group will receive \$300.0m on the US dollar legs of the swaps and pay €272.5m on the Euro leg.



## 26. Financial Instruments continued

### Cash flow sensitivity analysis

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	31 December 2020 \$m	31 December 2019 \$m
<b>Fixed rate instruments</b>		
Financial liabilities (loans and borrowings – unhedged portion)	617.3	-
Lease liabilities	3,971.7	4,197.5
<b>Total Fixed rate instruments</b>	<b>4,589.0</b>	<b>4,197.5</b>
<b>Variable rate instruments</b>		
Financial liability/(assets) (interest rate swap)	23.6	14.2
Financial liabilities (loans and borrowings – unhedged portion)	4,045.4	3,616.8
<b>Total Variable rate instruments</b>	<b>4,069.0</b>	<b>3,631.0</b>

The Group accounts for derivative financial instruments (interest rate swaps) at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated 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 \$6.5m (2019: \$6.5m) or decreased equity by \$6.5m (2019: \$6.5m) for the swaps.

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 2019.

Effect in dollars thousands	Profit or loss			Equity
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2020</b>				
Variable rate instruments	(33.6)	33.6	(33.6)	33.6
Interest rate swap	6.5	(6.5)	6.5	(6.5)
<b>Cash flow sensitivity (net)</b>	<b>(27.1)</b>	<b>27.1</b>	<b>(27.1)</b>	<b>27.1</b>
<b>31 December 2019</b>				
Variable rate instruments	(37.8)	37.8	(37.8)	37.8
Interest rate swap	6.5	(6.5)	6.5	(6.5)
<b>Cash flow sensitivity (net)</b>	<b>(31.3)</b>	<b>31.3</b>	<b>(31.3)</b>	<b>31.3</b>

### 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.

	Carrying amount 31 December 2020 \$m	Fair value 31 December 2020 \$m	Carrying amount 31 December 2019 \$m	Fair value 31 December 2019 \$m
Secured bank and private placement loans <sup>(1)</sup>	4,640.9	3,734.9	3,616.8	3,675.6
Bank overdraft	21.8	21.8	2.5	2.5
Equity investments	(10.0)	(10.0)	(10.0)	(10.0)
Forward contract	-	-	(10.4)	(10.4)
Unhedged interest rate swap	23.6	23.6	4.5	4.5
Hedged Interest rate swap	-	-	9.7	9.7
Warrant	97.2	97.2	-	-
Embedded derivatives liability	106.5	106.5	-	-
Embedded derivatives asset	(7.8)	(7.8)	-	-
<b>Total</b>	<b>4,872.2</b>	<b>3,966.2</b>	<b>3,613.1</b>	<b>3,671.9</b>

(1) The fair value of the secured bank and private placement loans stated include the Fair value of embedded derivatives.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 26. Financial Instruments continued Fair values continued

Cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities are reflected in the Consolidated Financial Statements at carrying values that approximate fair values because of the short-term maturities of these financial instruments. Short-term debtors, creditors and cash and cash equivalents have been excluded from the above table on the basis that their carrying amount is a reasonable approximation to fair value.

Finance lease liabilities are recorded at amortised cost, as derived from expected cash outflows and the estimated incremental borrowing rate attached to the lease. Finance lease liabilities are separately disclosed within the Consolidated Statement of Financial Position.

#### Fair value hierarchy

Under the provisions of IFRS 9, the interest rate swap agreements are recorded on the Consolidated Statement of Financial Position at their fair values, with subsequent changes in fair value recorded in the Consolidated Statement of Profit and Loss. See Note 19 Long-term debt for the Group's current swap agreements.

Equity investments relate to investments designated as fair value through OCI. Any movement in fair value has been recognised within fair value reserve. The Group holds unquoted equity investments and concluded that these cost of investments represent their fair value at 31 December 2020.

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 2020 and 31 December 2019. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates, except where the borrowings are traded in secondary markets and traded prices are available. 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 table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical financial assets or financial liabilities that the Group has the ability to access.
- Fair values determined by Level 2 inputs use inputs other than the quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial assets or financial liabilities. The Group uses market interest rates and yield curves that are observable at commonly quoted intervals in the valuation of its interest rate swap agreements. The derivative positions are valued using models developed internally by the respective counterparty that uses as its basis readily observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. The Group considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives. Any adjustments resulting from credit risk are recorded as a change in fair value of the derivatives and reflected in the Statement of Comprehensive Income.
- Level 3 inputs are unobservable inputs for the financial asset or financial liability, and include situations where there is little, if any, market activity for the financial asset or financial liability. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the financial asset or financial liability.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>31 December 2020</b>				
Derivative financial instruments	-	219.5	-	219.5
Equity investments	-	-	(10.0)	(10.0)
<b>31 December 2019</b>				
Derivative financial instruments	-	3.8	-	3.8
Equity investments	-	-	(10.0)	(10.0)

There have been no transfers between levels in 2020. No other financial instruments are held at fair value.

## 26. Financial Instruments continued

### Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- 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 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 fair value of investments has been calculated by reference to quoted market values. The Group holds two unquoted equity investment and have concluded that the cost of these investments represents its fair value at 31 December 2020.

All of the resulting fair value estimates are included in Level 2 except for unlisted equity investments (Level 3).

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 2020 and 31 December 2019. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

### Capital Management

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

	2020 \$m	2019 \$m
Cash and cash equivalents	336.7	140.6
Bank and private placement loans and overdrafts	4,662.7	3,619.3
Lease liabilities	3,971.7	4,197.5
Equity attributable to equity holders of the parent	1,328.9	3,775.2
<b>Total</b>	<b>10,300.0</b>	<b>11,732.6</b>

The year 2020 were significantly impacted by the COVID-19 pandemic with all our cinemas being temporarily closed for extensive periods from mid-March. In response to this extraordinary situation, the Board of Director adapted their monitoring as described in the chair's section on page 32.

Alongside the above crisis monitoring, 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.

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.

### 27. Capital Commitments

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

	31 December 2020 \$m	31 December 2019 \$m
Contracted	47.8	294.5

Capital commitments at the end of the current and preceding financial year relate to new sites and refurbishment projects which have commenced or have been committed to through an executed lease agreement or lease amendment.

### 28. Contingent Liabilities

Following Cineworld's termination on 12 June 2020 of the Arrangement Agreement relating to its proposed acquisition of Cineplex Inc. ("Cineplex"), Cineplex initiated proceedings against Cineworld. The proceedings allege that Cineworld breached its obligations under the Arrangement Agreement and/or duty of good faith and honest contractual performance. Cineworld is defending its position and has made a counter claim against Cineplex.

The proceedings allege that Cineworld breached its obligations under the Arrangement Agreement and/or duty of good faith and honest contractual performance and claim damages of up to C\$2.18 billion less the value of Cineplex shares retained by Cineplex shareholders. As previously announced, the directors are of the view that Cineworld did not breach these (or any) obligations or duties and the Group is vigorously defending this claim. In any event, Cineworld believes that Cineplex's claim, if successful, would be limited to its costs and expenses incurred in relation to the Acquisition and would not be assessed by reference to the consideration that was payable under the Acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FORMING PART OF THE FINANCIAL STATEMENTS) CONTINUED

### 28. Contingent Liabilities continued

The Group terminated the Arrangement Agreement because Cineplex breached a number of its covenants under the Arrangement Agreement and could not meet certain conditions necessary for closing. Cineplex did not remedy its breaches when given the opportunity to do so. As of the date of these financial statements, the Directors are of the view that no material liability will arise in respect of this claim.

### 29. Related Parties

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The transactions between the Group and its joint ventures and associates are disclosed below.

For the purposes of IAS 24 "Related Party Disclosures", executives below the level of the Company's Board are not regarded as related parties.

The remuneration of the Directors at the year end, who are the key management personnel of the Group, is set out in aggregate in the audited part of the Directors' Remuneration report on pages 70 to 73.

The compensation of the Directors is as follows:

	Salary and fees including bonus \$'000	Pension contributions \$'000	Total \$'000
<b>Year ended 31 December 2020</b>			
Total compensation for Directors	2,747.0	281.1	3,028.1
	Salary and fees including bonus \$'000	Pension contributions \$'000	Total \$'000
<b>Year ended 31 December 2019</b>			
Total compensation for Directors	7,451.1	363.4	7,814.5

### 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 2020 totalled \$5.3m (2019: \$24.9m) and as at 31 December 2020 no amounts were due from DCM in respect of receivables (2019: \$3.8m). In addition, the Group has a working capital loan outstanding from DCM of \$0.7m (2019: \$0.6m).

NCM is a joint venture between AMC Entertainment Holdings Inc, Cinemark Holdings Inc and the Group. As at 31 December 2020 \$0.2m (2019: \$1.4m) was due to NCM in respect of trade payables and \$1.0m (2019: \$6.3m) was due from NCM in respect of trade receivables. Refer to Note 13 for details of transactions with NCM.

Revenue receivable from NCM in the year ended 31 December 2020 totalled \$83.7m (2019: \$97.8m).

AC JV is a joint venture between AMC Entertainment Holdings Inc, Cinemark Holdings Inc and NCM. There were no transactions during the year. As at 31 December 2020 \$0.2m (2019: \$0.9m) was due to Fathom AC in respect of trade payables.

Revenue receivable from Black Shrauber Limited in the year ended 31 December 2020 totalled \$0.1m (2019: \$0.1m). There were no amounts due to or from Black Shrauber Limited at 31 December 2020.

DCIP is a joint venture between Regal, AMC and Cinemark. On November 1 2020, the master lease agreement was terminated and all digital projectors were distributed to the founding members. In connection with the termination of the master lease agreement, Regal is required to pay a termination fee which is effectively the monthly obligation (i.e. rent payments) until the revised cost recoupment date in October 2021. The termination fee payable at 31 December 2020 was \$4.9m. Refer to Note 14 for further information.

Global City Holdings N.V. ("GCH"), is a company in which Moshe Greidinger and Israel Greidinger, Directors of the Group, have a controlling interest. During the year, the Group made lease payments of \$6.1m (2019: \$10.4m) to companies under the control of GCH. At 31 December 2020 \$59.6m (2019: \$57.5m) in lease liabilities were included within the Group's Statement of Financial Position. The Group had amounts payable of \$0.2m (2019: \$1.7m) by companies under the control of GCH.

No related party transactions other than compensation have occurred during both the current or prior financial years with key management personnel.

All related party transactions were made on terms equivalent to those that prevail in an arm's length transaction.

Details of subsidiaries held by the Group can be found in Note 32.

**COMPANY STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2020**

	Note	31 December 2020 \$m	31 December 2019 \$m
<b>Non-current assets</b>			
Investments	32	<b>1,135.4</b>	3,446.0
<b>Total non-current assets</b>		<b>1,135.4</b>	3,446.0
<b>Current assets</b>			
Debtors	33	<b>531.8</b>	896.6
Cash at bank		<b>0.3</b>	15.7
<b>Total current assets</b>		<b>532.1</b>	912.3
<b>Total assets</b>		<b>1,667.5</b>	4,358.3
<b>Current liabilities</b>			
Trade and other payables	34	<b>(241.4)</b>	(583.1)
Fair value of financial derivatives	35	<b>(97.2)</b>	-
<b>Total current liabilities</b>		<b>(338.6)</b>	(583.1)
<b>Net current assets</b>		<b>193.5</b>	329.2
<b>Total assets less current liabilities</b>		<b>1,328.9</b>	3,775.2
<b>Net assets</b>		<b>1,328.9</b>	3,775.2
<b>Capital and reserves</b>			
Called up share capital	36	<b>20.1</b>	20.1
Share premium account		<b>513.8</b>	516.0
Translation reserve		<b>(218.8)</b>	(345.3)
Profit and loss account		<b>1,013.8</b>	3,584.4
<b>Shareholders' funds - equity</b>		<b>1,328.9</b>	3,775.2

The Company generated a loss of \$2,519.5m (2019: profit \$528.8m) during the current financial year.

These Financial Statements on pages 163 to 176 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf by:

**Nisan Cohen**  
Director

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	Issued capital \$m	Share premium \$m	Translation reserve \$m	Retained earnings \$m	Total \$m
<b>Balance at 1 January 2019</b>		20.1	513.8	(462.0)	3,574.0	3,645.9
<b>Profit for the financial year</b>		-	-	-	528.8	528.8
<b>Other comprehensive income</b>						
Items that will subsequently be reclassified to profit or loss						
Movement on translation reserve		-	-	116.7	-	116.7
Total comprehensive income		-	-	116.7	528.8	645.5
<b>Contributions by and distributions to owners</b>						
Dividends	37	-	-	-	(520.2)	(520.2)
Movements due to share-based compensation	36	-	-	-	1.8	1.8
Issue of shares		-	2.2	-	-	2.2
<b>Balance at 31 December 2019</b>		<b>20.1</b>	<b>516.0</b>	<b>(345.3)</b>	<b>3,584.4</b>	<b>3,775.2</b>
<b>Loss for the financial year</b>		-	-	-	(2,519.5)	(2,519.5)
<b>Other comprehensive income</b>						
Items that will subsequently be reclassified to profit or loss						
Movement on translation reserve		-	-	126.5	-	126.5
Total comprehensive income		-	-	126.5	(2,519.5)	(2,393.0)
<b>Contributions by and distributions to owners</b>						
Dividends	37	-	-	-	(51.4)	(51.4)
Movements due to share-based compensation	36	-	-	-	(1.9)	(1.9)
Transfer		-	(2.2)	-	2.2	-
<b>Balance at 31 December 2020</b>		<b>20.1</b>	<b>513.8</b>	<b>(218.8)</b>	<b>1,013.8</b>	<b>1,328.9</b>

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 30. 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.

#### General information

Cineworld PLC is a public company, limited by shares, incorporated and domiciled in the UK. Its registered address is 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG.

#### Basis of Preparation

These financial statements present information about the Company as an individual undertaking and not about its Group.

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). These financial statements have been prepared under the historic cost convention.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of "international accounting standards in conformity with the requirements of the Companies Act 2006". Amendments are made where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

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;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- the requirements of paragraphs 17 and 18A of IAS 24 "Related Party Disclosures", including disclosures in respect of the compensation of key management personnel; and
- a separate Statement of Profit or Loss in line with the section 408 exemption.

#### Presentational currency

The functional currency of the Company is sterling. To aid the users of the Company accounts with consistency of the consolidated Group accounts, the Company's presentational currency is in US dollars.

#### Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

#### Impairment

The Company 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 Statement of Financial Position 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 are 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 share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

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.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 30. Accounting Policies continued Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are de-recognised when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

IFRS 9 contains three classification categories for financial assets and liabilities: measured at amortised cost, fair value through profit or loss ("FVPL") and fair value through other comprehensive income ("FVOCI").

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the financial instruments were acquired:

#### Financial assets at amortised cost:

The Company's financial assets at amortised cost comprise cash and cash equivalents and loans receivable from other legal entities within the Cineworld Group. Loans and receivables are initially recognised at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less a loss allowance.

The Company fixed asset investment is held at amortised cost.

#### Financial assets and financial liabilities at FVPL:

Financial instruments in this category are recognised initially and subsequently at fair value. Transaction costs are expensed in the Company's Statement of Profit or Loss. Gains and losses arising from changes in fair value are presented in the Company's Statement of Profit or Loss. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realised or paid beyond 12 months of the Consolidated Statement of Financial Position date, which is classified as non-current.

#### Impairment of financial assets

The company applies the IFRS 9 expected credit losses approach, assessing lifetime expected loss allowances for all trade receivables and contract asset.

Loss allowances will be measured on either of the following bases:

- i. 12-month ECLs which are ECLs that result from possible default events within 12 months after the reporting date; and
- ii. lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instruments.

The Company measures expected credit losses using a lifetime expected loss allowance for all intercompany receivables. Impairment losses on financial assets carried at amortised cost or FVOCI are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

The carrying amount of the Company's fixed asset investment is reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of these fixed asset investments exceeds their recoverable amount. Impairment losses are recognised in the Company's Statement of Profit or Loss.

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.

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



### 30. Accounting Policies continued Judgements

There are no significant accounting judgements that impact the Company financial statements, other than those related to estimates shown below.

#### 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 Company's accounting policies described above the Directors have identified that the following area as key estimates that have a significant impact on the amounts recognised in the financial statements.

#### Impairment of fixed asset investments

The Company determines whether its investment in subsidiary Crown UK Holdco Limited is 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 underlying investment. This investment holds subsequent investments in all Group companies.

Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the investment and discount this to net present value at the Group's weighted average discount rate. 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 investment and that the discount rate used is appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 32).

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 32). The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the key assumptions made within the cash flow forecasts include long-term growth, the impact of the Company's recovery from COVID-19 as outlined in Note 1, and discount rates. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the investment, and that the discount rate used is appropriate given the risks associated with the specific cash flows. Based on the sensitivity analysis performed, there would be additional impairment. Refer to Note 32 for full details. Therefore 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.

#### Expected credit losses

The company applies the IFRS 9 expected credit losses approach, assessing lifetime expected loss allowances for all trade receivables and contract assets.

Management currently calculate this loss allowance based on the weighted average of two recoverability scenarios. Scenario one is based on the fact that additional funds could be drawn down to repay these intercompany receivables should the counterparty call on these. Based on historical evidence should this occur subsidiary companies have in the past drawn down on additional funding to repay these loans. Therefore management estimate that the probability of this scenario occurring is high and have applied an apportionment of 95% of this occurring. Under Scenario two, a loss allowance is calculated based on a 100% probability of default, less available assets and cash which could be sold at a discount to repay these intercompany loans. Management estimate that the probability of this scenario occurring is low and have applied an apportionment of 5%.

The expected credit loss is therefore sensitive to the apportionment applied. A sensitivity analysis has been performed over this estimate (see Note 32).

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 31. 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 \$0.9m (2019: \$0.9m).

### 32. Investments

Company	Shares in Group undertakings \$m
<b>Balance at 31 December 2018</b>	3,339.1
Additions	-
Disposal	-
Share for share exchange	2.4
Effects of movement in foreign exchange	104.5
<b>Balance at 31 December 2019</b>	3,446.0
Additions	80.5
Disposal	-
Impairment	(2,509.9)
Effects of movement in foreign exchange	118.8
<b>Balance at 31 December 2020</b>	<b>1,135.4</b>
<b>Net book value</b>	
At 31 December 2019	3,446.0
<b>At 31 December 2020</b>	<b>1,135.4</b>

Additions of \$80.5m during the financial year relate to a capital contribution in Crown UK Holdco Limited as a result of the issue of equity warrants as outlined in note 35. The \$80.5m represents the fair value of these warrants on date of issuance.

### Fixed asset investments

	Registered office	Principal activity	Class	% of shares held
<b>Subsidiary undertakings</b>				
<b>Directly held</b>				
Crown UK Holdco Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Holding company	Ordinary	100
<b>Indirectly held</b>				
Cinema City Holding B.V.	PO Box 1370 NL-3000 BJ Rotterdam The Netherlands	Holding company	Ordinary	100
Augustus 1 Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	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 2 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
Cinema City Holdco (Hungary) K.F.T	1132 Budapest, Váci út 22-44	Financing company	Ordinary	100
Crown Intermediate Holdco, Inc	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Cineworld Hunco. Kft	1132 Budapest, Váci út 22-44	Holding company	Ordinary	100

### 32. Investments continued

#### Fixed asset investments continued

	Registered office	Principal activity	Class	% of shares held
Crown Finance US. Inc	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Augustus 2 Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Holding company	Ordinary	100
Cineworld Holdings Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Holding company	Ordinary	100
Cine-UK Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Cinema operations	Ordinary	100
Cineworld Cinemas Holdings Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Holding company	Ordinary	100
Picturehouse Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Cinema operations	Ordinary	100
Cineworld Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Holding company and Cinema operations	Ordinary	100
Classic Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Retail services company	Ordinary	100
Gallery Holdings Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Dormant holding company	Ordinary	100
Cineworld Estates Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Cinema property leasing	Ordinary	100
Adelphi Carlton Limited	8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland	Cinema operations	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
Newcastle Cinema 2 Limited	2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW	Cinema operations	Ordinary	100
Cineworld South East Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Dormant holding company	Ordinary	100
Cineworld Elite Picture Theatre (Nottingham) Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Dormant	Ordinary	100
Gallery Cinemas Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Dormant	Ordinary	100
Cineworld Cinema Properties Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Dormant property company	Ordinary	100
Newman Online Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Dormant software development and provider	Ordinary	100
Picturehouse Bookings Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Ticket booking operations	Ordinary	100
Picturehouse Entertainment Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Film distribution	Ordinary	100
City Screen (SOA) Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Cinema operations	Ordinary	100

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 32. Investments continued Fixed asset investments continued

	Registered office	Principal activity	Class	% of shares held
CS (Exeter) 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
City Screen (York) 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 (Brixton) 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
City Screen (Brighton) Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Cinema operations	Ordinary	100
Cinema City Finance (2017) B.V	PO Box 1370 NL-3000 BJ Rotterdam The Netherlands	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 Limited	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
Cinema City Romania SRL	13 Ana Davila street, Sector 5, Bucharest 050491, Romania	Cinema operations	Ordinary	100
Forum Film Romania SRL	13 Ana Davila street, Sector 5, Bucharest 050491, Romania	Film distribution	Ordinary	100
New Age Media Romania SRL	13 Ana Davila street, sector 5, Bucharest 050491, Romania	Cinema operations	Ordinary	100
Cinema City Bulgaria EOOD	45 Bregalnitza Str, 5 floor Vazrajdana Region Sofia 1303, Bulgaria	Cinema operations	Ordinary	100
Forum Film Bulgaria EOOD	45 Bregalnitza Str, 4 floor Vazrajdana Region Sofia 1303, Bulgaria	Film distribution	Ordinary	100
Cinema City Czech s.r.o.	Arkalycká 951/3, 149 00 Praha 4, Czech Republic	Cinema operations	Ordinary	100
Forum Film Czech s.r.o.	Arkalycká 951/3, 149 00 Praha 4, Czech Republic	Film distribution	Ordinary	100
Cinema City Cinemas sp.Zoo	UL. Fosa 37 02-768 Warszawa Poland	Group services	Ordinary	100
All Job Poland sp.Zoo	Woloska 12 02-675 Warszawa, Poland	Cinema operations	Ordinary	100
I.T. Poland Development 2003 sp. Zoo	UL.Fosa 37 02-768 Warszawa Poland	Cinema operations	Ordinary	100
New Age Media sp. Zoo	UL. Powsińska 31 02-903 Warszawa Poland	Advertising	Ordinary	100
Cinema City Poland sp. Zoo CC spolka komandytowa.	UL. Fosa 37 02-768 Warszawa Poland	Cinema operations	Ordinary	100
Northfleet sp. Zoo	UL. Fosa 37 02-768 Warszawa Poland	General partner	Ordinary	100

### 32. Investments continued

#### Fixed asset investments continued

	Registered office	Principal activity	Class	% of shares held
Cinema City Poland CC sp. Zoo	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
Job & Services sp. Zoo	UL. Fosa 37 02-768 Warszawa Poland	Cinema operations	Ordinary	100
New Cinemas Sp. Zoo	UL. Fosa 37 02-768 Warszawa Poland	Cinema operations	Ordinary	100
Cinema City Slovakia s.r.o.	Einsteinova 20, 851 01 Bratislava, Slovakia	Cinema operations	Ordinary	100
Forum Film Slovakia s.r.o.	Einsteinova 20, 851 01 Bratislava, Slovakia	Film distribution	Ordinary	100
A 3 Theatres of San Antonio, Ltd	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
A 3 Theatres of Texas, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Cinebarre, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Consolidated Theatres Management, L.L.C.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Dormant	Ordinary	100
Crown Theatre Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Eastgate Theatre, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Edwards Theatres, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Frederick Plaza Cinemas, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape of Nitro, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape of O'Fallon, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape Theatres, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape Theatres of Bowling Green, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape Theatres of Harrisburg, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape LaGrange LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Dormant	Ordinary	100
Great Escape Theatres of Lebanon, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Great Escape Theatres of New Albany, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Hollywood Theatres, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Hollywood Theatres III, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Hoyts Cinemas Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Interstate Theatres Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Lois Business Development Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
McIntosh Properties LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 32. Investments continued Fixed asset investments continued

	Registered office	Principal activity	Class	% of shares held
Next Generation Network, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Dormant	Ordinary	100
Pacific Rim Business Development Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Palace Suite, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Dormant	Ordinary	100
R and S Theatres, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	51
Ragains Enterprises LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
RAM/UA-KOP, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Dormant	Ordinary	50
R.C.Cobb, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
R.C.Cobb II, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
RCI/FSSC, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
RCI/RMS, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Regal/Cinebarre Holdings, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Cinemas Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Cinemas Holdings, Inc	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Regal Cinemas, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Regal Cinemas II, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Regal CineMedia Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Gift promotions	Ordinary	100
Regal CineMedia Holdings, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal/DCIP Holdings, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Distribution, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Film Distribution	Ordinary	100
Regal Distribution Holdings, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Entertainment Group	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Entertainment Holdings, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Entertainment Holdings II, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Gallery Place, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Regal Investment Company	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Regal Licensing, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100

### 32. Investments continued

#### Fixed asset investments continued

	Registered office	Principal activity	Class	% of shares held
Regal Paramus Park, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	99
Regal Stratford, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Richmond I Cinema, L.L.C.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
San Francisco Theatres, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
United Artists Theatre Company	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
United Artists Theatre Circuit, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
United Artists Theatre Circuit II, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
United Artists Realty Company	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema property leasing	Ordinary	100
United Artists Properties I Corp.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema property leasing	Ordinary	100
Vogue Realty Company	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema property leasing	Ordinary	100
United Stonestown Corporation	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
UA Shore LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
UA Swansea. LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Valeene Cinemas LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Wallace Theatre Holdings, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
Wallace Theatres – Guam.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Wallace Theatres – Saipan, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
13th Avenue Partners, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Cinemas Associates, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Oklahoma Warren Theatres II, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Oklahoma Warren Theatres, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Regal/Atom Holdings, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Holding company	Ordinary	100
The Movie Machine, LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Warren Oklahoma Theatres, Inc.	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
Restaurant Row Business Development Corp	101 E. Blount Avenue, Knoxville, TN 37920, United States	Dormant	Ordinary	100
Regal – 18 LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 32. Investments continued Fixed asset investments continued

	Registered office	Principal activity	Class	% of shares held
Regal Realty 17 LLC	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	100
1232743 B.C.LTD.	Suite 2400, 745 Thurlow Street, Vancouver BC V6E 0C5, Canada	Holding company	Ordinary	100
Bruno Funding Limited	22 Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PX	Holding company	Ordinary	100
CDD Borrower, LLC	1206 Orange Street, The Corporation Trust Centre, City of Wilmington, County of New Castle DE 19801, United States	Cinema operations	Ordinary	100
CDD Parent, LLC	1206 Orange Street, The Corporation Trust Centre, City of Wilmington, County of New Castle DE 19801, United States	Holding company	Ordinary	100
CDD UK Borrower Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Cinema operations	Ordinary	100
CDD UK Parent Limited	8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG	Holding company	Ordinary	100
Crown NL Holdco B.V.	Coolsingel 63, 7th floor, 3012 AB Rotterdam, Netherlands	Cinema operations	Ordinary	100
<b>Jointly controlled entities</b>				
Digital Cinema Distribution Coalition, LLC	840 Century Park East Suite 550 Los Angeles, CA 90067, United States	Film distribution	Ordinary	14.6
Digital Cinema Implementation Partners, LLC	100 Enterprise Drive, Suite 505 Rockaway, New Jersey 07866	Leasing company	Ordinary	33.3
Digital Cinema Media Limited	350 Euston Road, London, NW1 3AX	Screen Advertising	Ordinary	50
Siam UATC Company Limited	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	10
United Artist Singapore Theaters Pte. Ltd	101 E. Blount Avenue, Knoxville, TN 37920, United States	Cinema operations	Ordinary	10
AC JV, LLC	5990 Greenwood Plaza Blvd, Greenwood Village, CO, United States	Events organisation	Ordinary	32
National CineMedia, LLC	6300 South Syracuse Way, Suite 300, Centennial, CO 80111, United States	Screen Advertising	Ordinary	26.1
Black Shrauber Limited	Cinema complex, Neomi 4, Jerusalem, Israel	Restaurant company	Ordinary	50

Cinema City Poland Sp. z.o.o, I.T. Poland Development 2003 Sp. z.o.o, Forum Film Poland Sp. z.o.o, New Age Media Sp. z.o.o and All Job Poland Sp. z.o.o have a statutory year end that is different to that of the Group, being 30 November 2020.

For all group fixed asset investments listed above the % of shares held is also equal to the group's % of voting rights.

No subsidiary company is exempt from audit by virtue of s479A of Companies Act 2006.

No dormant subsidiary company is exempt from preparing individual accounts by virtue of s394A of Companies Act 2006. No dormant subsidiary company is exempt from filing with the registrar individual accounts by virtue of s448A of Companies Act 2006.



### 32. Investments continued Impairment

The Company holds a direct investment in Crown UK Holdco Limited. The Company determines whether these assets are impaired when indicators of impairment exist or based on the annual impairment assessment. The annual assessment requires an estimate of the recoverable amount by reference to the value in use of the Crown UK Holdco Limited.

Where the recoverable amount is less than the carrying value, an impairment charge to reduce the investment to recoverable amount is recognised.

Estimating the value in use requires the Company to make an estimate of the expected future cash flows from its investment and discount these to net present value at a pre-tax discount rate.

Crown UK Holdco Limited holds investments within all Group companies either directly or indirectly and therefore the value in use is based on forecast future cash flows generated by the Group. These forecast cash flows are defined as the Adjusted EBITDA (see Note 2) and are based on the five-year cash flow forecast of the Group per the Group's going concern assessment outlined in Note 1. These cash flows have been extrapolated into perpetuity from 2025 applying a long-term growth rate of 1%. This growth rate does not exceed the long-term average growth rate for the markets in which Crown UK Holdco investments operate.

These cash flows are adjusted to take into account the repayment of the Group's borrowings at 31 December 2020 and future rental payments beyond the period covered by each current lease.

These cash flows have been discounted at the Group's weighted average cost of capital of 14.4%.

Based on management's assessment, the recoverable amount of the Company's investment was less than its carrying value and an impairment of \$2,509.9m (2019: \$Nil) was recognised.

In calculating the recoverable amount of the Company's investment, reference was also made to the fair value less cost of disposal. It was concluded that the calculated value in use was greater than fair value less cost of disposal and therefore the recoverable amount was deemed to represent the value in use.

#### Impairment sensitivities

Sensitivities have been applied to the forecast cash flows to assess the potential impairment under different scenarios. The scenarios applied are the severe but plausible scenario set out in Note 1, a 1% reduction in long-term growth rates and a 1% increase in discount rate. The results would be as follows:

	Additional impairment \$m
Severe but plausible case	1,135.4
Long-term growth rates reduced by 1%	381.2
1 percentage point increase in the discount rates	562.5

Under the severe but plausible case scenario, the investment would be fully impaired.

Management also performed an additional sensitivity to understand the impact should there be a 1 percentage point fall in the discount rates. Under this scenario, the December 20 impairment charge would be reduced by \$644.5m.

### 33. Debtors

	31 December 2020 \$m	31 December 2019 \$m
Amounts owed by Group undertakings	552.3	896.6
Expected credit loss	(20.5)	-
<b>Total financial assets at amortised cost</b>	<b>531.8</b>	896.6

The amounts owed by Group undertakings are interest free and repayable on demand. The Company has considered if these loan receivables are impaired and has recognised an expected credit loss of \$20.5m against amounts due from subsidiary undertakings during the current financial year (2019: \$Nil).

Management applies estimates in calculating this expected credit loss as outlined within Note 30. Should management adjust the weighted average scenario proportion from 95% Scenario 1/5% Scenario 2 to 90% Scenario 1/10% Scenario 2 an additional expected credit loss charge of \$20.5m would be recognised.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 34. Trade and other payables

	31 December 2020 \$m	31 December 2019 \$m
Amounts owed to Group undertakings	240.9	582.3
Accruals	0.5	0.8
<b>Total creditors falling due within one year</b>	<b>241.4</b>	<b>583.1</b>

### 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.

### 35. Fair value of financial derivatives

	31 December 2020 \$m	31 December 2019 \$m
Derivative financial liabilities	97.2	-
<b>Total fair value of financial derivatives</b>	<b>97.2</b>	<b>-</b>

Derivative financial liabilities held by the Company at 31 December 2020 relate to the equity warrants issued in the year, as set out in note 19 of the Group Consolidated Financial Statements.

Fair value disclosures in relation to these equity warrants have been prepared in note 26 of the Group Consolidated Financial Statements.

### 36. Share-Based Payments

A share-based payment credit of \$2.3m (2019: charge of \$4.9m) was recognised within the Company during the year in relation to the Group share options and share plans. Further details of these share options and plans are outlined in Note 23 of the Consolidated Financial Statements.

### 37. Capital and Reserves

#### Share capital

	31 December 2020 \$m	31 December 2019 \$m
Allotted, called up and fully paid 1,372,797,489 (2019: 1,371,950,293) ordinary shares of £0.01 each.	20.1	20.1

847,196 shares were issued during the year on vesting of the 2017 PSP plan as outlined within Note 23.

### Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company from its functional currency of GBP to its presentational currency of USD.

### Dividends

The Directors have not approved or proposed a dividend for the year ended 31 December 2020. On 7 April 2020 the Board announced the suspension of the 2019 fourth quarter dividend of 4.25 cents per share to conserve cash for the Group.

Further information on dividends paid for the current financial year are outlined within Note 25 of the Group Consolidated Financial Statements.

### 38. Capital management

Details of the Company's and Group's capital management is outlined within Note 26 of the Group Consolidated Financial Statements.

### 39. Commitments, Pension Commitments, Guarantees And Contingencies

The Company had no contractual commitments, pension commitments, guarantees or contingencies at 31 December 2020 (2019: \$Nil).

## SHAREHOLDER INFORMATION AS AT 31 DECEMBER 2020

### Directors

A Kornasiewicz	(Non-Executive Director and Chair)
M Greidinger	(Chief Executive Officer)
I Greidinger	(Deputy Chief Executive Officer)
N Cohen	(Chief Financial Officer)
R Teperberg	(Chief Commercial Officer)
R Senat	(Non-Executive Director and Senior Independent Director)
C Galano	(Non-Executive Director)
D Moore	(Non-Executive Director)
S Rosenblum	(Non-Executive Director)
A Samuelsson	(Non-Executive Director)
D Sanders	(Non-Executive Director)

### Head Office

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

### Telephone Number

020 8987 5000

### Website

[www.cineworldplc.com](http://www.cineworldplc.com)

### Place of Incorporation

England and Wales

### Company Number

Registered Number: 5212407

### Registered Office

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

### Independent Auditor

PricewaterhouseCoopers LLP  
1 Embankment Place  
Charing Cross  
London  
WC2N 6RH

### Joint Brokers

Barclays Bank Plc 1 Churchill Place London E14 5HP	Investec Bank plc 2 Gresham Street London EC2V 7QP	Goldman Sachs International Plumtree Court, 25 Shoe Lane London EC4A 4AU
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### Legal Advisers to the Company

Slaughter and May  
1 Bunhill Row  
London EC1Y 8YY



# Cineworld Group plc

 REGAL

 cineworld

**CINEMA  
CITY**

*Picture  
house*

 **PLANET**

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