Cine-UK Limited

Annual report and financial statements

Registered number 03005901

31 December 2016

Contents

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2016.

Principal activities

Cine-UK Limited, together with its sister company Cineworld Cinemas Limited, operates cinemas under the Cineworld brand. Cine-UK Limited is a wholly owned subsidiary of Cineworld plc which is listed on the London Stock Exchange. Throughout the rest of this report, the "Group" is used to refer to actions Cine-UK Limited has performed as part of the Cineworld Group Plc, while the "Company" is used to refer specifically to Cine-UK Limited.

Cineworld is one of the UK's leading cinema chains by admissions and box office revenues. The cinemas are modern, well designed multiplexes offering great customer service with high quality technology, stadium seating, and online ticketing services. The sites are situated mostly in leisure and retail parks. Cineworld shows a broad range of films to a large number of customers with a wide demographic and offers the highly successful "Unlimited" card which allows customers access to an unlimited number of films for a monthly subscription. Refurbishment of older sites, investment in new technologies and diversification of retail offerings are a key focus for Cineworld. During 2016 six sites were refurbished, four new cinema sites were opened, three older sites were closed and five Empire sites were acquired, including the iconic Empire Leicester Square.

Cineworld is the only exhibitor in the UK to offer the highly successful 4DX experience, which includes motion seats, and several environmental effects such as water splash, wind, smell and more. These are built into an increasing number of movies to make the audience feel they are part of the action. At the end of 2016, Cineworld operated nine 4DX screens including the first 4DX in London which opened in December in Wandsworth. Cineworld also has 20 IMAX screens and its own Superscreen format, which is similar to IMAX. Two sites have VIP auditoriums which include a full movie and dining experience. Cineworld currently has 24 Starbucks coffee outlets within its circuit.

The principal income for the Company is box office revenue. Box office revenue is a function of the number of admissions and the ticket price per admission, less VAT. In addition, the Company operates membership schemes which provide customers with access to screening in exchange for subscriptions fees, and this revenue is also reported as part of box office. Admissions (one of the Groups key performance indicators), depend on the number, timing and popularity of the films we are able to show in our cinemas. Admissions are also a key driver for the two other main revenues for the Company; Retail revenue, the sale of food and drink for consumption within our cinemas; and screen advertising income, from advertisements shown on our screens prior to feature presentations.

Financial Performance and position

For the year ended 31 December 2016, the Company had a turnover £239,172m (2015: £224,887m), operating profit of £32,011m (2015: £45,134m), EBITDA (calculated as operating profit before depreciation and amortisation, onerous leases and other non-recurring charges, impairments and reversals of impairments, transaction and reorganisation costs and profit on disposals of assets.) of £44,673m (2015: £56,173m) and profit after tax of £26,471 (2015: 40,722).

The net assets of the Company at 31 December 2016 were £43,044m (2015: £46,439).

Key Performance Indicators

The Directors of the Group manage the Group's operations based on two operating segments: UK and Ireland and Rest of the World ("ROW"). The results for the UK and Ireland include the two cinema chain brands, Cineworld and Picturehouse. For this reason the Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the UK and Ireland operating segment of Cineworld Group plc, which includes the Company, are discussed on page 12 and 13 of the Cineworld Group plc 2016 Annual Report and Accounts, which does not form part of this document. The Cineworld Group plc Annual Report and Accounts are available on the Group's website at www.cineworldplc.com.

Principal Risks and Uncertainties

The principal risks and uncertainties of the company are summarised as follows:

- Reliance on technology and data
- Availability and performance of film content
- Expansion and growth of the cinema estate
- View experience and competition
- Revenue from retail / concession offerings
- Cinema operations
- Regulatory breach
- Strategy and performance
- Retention and attraction of senior management and key employees
- Governance and internal control
- Terrorism and civil unrest

The principal risks and uncertainties of the Group, which include those of the Company outlined above, are discussed in further detail on pages 22 to 27 of the Cineworld plc 2016 Annual Report and Accounts. The Cineworld plc 2016 Annual Report and Accounts also includes details of the controls and mitigation activity in place. The Cineworld Group plc Annual Report and Accounts are available on the Group's website at www.cineworldplc.com.

Future developments

The directors do not expect any change in the principal activity during the next financial period.

M Keren
20 June 2017

Directors' report for year ended 31 December 2016

The directors present their financial statements and directors' report for the year ended 31 December 2016.

Principal activities and future developments

The principal activity of the company and future developments are outlined in the strategic report.

Political contributions

The Group's policy is to make no donations to political parties (2015: nil).

Employees

The Group's 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 the Group's policy to give full and fair consideration to applications for employment from disabled people, having regard to their particular abilities and aptitudes. Full consideration is given to continuing the employment of staff who become disabled, including considering them for other reasonable positions and arranging appropriate training.

The health, welfare and development of the Group's employees remain a priority. With the intent of attracting, recruiting, developing and retaining key employees, Cineworld maintains a number of policies and procedures for the benefit of its employees, which can be accessed by employees via the Human Resources department and in the UK via the Human Resources manual on the Company's intranet. Continuing education, training and development are important to ensure the future success of the Group and employee development is encouraged through appropriate training. The Group supports individuals who wish to obtain appropriate further education qualifications and reimburses tuition fees up to a specified level. Regular and open communication between management and employees is essential for motivating the workforce. Briefings are held regularly to provide updates on the Group's business and to provide opportunity for questions and feedback. The Company also maintains both an internet website which is freely accessible and an intranet site accessible to all head office employees and at all cinemas in the UK.

Payment of dividends

The directors approved a dividend of £30,000,000 for the year ended 31 December 2016 (2015: £10,000,000).

Directors

The directors who served during the year and to the date of this report were as follows:

M Greidinger	
I Greidinger	
C Brookmyre	(Resigned 8 August 2016)
M Keren	
M Eyre	(Appointed 8 August 2016)

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/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

8th Floor Vantage London
Great West road
Brentford
TW8 8AG

M Keren

20 June 2017

Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Cine-UK Limited

We have audited the financial statements of Cine-UK Limited for the year ended 31 December 2016 set out on pages 12 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2016

	Note	**Year Ended 31 December 2016**	Year Ended 31 December 2015
		£000	£000
Turnover	2	**239,172**	224,887
Cost of sales		**(170,203)**	(159,520)
Gross profit		**68,969**	65,367
Administrative expenses		**(37,528)**	(27,001)
Other operating income		**570**	6,768
Operating profit		**32,011**	45,134
Analysed between:			
Operating profit before depreciation, onerous lease and non-recurring charges, impairments and reversals of impairments		**44,673**	56,173
- Depreciation and amortisation	3	**(12,391)**	(10,712)
- Onerous lease and other non-recurring charges	3	**(222)**	(6,694)
- Profit on sale of tangible Fixed Assets	3	**-**	6,413
- Impairments and impairment reversal	3	**(48)**	(47)
Interest receivable and similar income	6	**170**	58
Interest payable and similar charges	7	**(263)**	(402)
Profit on ordinary activities before taxation	3	**31,918**	44,790
Tax on profit on ordinary activities	8	**(5,447)**	(4,068)
Profit for the financial period		**26,471**	40,722
Total Comprehensive Income for the year		**26,471**	40,722

All results are derived from continuing operations.

The company has no other comprehensive income other than the profit for the period.

Notes from pages 11 to 24 form part of these financial statements.

MERAV KEREN

Balance sheet
at 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
Fixed assets			
Tangible assets	*11*	**116,350**	105,204
Goodwill	*10*	**825**	825
		117,175	106,029
Current assets			
Stocks	*12*	**1,965**	2,030
Debtors	*13*	**275,454**	239,000
Cash at bank and in hand		**707**	476
		278,126	241,506
Creditors: amounts falling due within one year	*14*	**(292,134)**	(247,218)
Net current liabilities		**(14,008)**	(5,712)
Total assets less current liabilities		**103,167**	100,316
Creditors: amounts falling due after more than one year:			
Accruals and deferred income	*15*	**(54,869)**	(48,524)
Provisions	*16*	**(2,442)**	(2,758)
Deferred tax liability	*17*	**(2,812)**	(2,595)
Net assets		**43,044**	46,439
Capital and reserves			
Called up share capital	*18*	**7,173**	7,173
Profit and loss account		**35,871**	39,266
Shareholders' funds		**43,044**	46,439

Notes from pages 11 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 20 June 2017 and were signed on its behalf by:

M Keren
Director

Registered number: 03005901

Statement of Changes in Equity
for the year ended 31 December 2016

	Note	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 31 December 2015		7,173	39,266	46,439
Total comprehensive income for the year				
Profit		-	26,471	26,471
Total comprehensive income for the period		-	26,471	26,471
Equity-settled share based payment transactions		-	134	134
Dividends	9	-	(30,000)	(30,000)
Total contributions by and distributions to owners		-	(29,866)	(29,866)
Balance at 31 December 2016		**7,173**	**35,871**	**43,044**

Notes from pages 11 to 24 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

Cine-UK Limited is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. 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 Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Cineworld Group Plc includes the Company in its consolidated financial statements. The consolidated financial statements of Cineworld Group Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 8th Floor Vantage London, Great West Road, Brentford, England, TW8 9AG.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned Group entities ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements of Cineworld Group Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

Notes to the financial statements *(continued)*

Accounting policies (continued)

Going concern

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 2 to 3.

The company participates in the ultimate parent, Cineworld Group plc's, centralised treasury arrangements and so shares banking arrangements with the parent and fellow subsidiaries. At the period end the Group met its day-to-day working capital requirements through its bank loan, which consisted of a term loan and a revolving facility.

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

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

The directors, having assessed the responses of the directors of the company's parent Cineworld Group plc, to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Cineworld Group to continue as a going concern or its ability to continue with the new banking arrangements.

Cineworld Group plc has confirmed that it is its present intention to continue to provide financial support to the company to enable it to meet its liabilities in full as they fall due and carry on its business for the foreseeable future without significant curtailment of operations.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Cineworld Group plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future, being for at least 12 months after the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible Fixed Assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	30 years or life of lease if shorter
Cinema plant and machinery	3 to 10 years
Head office fixtures, fittings and equipment	4 to 10 years

Notes to the financial statements (continued)

Assets acquired for use in cinemas are depreciated from the date the cinema opens. Cinema properties in the course of construction are separately identified as a component of tangible fixed assets and are not depreciated until the cinema is brought into use.

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on business acquisitions. In respect of business acquisitions that have occurred since incorporation, goodwill represents the difference between the cost of the acquisition and the Group's interest in the fair value of the net identifiable assets acquired. Goodwill is capitalised and assessed for impairment on an annual basis.

Impairment of Goodwill

Determining whether Goodwill is impaired requires an estimate of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the company to make an estimate of the expected future cash flows from the cash generating unit that holds the goodwill at a determined discount rate to calculate the present value of those cash flows.

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

Impairment of Tangible Fixed Assets

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

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

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

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Share-based payment transactions

The share option programme allows employees to acquire shares of the parent 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 of the Company. 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 premeasured at each balance sheet date and at settlement date and any changes in fair value are booked in the income statement.

Operating Lease Payments

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

Onerous Leases

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

When calculating the provision for an onerous lease the Group is required to make certain assumptions about the future cash flows to be generated from that cinema site. It is also required to discount these cash flows using an appropriate discount rate. The resulting provision is sensitive to the assumptions in respect of future cash flows. However, the Directors consider that the assumptions made represent their best estimate of the future cash flows generated by onerous cinema sites, and that the discount rate used is appropriate given the risks associated with these cash flows. Management has applied sensitivity analysis to the estimate (see Note 19).

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Leasehold incentives

Where the company receives an incentive to enter into a lease the benefit has been allocated, on a straight line basis, over the lease term.

Virtual Print Fees

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

A VPF is receivable the first time a film is played in a digital format on a screen rather than using 35mm film. A VPF is recognised on the date of the showing of the film it relates to and is included in cost of sales as a reduction of the film hire costs. VPFs in the UK will not be received from 2017 onwards.

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on 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 and liabilities that affect nether 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 rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available again

Stocks

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..

Turnover

Turnover represents the total amount receivable for goods sold, excluding sales related taxes and intra-Group transactions.

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

Notes to the financial statements *(continued)*

2 Segmental information

Geographical sector analysis
All revenues derived from activities in the United Kingdom

Business sector analysis
The company has operated in one business sector in both financial years, being cinema operations.

3 Profit on ordinary activities before taxation

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	**12,391**	10,712
Hire of plant and machinery – rentals payable under operating leases	**67**	63
Hire of other assets - operating leases	**26,641**	26,641
Impairments & Impairment reversal	**48**	47
Onerous lease and other non-recurring charges	**222**	6,694
Profit on Sale of Tangible Fixed Assets	**-**	(6,413)

Auditor's remuneration for 2016 and 2015 was borne by a fellow group company. Cine-UK's allocation of the group audit fee was £80,000 (2014: £82,280). Fees paid to the Company's auditor, KPMG LLP, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the Company's parent company Cineworld Group Plc.

4 Remuneration of directors

Director's remuneration is paid through other Group entities for the Directors services across the Group. No apportionment to determine the amount attributable to individual entities is performed. Therefore information has been provided on Directors' remuneration as a whole paid through other entities.

Notes to the financial statements (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was:

	Year ended 31 December 2016	Year ended 31 December 2015
Full time	**432**	291
Part time	**2,422**	2,221
	2,854	2,512

Included in the average number of persons employed by the Company are part-time employees. The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Wages and salaries	**28,108**	24,298
Social security costs	**1,194**	1,064
Other pension costs	**219**	178
Share based payments	**132**	178
	29,653	25,718

Aggregate payroll costs include £148,000 (2015: £132,000) of internal staff costs capitalised in relation to the construction of new sites.

6 Interest receivable and similar income

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Effect of change in discount rate on provisions	**170**	22
Net foreign exchange gain	**-**	36
	170	58

7 Interest payable and similar charges

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Unwind of discount on onerous lease provisions	**(263)**	(402)

8 Taxation

a) Analysis of tax charge in year

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Tax on ordinary activities comprises:		
UK Corporation tax	6,589	3,683
Adjustments in respect of prior years	(1,360)	(2,375)
Current tax on income in the year	5,229	1,308
Origination and reversal of temporary differences	503	3,028
Reduction in tax rate	(285)	(268)
Total deferred tax charge / (credit)	218	2760
Tax on profit on ordinary activities	**5,447**	4,068

b) Reconciliation of effective tax rate

The effective tax rate for the period is lower (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are reconciled below:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit on ordinary activities before tax	**31,918**	44,790
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	**6,383**	9,070
Effects of:		
Expenses not deductible for tax purposes	**558**	347
Share scheme adjustments	**0**	(91)
Imputed intercompany interest	**138**	435
Group relief	**0**	(715)
Deferred tax rate impact	**(285)**	(453)
Adjustments to prior periods	**(1,347)**	(4,525)
Total tax expense	**5,447**	4,068

See note 17 for deferred tax disclosure

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively.
Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the periods when the assets are released or liabilities settled, based on tax rates enacted or substantively enacted at 31 December 2016.

Notes to the financial statements *(continued)*

9 Dividends

The aggregate amount of dividends comprises:

	Year Ended 31 December 2016 £000	Year ended 31 December 2015 £000
Dividends paid in the financial year	**30,000**	10,000

10 Goodwill

	Goodwill
Cost and netbook value	**£000**
Balance at 31 December 2015 and 31 December 2016	**825**

Goodwill relates to the acquisition of the cinema complex located within The O2 in Greenwich, London.

Impairment testing

Goodwill has been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill 2016 £000	2015 £000
The O2 Greenwich	**825**	825

The recoverable amount of the O2 asset has been calculated with reference to its value in use.
The key assumptions of this calculation are shown below:

	2016	2015
Period on which management approved forecasts are based	**20 years**	20 years
Growth rate applied beyond approved forecast period	**2%**	3%
Discount rate	**9.20%**	11.36%

Management have sensitised the key assumptions in the goodwill impairment test including the discount rate and under both the base case and sensitised cases no indicators of impairment exist. Management believe that any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying value to exceed its recoverable amount.

Notes to the financial statements *(continued)*

11 Tangible fixed assets

	Land and Buildings: short leasehold	Cinema plant and machinery	Head office fixtures fittings and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of period	118,232	67,066	32,479	52	217,829
Transfers AUC	4,887	1,069	1,299	(6,624)	631
Additions	9,538	1,054	5,861	6,903	23,356
Disposals	-	-	-	-	-
Impairment	-	(5)	(43)	-	(48)
At end of period	**132,657**	**69,184**	**39,596**	**331**	**241,768**
Depreciation					
At beginning of period	47,788	50,228	14,609	-	112,625
Transfers	-	387	15	-	402
Charge for period	4,360	2,932	5,099	-	12,391
Disposals	-	-	-	-	-
At end of period	**52,148**	**53,547**	**19,723**	-	**125,418**
Net book value					
At 31 December 2015	**80,509**	**15,637**	**19,873**	**331**	**116,350**
At 31 December 2015	70,444	16,838	17,870	52	105,204

Impairment

The £48,000 (2015: £47,000) impairment loss in the current reporting period was caused by trading not reaching expectations for the foreseeable future for one cinema site.

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

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

	Year Ended 2016 £m	Year ended 2015 £m
Discount rate	9.2%	11.36%

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

Notes to the financial statements *(continued)*

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

	Year Ended 2016 %	Year Ended 2015 %
EBITDAR growth rate	**3.00**	3.00
Property cost growth rate	**3.00**	3.00

2017 forecast EBITDA was used as the basis of the future cash flow calculation. This is adjusted to add back rent (EBITDAR). In line with long-term industry growth rates, EBITDAR is assumed to grow at 2.0% per annum from year 3 onwards.

Property costs are factored into the model, but are assumed to grow at 3.0% per annum over the life of the model. Cash flows are projected over the shorter of the life of the property lease or the intangible assets to which the cash flow relates

A reduction of 10% in the forecast cashflows for each CGU from year 2 to 5 or an increase in the discount rate applied to the cashflows of each CGU of 1 percentage point would not cause the carrying value to exceed its recoverable amount for any CGU. Therefore, management believe that any reasonably possible change in the key assumptions would not result in an impairment charge.

Impairment Reversals
A review of future cashflows for previously impaired cinema sites did not identify improvement in trading performance sufficient to recognise a reversal of impairment.

12 Inventories

	31 December 2016 £000	31 December 2015 £000
Goods held for resale	**1,965**	2,030

13 **Debtors:** amounts falling due within one period

	31 December 2016 £000	31 December 2015 £000
Other debtors	**17**	14
Amounts owed by group undertakings	**275,437**	238,986
	275,454	239,000

The amounts owed by group undertakings from trading activities are repayable on normal trading terms. Loans owed by group undertakings are repayable at any point at the request of the borrower.

Notes to the financial statements *(continued)*

14 **Creditors:** amounts falling due within one period

	31 December 2016 £000	31 December 2015 £000
Other creditors including taxation and social security	**6,716**	3,809
Accruals and deferred income	**1,244**	1,960
Amounts owed to group undertakings	**284,174**	241,449
	292,134	247,218

The amounts owed to subsidiary undertakings are repayable on demand.

15 **Creditors:** due in more than one period

	31 December 2016 £000	31 December 2015 £000
Accruals and deferred income	**54,869**	48,524

Non-current accruals and deferred income include reverse-lease premiums and an accrual for straight-lining operating leases.

16 **Provisions**

	Onerous leases and other property provisions £000
Amount brought forward at 31 December 2015	2,758
Utilised during period	(365)
Unwinding of discounted amount	(120)
Effect of change in discount rate	169
Amount at 31 December 2016	2,442

The provision for onerous leases covers the rent payable on particular cinema sites that have been assessed as currently in excess of the economic benefits expected to be derived from their operation on a discounted basis. The remaining provision will be utilised over the period to the next rent review date or the remaining lease depending on the term of the lease. The discount rate used was 9.20% (2015: 11.36%).

The level of onerous lease provision is dependent upon judgement in forecasting future cash flows and used in arriving at the discount rate applied to cash flow projections. Management have sensitised the key assumptions in assessing property provisions including the discount rate, management believe that under any reasonably possible change in the key assumptions on which provision is based they would not significantly change. Other property provisions are not considered to require ongoing judgement as amounts relate to pre-determined unwinds and releases.

Notes to the financial statements *(continued)*

17 Deferred tax

The company has recognised a deferred tax Asset as follows:

	31 December 2016 £000	31 December 2015 £000
Tangible fixed assets	**(2,812)**	(2,686)
Employee share schemes	**-**	101
Other	**-**	(9)
	(2,812)	(2,594)

The movement in deferred tax:

	31 January 2015 £000	**Recognised in income £000**	**Recognised in equity £000**	**31 December 2016 £000**
Tangible fixed assets	(2,686)	(126)	-	(2,812)
Employee share schemes	101	(101)	-	0
Other	(9)	9	-	0
	(2,594)	(218)	-	(2,812)

18 Called up share capital

	31 December 2016 £000	31 December 2015 £000
Allotted, called up and fully paid		
7,173,426 ordinary shares of £1 each	**7,173**	7,173

Notes to the financial statements *(continued)*

19 Commitments

(i) Capital commitments at the end of the financial period for which no provision has been made:

	31 December 2016 £000	31 December 2015 £000
Contracted	**3,000**	3,000

(ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	Year Ended 31 December 2016 £000	Year ended 31 December 2015 £000
Less than one year	**33,052**	27,614
Between one and five years	**147,421**	126,262
more than five years	**605,973**	563,298
	786,446	717,174

20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £218,986 (2015: £178,162).

21 Related party transactions

As the Company is a wholly owned subsidiary of Cineworld Group plc, the Company has taken advantage of the exemption contained in FRS101 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Cineworld Group plc, within which this Company is included, can be obtained from the address given in note 22.

Digital Cinema Media ('DCM') is a joint venture between the Company and Odeon Cinemas Holdings Limited set up in 2008. Revenue receivable from DCM in the period totalled £10,881,000 (2015: £10,752,000).

Cine-UK Limited is one of a number of subsidiary companies in the Cineworld group of companies which acts as a guarantor for the Group's finance facilities.

22 Ultimate parent company and parent undertaking of larger group

The company's immediate parent undertaking is Cineworld Holdings Limited, a company incorporated in England and Wales. The smallest and largest group into which the results of the company are consolidated is that headed by Cineworld Group plc, a company incorporated in England and Wales. Copies of those accounts are available from 8th Floor Vantage London, Great West Road, Brentford, England, TW8 9AG.