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CINEWORLD GROUP PLC

ANNUAL REPORT 2008

FOR THE 52 WEEKS ENDED 25 DECEMBER 2008

LEADING THE WAY IN DIGITAL AND 3D CINEMA

CONTENTS

Highlights 1

Chairman's Statement 2

Chief Executive Officer's Review of Operations 4

Chief Financial Officer's Review 6

Risks and Uncertainties 8

Corporate Responsibility 10

Directors 12

Directors' Report 14

Corporate Governance 21

Directors' Remuneration Report 26

Statement of Directors' Responsibilities for the Annual Report and the Financial Statements 32

Independent Auditors' Report to the Members of Cineworld Group plc 33

Consolidated Income Statement 36

Consolidated Balance Sheet 37

Consolidated Cash Flow Statement 38

Consolidated Statement of Recognised Income and Expense 39

Notes to the Consolidated Financial Statements 40

Company Balance Sheet 79

Company Reconciliation of Movements in Shareholders' Funds 80

Notes to the Company Financial Statements 81

Shareholder Information 85

HIGHLIGHTS

FINANCIAL

- Group revenue up 4.8% to £298.9m (2007: £285.3m);
- EBITDA[1] up 1.9% to £53.0m (2007: £52.0m);
- Operating profit increased to £38.1m (2007: £30.4m);
- Profit on ordinary activities before tax increased to £27.6m (2007: £12.4m);
- Cash generated from operations increased to £50.0m (2007: £34.5m);
- Net debt reduced to £117.4m (2007: £124.4m);
- Reported EPS[2]: 14.3p on basic earnings, 14.6p on adjusted pro-forma earnings;
- Proposed final dividend of 6.3p per share maintains full year dividend at 9.5p per share (2007: 9.5p per share).

OPERATIONAL

- Box office up 6.4% at £197.5m (2007: £185.7m);
- Admissions remained firm at 45.1m (2007: 45.0m);
- Average ticket price per admission up 6.3% to £4.38 (2007: £4.12);
- Average retail spend per person up 2.4% to £1.71 (2007: £1.67);
- Market share at 23.3% (2007: 23.7%) (source: Nielsen EDI);
- New cinema openings at High Wycombe (12 screens) and Haverhill (five screens);
- Digital Cinema Media ("DCM") continues to trade in line with our expectations;
- Deal signed with NEC (January 2009) to double the Group's digital estate with 144 screens scheduled to have 3D by May 2009;
- Deal signed with Tesco (February 2009) offering cinema tickets to Tesco's 13m Clubcard holders.

(1) EBITDA is defined as per the financial performance section of the Chief Financial Officer's review.

(2) Based on weighted average number of shares in the period of 141.7m. See note 5 to the financial statements for calculations.

CHAIRMAN'S STATEMENT

As Chairman of Cineworld Group plc, I am pleased to report that, in its first full year of trading as a public company, Cineworld produced a very sound performance. It is particularly pleasing as this performance was achieved against the backdrop of the changes to our screen advertising business, the turmoil in the financial markets, the weakening of the economy and marked rises in energy prices.

This time last year it looked as though the performance of films in 2007 would be a hard act to follow. However, the film releases in 2008 proved to be the equal of, if not stronger than, those of the previous year, with "Mamma Mia" in particular surprising everyone by becoming the highest grossing film of all time in the UK. We have remained true to our key strategic priority of offering our customers not only blockbusters, but the broadest range of films in the market. In addition to the more mainstream films we have had success with foreign language films, particularly Bollywood, where we continue to have the largest market share in the UK. The development of alternative digital content is also a key focus, in particular with the expansion of the screening of live New York Metropolitan Opera productions to more cinemas. Furthermore, we remain the only cinema chain in the UK to offer customers a subscription-based loyalty scheme through our highly successful "Unlimited" scheme.

At the year end, Cineworld's estate consisted of 75 cinemas with a total of 775 screens, including five of the ten highest grossing cinemas in the UK and Ireland. During 2008 we opened a 12-screen cinema in High Wycombe in March, and a five-screen cinema in Haverhill in October, and are on schedule to open a ten-screen cinema in Aberdeen and a five-screen cinema in Witney in the latter part of 2009. In addition to the physical expansion of the estate, we continue to make advances in the use of digital media and 3D digital technology and recently announced the expansion of our digital estate to further consolidate our position of having the largest digital offering of any cinema operator in the UK and Ireland.

Our joint venture screen advertising business, Digital Cinema Media ("DCM"), formed in July 2008, made a good start. This performance is particularly encouraging when set against a backdrop of persistent softening advertising spend in the broader advertising market which we will continue to monitor. Notwithstanding the market downturn, we are optimistic about DCM's future prospects, especially in the light of the expansion of our digital facilities and the programming advantages of digital media, which will bring opportunities for DCM to demonstrate the potential of screen advertising as a competitive media offering.

In line with our dividend policy, the Board is recommending a total dividend for the year of 9.5p per share. Subject to approval at the Annual General Meeting, the final dividend will be payable on 17 June 2009 to shareholders on the register on 22 May 2009.

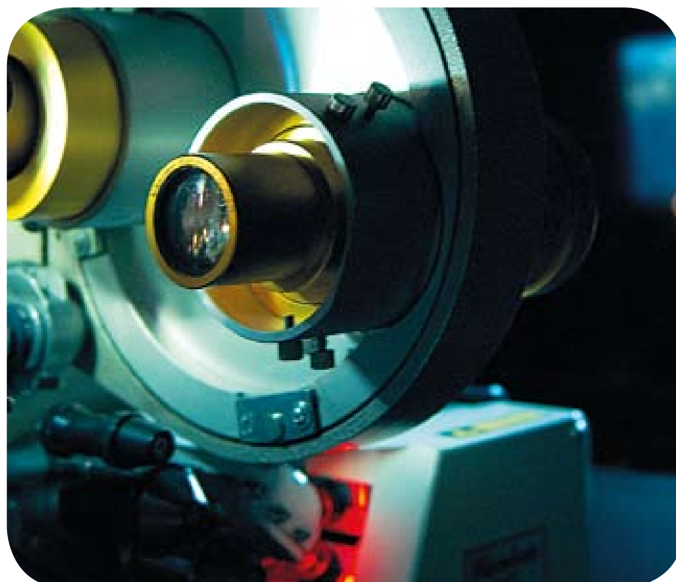
There is no doubt that the year ahead will be challenging. The effects of the economic and financial downturn in 2008 will continue to be felt by all businesses during 2009. For our part, we are working hard to ensure that the Group continues to deliver a high level of service to its customers, keeps costs under control, delivers profitability and maintains strong governance in every aspect of its business.

We believe that our business model is more resilient in the current economic climate than many other consumer-facing businesses and the Group's strong performance in the second half is testament to this. Movies have an enduring appeal and a visit to the cinema is relatively low cost when compared with other forms of leisure and entertainment. In addition, the film slate for 2009 is promising and there is an increasing number of films expected to be released in 3D format. With our recently expanded digital base we hope to capitalise on these 3D releases.

Perhaps most importantly, Cineworld continues to enjoy a healthy financial position. We operate a highly cash generative business with a high level of liquidity. Our business benefits from strong operating profits and has an excellent record of servicing its debt whilst delivering dividends and our strong financial position means we are well placed to take advantage of opportunities which may arise in the future.

On behalf of the Board, I would like to thank all of our management and our employees for their accomplishments, hard work and commitment to the Group as, without their loyalty and enthusiasm, we would not be successful. Working together I am confident of our ability to continue to deliver value to our shareholders in the future. It is an honour to be Chairman of your Company and I look forward to reporting to you, our shareholders, and working with management and staff in the future.

Anthony Bloom
Chairman
12 March 2009



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Box office revenue increased 6.4% to £197.5m (2007: £185.7m), representing a box office market share of 23.3% (2007: 23.7%). Admissions remained at a similar level to the previous year despite the challenging consumer environment. Average ticket price per admission increased by 6.3% to £4.38 (2007: £4.12). In addition, retail spend per person increased by 2.4% from £1.67 last year to £1.71. These robust performance indicators reflect the Group's attractive customer offer of quality multiplex cinemas with the appropriate mix of film and retail offering.

FILM ANALYSIS

There were strong performances in the year from the core blockbusters "Quantum of Solace", "Indiana Jones and the Kingdom of Crystal Skull" and "The Dark Knight", which all performed above industry expectations. "Sex and the City" and "High School Musical 3" also delivered strong performances and played to different audience segments, presenting alternative advertising and marketing opportunities. It is worth noting that "High School Musical 3" was a cinema release where the first film format was released through Disney's own TV channel and the second was launched through DVD. The third instalment achieved unprecedented levels of advance bookings and we sold three times as many tickets in advance as we did for "Quantum of Solace".

The 2008 film highlight of the year was unquestionably "Mamma Mia", a middle tier blockbuster that became the highest grossing film in UK film history. Based on the successful stage musical, it was a "feel-good" movie with popular ABBA songs which appealed to a largely female audience. Its success compensated for the deferral of "Harry Potter and the Half Blood Prince" to the summer of 2009.

We have remained true to our strategy of offering customers the broadest range of films on the market. We continue to be the biggest exhibitor of Bollywood films in the UK with a 58% share of the UK market, with highlights in the period including "Rab Ne Bana De Jodi", "Singh is King" and "Jodhaa Akbar". We also remain the only major chain to screen Tamil films. In addition, we showcased a series of other successful foreign language films such as "Mongol" and "Bangkok Dangerous", which contributed favourably to our full year results.

3D films took a step forward in 2008 with "Journey to the Centre of the Earth", giving Cineworld 40% market share driven by our high number of 3D screens. Less commercial titles such as "Hannah Montana" and "U2 3D" were also released, appealing to niche audiences, further raising the format's profile. We explored alternative programming with our digital facilities by showing a series of live operas transmitted via satellite from the New York Metropolitan Opera at selected cinemas as well as a performance of "The Nutcracker" from the Royal Opera House, which were all well received. We plan further developments in 3D, and alternative programming choices, going forward.

RETAIL

Our retail strategy over the year was focused on promotional activity which improved our customer proposition and resulted in increased spend per customer.

The roll-out of the new coffee offer with Coffee Republic across all cinemas was completed in April 2008. The introduction of a high-quality, branded, freshly made bean to cup product has been well received by our customers with the category growing in its contribution to overall spend. We also appointed Carlsberg as our supplier for all draft beer and packaged alcohol and spirits across our estate, bringing further operational efficiency to the Group. Increases in the cost of sales on many products were challenging during 2008 with global changes in key commodity prices such as oil, cocoa, dairy products and corn feeding their way through to us from some of our suppliers. We do, however, have in place long-term contracts which provide a degree of cost protection in certain product areas.

DIGITAL

At the end of December 2008, Cineworld had the largest digital estate of any cinema operator in the UK. In January 2009 the Group consolidated its market leading position by announcing the acquisition of a further 74 digital projectors which will bring the total number of digital screens at Cineworld to 148 of which 144 will have 3D capability. All new cinemas built by Cineworld are fitted with digital as a matter of course and nearly every multiplex in our estate has digital capability. The film industry thrives on technological advances and the swift adoption of 3D, with 13 3D films scheduled to show this year, means we are well placed to capitalise on digital in 2009 and beyond.

UNLIMITED CARD

Our subscription service, Unlimited, goes from strength to strength and currently stands at over 223,000 subscribers. This service offers a good value proposition to our customers whilst bringing the financial benefits of regular service subscription income. It encourages repeat visits to our cinemas, at off peak times, enabling us to introduce a wider range of films than our competitors. As a result, we have delivered significant growth in market share amongst the smaller, less mainstream films in 2008. In October 2008 we entered into an exclusive deal with Pru Health as part of its Vitality programme which involves the promotion of our Unlimited membership to the Pru's customer base, thereby further strengthening the programme.

NEW OPENINGS

We opened a 12-screen cinema in High Wycombe in March followed by a five-screen cinema in Haverhill in October 2008. Furthermore, we have plans to open a ten- and a five-screen cinema in Aberdeen and Witney respectively in the latter part of 2009. Looking further ahead to 2010, our cinema opening programme is likely to be impacted by the availability of financing for property developers. Nevertheless, our national expansion remains a key strategic priority for the Group over the medium term as we seek to deliver growth for our shareholders and we continue to pursue such opportunities.

OTHER ACTIVITIES

Cineworld has recently signed a deal with Tesco to be the only cinema chain currently offering tickets as part of Tesco's Clubcard programme. This is a very exciting development for the Group and will give access to our cinemas to Tesco's huge database of 13m Clubcard customers.

Digital Cinema Media Limited ("DCM"), our joint venture advertising business formed in July 2008, has traded well since its formation. A new Managing Director, Martin Bowley, was appointed in the latter part of the year and is working closely to drive operational efficiencies within the business. DCM is an exciting prospect for us which will help us to control and increase future advertising revenues.

Our new website was launched in November 2008 incorporating an easy to use updated design, with the aim of facilitating access to our cinema and film information as well as generating more advance bookings. We have also introduced Cineworld giftcards for sale at our cinemas, third party outlets and online which have broadened our sales channels. Finally, we completed a project to refresh and strengthen the Cineworld brand at the end of the year and this will be rolled out during 2009.

TRENDS

During 2008 a growing number of quality films which appealed to an older and often female audience became important revenue drivers for the film industry. Our experience of cross-selling and advertising around films such as "Sex and the City" and "Mamma Mia" means that we are well positioned to capitalise on the opportunities such audiences bring in the future.

2009 will see more film sequels and franchises. Many such films outperform the original film or concept, so the film studios will continue to look to capitalise on proven successful formulas.

The development of 3D is gaining momentum with 13 films in 3D scheduled for release in 2009. The continuing establishment of this format will encourage further conversion of our cinemas to digital and we are excited by the opportunities this presents both operationally and financially. In addition, it was encouraging to see the release of "High School Musical 3" in the cinema and not via TV or DVD as it reinforces our belief that the film studios value cinemas as the initial and primary distribution channel for films. Cinemas provide a launch platform and viewing experience which cannot be matched by any other media.

CURRENT TRADING AND LOOKING AHEAD

2009 has started well with attendances comparing favourably with last year. This promising start to the year has been made in the absence of any major Christmas blockbuster carrying over from 2008.

Our refurbishment programme for existing cinemas continues and we are proud to offer our customers digital facilities in nearly every single one of our sites across the UK and Ireland. The first major 3D film of the year, "Bolt", was released in early February with box office takings exceeding our expectations and our market share on this film in 3D was almost 50%. We are encouraged by the favourable reception that cinemagoers have given to this film. Cineworld is now the clear market leader in 3D, a format which we believe will become increasingly important for the industry as a whole and early indications have been very promising.

Whilst the new year has started well for the Group, with strong attendances in a number of small and mid-range films, we are mindful of the challenges that 2009 will present as consumers tighten their belts. We believe Cineworld is well positioned to improve its estate and this, coupled with ongoing initiatives the management team are implementing and the exciting film release schedule in 2009, means we remain confident of delivering ongoing value for our shareholders.

Stephen Wiener
Chief Executive Officer
12 March 2009

CHIEF FINANCIAL OFFICER'S REVIEW

FINANCIAL PERFORMANCE

	52 week period ended 25 December 2008 Total	52 week period ended 27 December 2007 Total
Admissions	**45.1m**	45.0m
	£m	**£m**
Box office	**197.5**	185.7
Retail	**77.0**	75.4
Other	**24.4**	24.2
Total revenue	**298.9**	285.3
EBITDA*	**53.0**	52.0
Operating profit	**38.1**	30.4
Financial income	**1.9**	2.6
Financial expenses	**(12.5)**	(20.6)
Net financing costs	**(10.6)**	(18.0)
Share of profit from joint venture	**0.1**	–
Profit on ordinary activities before tax	**27.6**	12.4
Tax on profit on ordinary activities	**(7.4)**	13.3
Profit for the period attributable to equity holders of the Company	**20.2**	25.7

* EBITDA is defined as operating profit before depreciation and amortisation, impairment charges, onerous lease and other non-recurring and non-cash property charges, transaction and reorganisation costs and profit on disposal of cinema sites.

The financial results for 2008 show a very sound performance. The results are all the more heartening because they were achieved in light of the adverse impact on our screen advertising revenues from the termination of our screen advertising contract with Carlton Screen Advertising, the worsening economic climate in the second half of the year and upward pressures on our operating costs, particularly for energy.

REVENUES

Total revenue was £298.9m, a rise of 4.8% on the prior period (2007: £285.3m).

As a result of strong film product and maintenance of our market share mentioned in the Chief Executive Officer's Review, we have enjoyed very buoyant trade during the year and box office was 6.4% higher at £197.5m (2007: £185.7m) on a similar level of admissions.

Our subscription business, the Unlimited card, continues to expand in line with our stated strategy and we currently have in excess of 223,000 subscribers at the end of the period. The benefits of this initiative are twofold: first, it provides the

Group with a constant stream of box office revenue throughout the year and secondly, it ensures repeat visits which provide additional retail opportunities.

Retail sales for the year were up 2.1% at £77.0m (2007: £75.4m). Retail performance was marginally affected by the impact on spend from a higher number of adult-orientated films such as "Mamma Mia". This audience segment tends to spend less per person than those normally attending high-grossing blockbuster films.

Other revenues, principally from screen advertising, ticket bookings, sponsorships and games, were marginally up 0.8% to £24.4m (2007: £24.2m), which included a 4.2% fall in screen advertising revenue.

EBITDA AND OPERATING PROFIT

EBITDA was up 1.9% at £53.0m against the 2007 figure of £52.0m and was achieved through better spend levels and cost margins and continued management of operating costs. These were partly offset by rising energy costs in the fourth quarter of the year and the shortfall in screen advertising revenue. Operating profit increased to £38.1m (2007: £30.4m).

EARNINGS

Overall profit on ordinary activities before tax was £27.6m compared with £12.4m in 2007. Basic earnings per share amounted to 14.3p and adjusted pro-forma earnings per share were 14.6p (using a normalised tax rate of 28.5%). This compares favourably with the 2007 adjusted pro-forma earnings per share of 12.9p (applying the number of shares at the end of 2007). The weighted average number of shares over 2008 was 141.7m and no shares were issued during the period.

FINANCING COSTS

The interest expense in the year relates primarily to interest on bank debt. The majority of the balance is non-cash interest on onerous leases, the pension scheme and the finance lease. The interest on debt is significantly lower than for 2007 mainly because of the reduction of debt on IPO in 2007. The falls in interest rates during the later part of 2008 will benefit the Group in 2009.

TAXATION

The overall tax charge was £7.4m giving an overall effective tax rate of 26.8% for the year. The corporation tax charge was £6.3m. The balance of the tax charge results from the utilisation of a deferred tax asset principally relating to capital allowances (the difference between the tax written down value of the capital allowance and the net book value of the underlying assets).

CASH FLOW AND BALANCE SHEET

The Group continued to be cash generative at the operating level during the year. Total cash generated from operations increased to £50.0m (2007: £34.5m). This reflects the healthy conversion rate of our profits into cash flow that is the nature of our business. There was a working capital cash inflow for the year arising from an increase in the level of creditors at the end of December. The high level of internally generated cash has funded our entire capital expenditure and allowed us to maximise liquidity in our existing facility whilst also repaying debt.

Net cash spent on capital for the year of £10.9m consisted of gross expenditure of £13.3m against which contributions of £2.4m were received from the Landlords. Of the gross amount, £7.7m represented equipment replacement, site refurbishments, expenditure on various initiatives such as the new website and chip and pin and the settlement of capital creditors from the end of 2007 of £1.5m. The balance of capital expenditure of £5.6m related to the cost of opening the new 12-screen cinema at High Wycombe and the new five-screen cinema at Haverhill. The contributions received from the Landlords have been treated as reverse premiums and will be amortised to the profit and loss account over the term of the lease.

Net debt at the end of December 2008 fell to £117.4m (2007: £124.4m), due to repayment of £9m of the bank loan and the maintenance of a healthy cash balance. This was partially offset by the £4.2m liability valuation of the interest rate swap hedge on the bank loan (2007: £0.2m liability). The liability position arose because the fixed rate of interest payable on the swap was higher than the three-month LIBOR rate receivable on the hedged portion of the loan for the remainder of its term.

During the year the Group stayed well within its banking covenants and achieved certain financial targets which enabled the Group to benefit from a lower margin on its bank debt of 0.95% above three-month LIBOR (previously 1.35% above three-month LIBOR).

DIVIDENDS

The Board continues to apply a dividend policy reflecting the long-term earnings and cash flow potential of Cineworld. In line with the above policy, the Directors recommend payment of a final dividend in respect of the year ended 25 December 2008 of 6.3p per share, which, taken together with the interim dividend of 3.2p per share paid in October 2008, gives a total dividend in respect of 2008 of 9.5p per share, unchanged from the level in 2007. Subject to shareholder approval, the final dividend will be paid on 17 June 2008 to shareholders on the register on 22 May 2008.

FORWARD LOOKING STATEMENTS

Certain statements in the Chairman's Statement, the Chief Executive Officer's Review of Operations and the Chief Financial Officer's Review are forward looking and so involve risk and uncertainty because they relate to events, and depend upon circumstances, that will occur in the future.

Richard Jones
Chief Financial Officer
12 March 2009

RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties to the business:

AVAILABILITY OF FILM CONTENT

Cinemagoing in the UK is driven primarily by output from Hollywood, which is dominated by six film studios. There is a risk that these studios may seek to negotiate film hire terms less favourable to Cineworld. Such a move could be countered in part by Cineworld's position due to its market share in the UK and Irish markets.

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

POOR FILM SCHEDULING

After release the commercial success of a film can easily be measured by the level of box office revenues. There are, however, inherent risks in trying to forecast the success of a film due to the subjective qualities of the product and preferences of the customer. Cineworld employs a specialist team which focuses on such matters and is experienced in film booking and scheduling.

DIGITAL CONVERSION

The majority of Cineworld's projection facility remains in 35mm rather than digital format, as is the case with the whole UK cinema industry. The slow conversion to digital within the UK cinema industry is mainly due to the high costs of new equipment. The film studios stand to make significant savings from producing digital prints due to lower film distribution and production costs and there is a risk that the film studios will be encouraged to reduce the supply of new films in 35mm. This in turn could make 35mm prints more difficult to obtain and more costly to hire, thereby forcing cinemas either to convert to digital or, potentially, to go out of business.

Cineworld currently has the largest digital and 3D estate in the UK and is better placed than many other exhibitors in the UK to address the digital conversion issue.

ALTERNATIVE MEDIA

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

Also the film studios may seek to reduce the DVD release window, which is currently agreed at approximately 16 weeks, to capitalise on box office awareness and success. Cinema exhibitors have vigorously defended their position in the past by threatening to refuse to screen films where the release window has been shortened.

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

ADVANCEMENT OF TECHNOLOGY

The continuing development of existing and new technology may introduce new competitive forces for the film-going audience. The cinema provides a unique social experience that to date cannot be matched by watching films at home.

FILM PIRACY

Film piracy (aided by technological advances) has long-term implications for the business and industry as it may eventually force film studios to invest less in films resulting in the release of fewer films and/or an increase in the use of other channels for releasing films. So far, the impact of piracy has been higher on alternative media (especially on DVD) than on cinema. Furthermore, it is currently not possible to produce a 3D pirated version of the original film from a portable recording device used in a cinema.

SCREEN ADVERTISING REVENUE

Screen advertising accounts for a significant proportion of the Group's profits and the level of revenues earned will be affected by competitive pressures in the advertising industry. The formation of Digital Cinema Media Limited, with a joint venture partner, was a positive step towards taking closer control of future screen advertising revenues. The advantages of screening adverts to a captive audience in cinemas and the potential of digital media to deliver more and varied advertising are potential opportunities to attract more advertisers and to generate higher revenues.

UK AND GLOBAL ECONOMIC CYCLES

The main driver of cinemagoing is the film though it is recognised that macro-economic influences may affect cinemagoing and the level of retail spend per customer on each visit. With cinema being a less expensive form of entertainment and leisure, economic downturns may benefit cinemas at the expense of other entertainment and leisure activities.

Any reduced consumer demand may impact on the level of advertising spend which may lead to reduced screen advertising revenues.

In addition, the price of energy and foodstuffs has a direct impact on costs which we may not be able to pass on to customers.

AVAILABILITY OF CAPITAL

The cost and availability of finance, both debt and equity, will affect the Group's ability to undertake investment and expansion. This has been highlighted by the recent developments in the financial world which have caused severe reductions in lending and in reduced investor confidence. Reduced lending may also affect the financing of film productions which could reduce the supply of films and/or delay their production and releases in cinemas.

NEW COMPETITORS

A competitor entering the market at a local or national level will affect trade. However, there are barriers to entry around the cost and regulations of building new cinemas or acquiring existing ones and around planning and availability of new sites.

LOSS OF KEY MANAGEMENT (OR FAILURE TO ATTRACT OR RETAIN THE TALENT REQUIRED FOR ITS BUSINESS)

The policy of the Board is to attract, retain and motivate executives of the calibre and experience required, through competitive remuneration packages which may have a cost implication. Cineworld aspires to be a quality employer, seeking to provide the conditions to enable all employees to progress in their employment and develop their skills and abilities and to promote internally where possible.

FAILURE OF IT

The failure of the Group's IT systems including its website and telephone booking service could seriously impact on its continued success. The Group's website and telephone booking service are hosted by specialist companies and the Group employs an appropriately qualified team to maintain its in-house systems.

GOVERNMENT REGULATIONS AND ACTIONS

Cineworld's business and operations are affected by central and local regulations covering planning, environmental and health and safety matters, licensing, food and drink retailing, and the minimum wage. Failure to comply may result in fines and/or suspension of the activity or entire business operation. In addition, changes to pension legislation and regulation relating to the Group's defined benefit schemes could result in additional costs from funding the scheme's deficit or from changes in the way it is administered.

TERRORISM

Terrorist attacks, civil unrest or other geopolitical uncertainty could adversely impact on cinema attendances and the efficient operation of the Group's business.

CORPORATE RESPONSIBILITY

The Board is committed to ensuring that an appropriate standard of corporate governance is maintained throughout the Group. This commitment includes recognition by the Group of the importance of taking into account its corporate social responsibilities ("CSR") in operating the business. In this context, Cineworld seeks to integrate CSR considerations relating particularly to social, ethical and health, safety and environment issues in its day-to-day operations. The Board acknowledges its duty to ensure the Group conducts its activities responsibly and with proper regard for all its stakeholders including employees, shareholders, business partners, suppliers and the local communities. Further information in respect of the Group's activities is set out below together with illustrative examples.

COMMUNITY

The Group follows the British Broadcasting Film Council ("BBFC") classification for films; however, it seeks to screen a wide range of films and other screen content that challenge convention and help develop creative thought and ideas. In deciding which films and other content to screen it looks to serve the demands of different local communities and social groups. Cineworld is the leading exhibitor of Bollywood films and is developing its alternative content to include opera and ballet. In 2008, it was again a major venue partner for both the Edinburgh International Film Festival and the Jameson Dublin International Film Festival, where its cinemas hosted a significant proportion of films, as well as supporting a number of other more local film festivals.

Cineworld works with, and supports, charities, local government and community groups on local and national events and initiatives. In anticipation of the opening of a new multiplex in Witney, Oxfordshire in October 2009, the Group has sponsored a Variety Club Sunshine coach which has been given to Helen and Douglas House, a hospice based in Oxfordshire providing respite and end of life care for children and young adults. In addition during the year, it continued its work with the Cinema Exhibitors Association ("CEA") to provide films to schools as part of their curriculum by way of the National Schools Film Week in which 70 of Cineworld's cinemas participated with over 350 screenings and masterclasses being held. In October, Cineworld hosted 20 regional premieres for the latest James Bond film, "Quantum of Solace", which were all in aid of local charities.

FILM PIRACY

One of the major threats to the cinema industry is film piracy. Without a strong and wide range of films for exhibition, Cineworld's offering would be much less attractive to audiences. Film piracy reduces or negates the returns that many film studios and their backers receive and which, if unchecked, will discourage the production of so many varied films for general release. All cinemas are exposed to the illegal and covert recording of recently released films which is one aspect of film piracy.

Cineworld has strongly supported the Federation Against Copyright Theft Limited ("FACT") which takes a leading role in the fight against film piracy in the UK. Action taken by Cineworld has included film piracy awareness sessions being incorporated into employee training modules, presentations at staff meetings at our cinemas across the country and the purchase of a number of special devices to aid the detection of illegal recording. In the period up to September 2008, these measures resulted in the disruption of at least 12 attempts to record films illegally at its sites and in Cineworld members of staff receiving more awards from FACT than all other major UK cinema operators collectively.

ACCESS FOR ALL

The Group has been keen to promote a "Movies for All" policy. Increasing accessibility results in local cinemas playing a fuller role in the communities in which they operate and offers larger potential audiences. On Saturday mornings it is possible for children to see films for £1 which is a price that has not been increased for over 12 years. Senior citizens and students also receive discounts at certain times. Free tickets are offered to helpers of wheelchair users registered with the CEA.

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

Infrared systems are being phased in to replace induction loops in cinemas to help further the hard of hearing as they provide better coverage. In addition there are regular screenings of subtitled films. With digital projection becoming more widespread, further improvements will be possible in due course for the hard of hearing and the partially sighted.

ENVIRONMENT

Cineworld seeks to comply with all relevant environmental legislation and to operate in an environmental sensitive manner. The Directors acknowledge the impact that the business has on the environment and is operating a number of processes to reduce the quantity of paper and packaging that is used in the business. Employees are encouraged to eliminate unnecessary travel and use other methods of communication in its place. Computer and other office equipment that has reached the end of its working life is resold, recycled or donated to local organisations as appropriate. With the support of all head office staff, Christmas cards were replaced by e-cards in 2008. The cost savings made in this primarily environmental initiative were then added to by the Company and a contribution totalling £5,000 was made to the Cinema and Television Benevolent Fund, a registered charity.

Being a multi-site business, the Group is conscious of its total energy consumption and the amount of waste materials generated and is actively working to reduce both energy usage and the quantity of waste materials produced that cannot be recycled. The Group has been running pilot projects to evaluate possible measures to reduce its environmental impact. For instance, at its multiplex in Didcot, a "grey water" system has been installed which reuses rainwater to flush the toilets. In addition measures are being implemented when cinemas are being designed or refurbished such as the replacement of traditional lighting with LED lighting which, although having a higher initial cost, uses less energy, has a longer life expectancy and is simpler to replace, reducing potential health and safety issues for staff.

The recent re-tender for the transportation of films, publicity material and certain retail promotional items enabled a consolidation to just one supplier to be made that has resulted in a substantial reduction in the number of vehicles delivering/collecting from each site every week. This reduction adds to the existing transportation efficiencies arising from the fact that Cineworld continues to "pop" the vast majority of its own popcorn on site, which means that the volumes of raw materials that are transported to and from our sites are significantly less than that of other major cinema operators which transport "pre-popped" corn to their sites.

In determining suppliers, consideration is given to the ethical policies adopted by companies with regard to child labour and environmental issues.

RETAIL

Cineworld takes a proactive stance on how it markets food and drink in its cinemas and continually looks to respond to the challenges of marketing responsibly through offering more healthy options and improving the methods of promoting products to various customer segments, whilst maintaining the wide overall choice that customers demand.

Over the last few years, the increasing demand from the general public for more healthy products has resulted in Cineworld working with its core suppliers in evaluating opportunities to reformulate and repackage products, particularly with the aim of reducing salt and fat content. Resulting initiatives have included providing a dried fruit alternative to sweets in our children's combos, adding Coke Zero (no added sugar) to the drink selection and, more generally, expanding our range of packaged drinks to contain more water and juice drinks.

In 2009, Cineworld will be undertaking tests to check the viability of replacing the traditional coconut oil that we use for popping our corn with soya oil which is significantly lower in saturated fats and working to remove artificial flavours and sweeteners from its Pick'n'Mix range.

OUR PEOPLE

Our people are the most important asset to the success of our business. Cineworld prides itself in having nearly 5,000 trained and motivated staff who deliver the Cineworld experience every day. To achieve this, the HR department has been structured to deliver a strategy that puts the focus on developing the full potential of our people. During the year, a special emphasis was placed on retail sale skills and a bespoke programme called "Maximum Impact" implemented to help develop people's skills in this area.

Cineworld is keen to encourage all its people's development and it is proud that over 80% of management and supervisory positions in its cinema sites are held by people who have been promoted from within the Group. The high percentage of internal promotions maximises the chances of every member of staff to build his or her career and also benefits the Group in being able to retain the skills and contribution of valued members of staff.

The new appraisal system which is currently being introduced will help our people take ownership of their own development and performance. Each key role has an in-depth profile detailing all skills and competencies required to succeed in that role. All our people will be able to benchmark themselves and identify learning opportunities which they then take to their line manager as a goal to achieve and so ensure their own personal development.

Staff are encouraged to feel part of the business and share in its success through bonus schemes and participating in the Sharesave scheme which was operated again during the year. They are also encouraged to give their ideas and comments and a special e-mail address has been set up and advertised throughout the Group under the banner "Your Voice" to encourage such contributions. The thoughts and ideas of all our General Managers are sought particularly at their annual conference and reviewed by the Senior Management Team to ensure that good ideas are captured.

SAFETY

Safety is a fundamental concern with so many customers visiting our sites each year. To help promote a safe and comfortable environment, Cineworld has detailed health and safety policies and procedures. For example, in the last quarter of the year, 24 health and safety audits were carried out as part of the rolling programme. There are also training programmes to ensure all our people have the practical skills to stay safe and maintain a safe working environment for themselves as well as our customers. Specialist health and safety personnel manage the audits and review these processes and recommend any required changes to ensure that appropriate standards are maintained and improvements made where appropriate. All Senior Field Managers will shortly be IOSH qualified and are accountable for driving good health and safety practices across their regions, with the General Manager taking the lead in each site.

DIRECTORS

1. ANTHONY HERBERT BLOOM, CHAIRMAN – AGE 70

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

2. LAWRENCE HALL GUFFEY, NON-EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN – AGE 41

Lawrence Guffey joined the Board in December 2004. Mr Guffey is a Senior Managing Director at The Blackstone Group International Limited and leads Blackstone's media and communications investment activities. Mr Guffey has led or co-led Blackstone's efforts in virtually all media and communications-related investments and has day-to-day responsibility for management of Blackstone Communications Advisers. Before joining Blackstone, Mr Guffey worked in the Acquisitions Group at Trammell Crow Ventures, the principal investment arm of Trammell Crow Company. He currently serves as a Director of Axtel and TDC, and is a Director of Deutsche Telekom. He also serves on the board of The Paris Review, the literary foundation.

3. STEPHEN MARK WIENER, CHIEF EXECUTIVE OFFICER – AGE 57

Stephen Wiener joined the Board in October 2004. He has 39 years' experience in the cinema industry, starting in the US as an usher whilst a full-time student, and rising through various roles culminating in Vice President for Cineplex Odeon in New York City. He then moved to Warner Bros Europe in 1991 to become Managing Director. In 1995, he left to found Cine-UK and developed the business into a chain of 34 cinemas before it was acquired by Blackstone in October 2004. Shortly after the UGC acquisition, he was appointed Chief Executive Officer of the combined Group. He is also a Director of the Cinema Exhibitors' Association.

4. RICHARD DAVID JONES, CHIEF FINANCIAL OFFICER – AGE 47

Richard Jones was appointed to the Board in March 2006. Mr Jones joined Touche Ross in 1984 where he qualified as a chartered accountant and worked in the audit and corporate finance teams. In 1993, Mr Jones moved to the corporate finance division at Clark Whitehill and, in November 1995, he joined the team at Cine-UK Limited. He was appointed Group Chief Financial Officer in 2005. He has responsibility for all aspects of finance for the Group including accounting, taxation, treasury and business planning. He is also responsible for IT and human resources. Mr Jones holds a degree in mathematics from the University of Warwick.

5. THOMAS BERARD MCGRATH, NON-EXECUTIVE DIRECTOR – AGE 53

Thomas McGrath joined the Board in May 2005 and is Chairman of the Nomination Committee. Previously he was Chief Operating Officer of Viacom Entertainment Group and President of Time Warner International Broadcasting, prior to which he worked for Columbia Pictures. Mr McGrath is currently a Senior Managing Director of Crossroads Media Inc. and serves on the Board of Directors of BUG Music, Movie Gallery and Universal Studios (Orlando). Mr McGrath holds a BA and an MBA from Harvard University.

6. MATTHEW DAVID TOOTH, NON-EXECUTIVE DIRECTOR – AGE 33

Matthew Tooth joined the Board in August 2004. Mr Tooth is a Managing Director in the private equity group at The Blackstone Group International Limited and is responsible for Blackstone's investments in the European leisure and consumer sectors. Prior to joining Blackstone in 2003, Mr Tooth worked in the M&A and leveraged finance teams at CSFB. Mr Tooth is also a Director at Orangina-Schweppes. He was previously a Director of Southern Cross and Merlin Entertainments. Mr Tooth holds a first class honor's degree in economics from Exeter University.

7. DAVID OSSIAN MALONEY, NON-EXECUTIVE DIRECTOR – AGE 53

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

8. PETER WODEHOUSE WILLIAMS, NON-EXECUTIVE DIRECTOR – AGE 55

Peter Williams joined the Board in May 2006. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr Williams is currently an Executive Director of JJB Sports plc. Previously he was Chief Executive at Alpha Group plc and prior to that Chief Executive of Selfridges plc where he also acted as Chief Financial Officer for over ten years. Mr Williams has also held senior finance positions in Freemans plc, Bandive Limited and Aiwa Limited. He is also a Non-Executive Director of Asos plc and is a member of the Design Council. Mr Williams has a degree in mathematics from Bristol University and is a chartered accountant.

9. ALAN DAVID ROUX, ALTERNATE NON-EXECUTIVE DIRECTOR – AGE 39

Alan Roux was appointed by Lawrence Guffey as his Alternate Director with effect from 23 September 2008. Mr Roux is an Executive Director of The Blackstone Group International Limited where he is responsible for monitoring and advising on the operational performance and strategy of Blackstone's portfolio of companies in Europe. Prior to joining Blackstone in 2007, he was the Director of Operations Development at Tesco Stores. Before that he was a principal at Boston Consulting Group. Mr Roux is also a Director of Tragus Limited and United Biscuits Limited. Mr Roux holds an MBA from Columbia Business School and has a Bachelor of Science degree in electronic engineering from the University of Cape Town.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the 52 week period ended 25 December 2008. The comparative period is for the 52 week period ended 27 December 2007.

PRINCIPAL ACTIVITY

The Company acts as an investment holding company for a group of companies whose principal activity is the operation of cinemas in the UK and Ireland for the exhibition of films and related retail activity. The Directors do not expect any change in the principal activity during the next financial period.

STRATEGY

The Group's key objective is to provide clean, comfortable, well-run facilities, where its customers can enjoy film presentations. At the same time, by achieving this objective it intends to grow shareholder value.

The Group intends to consolidate its position as one of the leading cinema groups in the UK in terms of sites, screens and admissions and to improve its operating margins. In order to achieve this, the Group intends to:

- Continue to improve its offer to its customers
- Grow box office revenues
- Increase retail spend per customer
- Increase other revenue streams
- Continue to grow the estate through selective new openings, expansions and acquisitions
- Be at the forefront of technological improvement.

BUSINESS REVIEW

A review of the Group's business and operations, including the main trends and factors likely to affect its the future development and performance, are covered in the Chairman's Statement, the Chief Executive Officer's Review of Operations and Chief Financial Officer's Review on pages 2 to 7.

Key performance indicators are set out below and the principal risks and uncertainties are set out on pages 8 and 9. Information about environmental, employee and community issues is set out in part below and also in the Corporate Responsibility section on pages 10 and 11.

To the extent it is material, the Group's approach to the use of financial instruments in respect of its financial risk management objectives and its exposure to price, liquidity and cash flow risk is set out in note 20 to the financial statements on page 73.

KEY PERFORMANCE INDICATORS (KPIS)

	52 week period ended 25 December 2008	52 week period ended 27 December 2007
Admissions	**45.1m**	45.0m
Box office revenue	**£197.5m**	£185.7m
Average ticket price	**£4.38m**	£4.12m
Retail spend per customer	**£1.71m**	£1.67m
EBITDA	**£53.0m**	£52.0m

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

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

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

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

EBITDA
EBITDA (as defined on page 6) serves as a useful proxy for cash flows generated by operations and the Group's ability to finance its capital expenditure and pay dividends.

RESULTS AND DIVIDENDS
The results for the Group for the 52 week period ended 25 December 2008 are presented under International Financial Reporting Standards ("IFRS") as adopted by the EU. The results for the period are set out in the Group consolidated income statement on page 36. The results for the parent company are drawn up under UK GAAP.

An interim dividend of 3.2p per share was paid on 3 October 2008. The Directors are recommending a final dividend of 6.3p which, if approved by the shareholders at the Annual General Meeting, will be paid on 17 June 2009 to shareholders on the register on 22 May 2009.

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

The Group considers the currency risk on consolidation of the assets and liabilities of its Irish subsidiary, Adelphi-Carlton Limited, to be of low materiality and no hedging is provided. The Group's trade and operations are otherwise based in the UK.

On 26 April 2007, as part of the IPO, the Group refinanced its bank loan and entered into a new five-year facility agreement consisting of £135m loan and £30m revolving credit and overdraft facility to replace its previous facility of £246m. Half of the loan, an amount of £67.5m, was hedged in accordance with the terms of the facility agreement on a fixed rate of 5.35% whilst the remaining loan attracted interest at LIBOR. The whole loan attracts a margin of 0.95% above three-month LIBOR (originally 1.35%). The Group has taken steps to ensure that the swap is accounted for as a hedge and that changes in its valuation are recognised through reserves. Further information is provided in note 20 to the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

Short biographical details of the Directors of the Company, all of whom held office during the period under review, are given on pages 12 to 13. On 23 September 2008, Lawrence Guffey appointed Alan Roux to be his Alternate Director in accordance with the Company's Articles of Association and his biographical details are also set out on page 13. The business address of each of the Directors is Power Road Studios, 114 Power Road, Chiswick, London W4 5PY.

In accordance with the Articles of Association, one third of the Directors are retiring by rotation at the Annual General Meeting and, being eligible, are offering themselves for re-election. The Directors retiring are Anthony Bloom, Lawrence Guffey and Richard Jones. Following the Board evaluation process undertaken in September 2008, the Board is satisfied that each Director standing for re-election continues to show the necessary commitment and to be an effective member of the Board due to their skills, expertise and business acumen.

For so long as the Blackstone Shareholders (as defined below in the Major Shareholdings section) together hold (i) at least 20% of the voting rights, they are entitled to appoint (and remove and reappoint) two Non-Executive Directors to the Board (each a "Blackstone Director"), one of whom shall be the Deputy Chairman of the Board and (ii) at least 10% of the voting rights, they are entitled to appoint (and remove and reappoint) one Non-Executive Director.

Mr Guffey is a Senior Managing Director of The Blackstone Group and Mr Tooth is a Managing Director at The Blackstone Group. The Blackstone Shareholders are affiliates of The Blackstone Group. Mr Guffey and Mr Tooth are the current Blackstone Directors under these arrangements.

Details of the Directors' interests in the issued share capital of the Company at the beginning and end of the year under review are set out below. Details of the Directors' remuneration and information on their service contracts are set out in the Directors' Remuneration Report on pages 26 to 31.

Details of the Directors' interests in the ordinary shares of the Company arising under the Group's Share and Option Schemes are set out in the Remuneration Report on page 31. No rights to subscribe for shares in or debentures of Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial period.

None of the other Directors had any disclosable interest in the shares of Group companies and there have been no changes to Directors' share interests between 25 December 2008 and the date of this report.

None of the Directors has a material interest in any contract of significance to which the parent company or a subsidiary was a party during the financial year, other than as disclosed above and in note 23, related parties.

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

	Ordinary shares held directly		Ordinary shares held by companies in which a Director has a beneficial interest	
Director	25 December 2008	27 December 2007	25 December 2008	27 December 2007
Anthony Bloom	–	–	**1,723,224**[(1)]	1,723,224[(1)]
Stephen Wiener	**1,593,800**	1,593,800	–	–
Richard Jones	**247,939**	276,600	–	–
Thomas McGrath	**131,000**	131,000	–	–
David Maloney	**10,000**	10,000	–	–
Peter Williams	**10,000**	10,000	–	–

(1) Shares initially held by Carisan Investments Limited, a Jersey incorporated subsidiary of a Jersey-based discretional trust, of which Mr Bloom is one of the potential beneficiaries. These shares were transferred to Varian Investments Limited on 7 May 2008.

CONFLICTS OF INTEREST

The Articles of Association were amended at the 2008 Annual General Meeting to permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations.

SHARE CAPITAL

The Company has only one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and each carries one vote. Details of the share capital, and changes in it over the period, are shown in note 19 to the financial statements. There has been no change to the share capital between 25 December 2008 and the date of this report.

RESTRICTIONS ON SHARE TRANSFERS

Subject to the rules of the UK Listing Authority, the Board may refuse to register the transfer of a certificated share (i) which is not fully paid, (ii) on which the Company has a lien, (iii) in respect of which the holder has failed to provide the information required pursuant to a notice served under Section 793 of the Companies Act 2006, (iv) which is not in the form specified in the Company's Articles of Association, or (v) in exceptional circumstance approved by the UK Listing Authority provided such refusal would not disturb the market in those shares. In accordance with the Uncertificated Securities Regulations, the operator of CREST may also refuse to register the transfer of uncertificated shares in certain circumstances. The Board may also close the register of shareholders for up to 30 days effectively suspending the registration of all transfers: however, in respect of uncertificated shares, consent from the operator of CREST would be required for such a closure.

MAJOR SHAREHOLDER VOTING ARRANGEMENTS

As set out under Substantial Shareholdings below, Blackstone Capital Partners (Cayman) IV LP, Blackstone Capital Partners (Cayman) IV-A LP and Blackstone Family Investment Partnership (Cayman) IV-A LP (together the "Blackstone Shareholders") in aggregate control the exercise of 46.98% of the rights to vote at general meetings of the Company. The Company and the Blackstone Shareholders have entered into a Relationship Agreement dated 26 April 2007 to regulate the relationship between them. The Blackstone Shareholders have undertaken to exercise their voting powers to ensure that the Company is capable of carrying on its business for the benefit of shareholders of the Company as a whole and independently of the Blackstone Shareholders and have further agreed not to exercise their voting rights in favour of any amendment to the Memorandum and Articles of Association of the Company in a manner which would be contrary with the principle of independence of the Company. The Relationship Agreement will terminate if the Blackstone Shareholders and their affiliates collectively hold less than 10% of the voting rights of the Company.

SUBSTANTIAL SHAREHOLDINGS

At 12 March 2009, the Group had been notified of the following interests in the voting rights of the Company:

	Voting rights	% of total voting rights
Blackstone Shareholders:		
– Blackstone Capital Partners (Cayman) IV LP	49,080,400	34.63
– Blackstone Capital Partners (Cayman) IV-A LP	1,492,122	1.05
– Blackstone Family Investment Partnership (Cayman) IV-A LP	16,006,327	11.29
HSBC Holdings plc	14,163,717	10.00
Artemis Investment Management Limited	12,046,437	8.50
Rathbone Brothers Plc	7,443,449	5.25
BlackRock Inc.	7,028,669	4.96
Fidelity International Limited	6,780,217	4.78
ReachCapital Management LLC	6,482,630	4.57

CHANGE OF CONTROL

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

PURCHASE OF OWN SHARES

At the Annual General Meeting held on 11 May 2008, shareholders gave authority for the purchase of up to 21,244,054 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 Annual General Meeting to renew the Company's authority to purchase its own ordinary shares for cancellation or placing in treasury. Details of the proposed resolution are set out in the Notice of Annual General Meeting dispatched to shareholders with the Annual Report and Accounts (the "AGM circular").

ANNUAL GENERAL MEETING

The Notice convening the Annual General Meeting, to be held at The Cineworld Cinema, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF at 10.30 am on 21 May 2009, is contained in the AGM circular.

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITIES

The Company maintains insurance cover for all Directors and Officers of Group companies against liabilities which may be incurred by them whilst acting as Directors and Officers. As at the date of this report indemnities are in force under which the Company has agreed to indemnify the Directors as permitted by law and by the Articles of Association against liabilities they may incur in the execution of their duties as Directors of the Company.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group's policy, which it has followed, is to make no donations to political parties. During the year, the Group made charitable donations of £37,500 (2007: £10,000) to a variety of local and national charities in the UK. In addition the Group supported over 40 film screenings on behalf of various charities in the year and responded to over 1,000 requests from charities for free tickets.

PAYMENT OF SUPPLIERS

Cineworld Group plc, which holds the investments in the Group's companies, does not trade itself and does not have suppliers as defined by the Companies Act 1985. The Directors believe, however, it would be helpful to give the disclosures on a consolidated basis. The Group seeks the best possible terms from suppliers appropriate to its business and in placing orders gives consideration to quality, delivery, price and terms of payment. The Group does not follow a specific payment code but has a policy to pay its suppliers in accordance with the specific terms agreed with each supplier. The average number of days payments to suppliers were outstanding at 25 December 2008 for the Group was 36 days (2007: 27.5 days).

EMPLOYEES

The policy is to recruit, employ and develop staff on the basis of the suitability of their qualifications and experience, regardless of sex, marital status, race, nationality, age, sexual orientation or religion. It is Company policy to give full and fair consideration to applications for employment from disabled people, having regard to their particular abilities and aptitudes. Full consideration is given to continuing the employment of staff who become disabled, including considering them for other reasonable positions.

The health, welfare and development of the Group's employees remain a priority. With the intent of attracting, recruiting, developing and retaining key employees, Cineworld maintains a number of policies and procedures for the benefit of its employees, which can be accessed by employees via the human resources department and via the HR manual on the Company 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 Group business and to provide opportunity for questions and feedback. There is regular consultation with the Broadcasting Entertainment Cinematograph and Theatre Union (BECTU). 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. During 2008, the Sharesave Scheme was again offered as the Directors are keen to actively encourage employee equity participation.

CORPORATE GOVERNANCE

Details of the Group's corporate governance arrangements are set out in the Corporate Governance Report on pages 21 to 25 which together with the Remuneration Report, the Corporate Responsibility Report and the Directors' Responsibilities Statement form part of this report together with any other parts cross-referenced from it.

SIGNIFICANT EVENTS SINCE THE YEAR END

There were no significant events.

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 auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG Audit Plc has confirmed that it is willing to continue in office and a resolution proposing its reappointment, at a fee to be agreed by the Directors, will be proposed at the Annual General Meeting.

FUNDING AND LIQUIDITY

The Group's business activities, together with the factors likely to affect its future development, performance and position are principally set out in the Business Review above including the Risks and Uncertainties section on pages 8 to 9. 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 6 to 7 and in notes 15 and 20 of the financial statements. In addition note 20 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.

The Board remains satisfied with the Group's funding and liquidity position. As highlighted in note 15 to the financial statements, the Group meets its day-to-day working capital requirements through its bank facilities which consist of a £120m term loan plus £30m revolver which matures in 2012.

The bank facility is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. Forecasts reviewed by the Board, including forecasts sensitised for adverse trading conditions, show continued compliance with these covenants.

On the basis of its forecasts, both the base case and sensitised as described above, and available bank facilities, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

By order of the Board

R B Ray
Company Secretary
12 March 2009

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

CORPORATE GOVERNANCE

The Board is committed to ensuring that an appropriate standard of corporate governance is maintained throughout the Group. The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2006 ("the Combined Code"). This report explains how the Company has complied with the provisions of the Combined Code. For the year ended 25 December 2008, the Board considers that the Company was compliant with the provisions of the Combined Code except where indicated below.

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 maintain and 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 Board meets regularly six times a year. 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 specific issues and all Directors receive notice of such meetings and are given the opportunity to comment on the issues being discussed if they are unable to attend the meeting.

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

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

DIRECTORS AND DIRECTORS' INDEPENDENCE

The Board throughout the year has been composed of eight members, consisting of two Executive Directors and six Non-Executive Directors, three of whom are independent. Under provision A2.2 and A3.1 of the Combined Code, Anthony Bloom, a Non-Executive Director and Chairman of the Company, is not considered by the Board to be independent as at the time of his appointment as Chairman of the Company he also served as Chairman on the Board of another Company within the Group, Cine-UK, and had held this position since its foundation in 1995. Lawrence Guffey and Matthew Tooth, both Non-Executive Directors, are also considered by the Board not to be independent by virtue of their positions at The Blackstone Group, with whom the Blackstone Shareholders are affiliated. The Blackstone Shareholders are significant shareholders in the Company. The names of the Directors together with their biographical details are set out on pages 12 to 13.

The terms and conditions of appointment of Non-Executive Directors are set out in letters of appointment and are made available for inspection by any person at the Company's registered office during normal business hours and will be available at the Annual General Meeting. Further details of the letters of appointment of the Non-Executive Directors and the service contracts of the Executive Directors can be found in the Directors' Remuneration Report on pages 26 to 31.

THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

The Group Chief Executive 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 Senior Management Team consisting of senior executives who assist him in this task.

INDEPENDENT DIRECTORS AND THE COMPANY SECRETARY

The Combined Code recommends that, in the case of smaller companies incorporated in England and Wales which are below the FTSE 350, at least two non-executive members of the Board of Directors should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

The Board considers that David Maloney, Tom McGrath and Peter Williams are independent Non-Executive Directors being independent of management and have no business relationship or other relationship which could interfere materially with the exercise of their judgement.

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

The independent Non-Executive Directors bring an objective view-point and range of experience to the Company and ensure that no individual or group of individuals is able to dominate the Board's decision-making. All the Non-Executive Directors also have access to independent legal advice subject to consulting with the Board and following the agreed procedure.

During the year the roles of Chief Finance Officer and Company Secretary were separated. The Company Secretary continues to be responsible for advising and supporting the Chairman and the Board on corporate governance matters, ensuring Board procedures are followed and facilitating good information flow within the Board and the Board-appointed committees.

PROFESSIONAL DEVELOPMENT AND PERFORMANCE EVALUATION

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

During the year an evaluation was carried out of the performance of the Board, the Audit Committee and each individual Director including the Chairman. The process 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 Board. The results confirmed that overall the Board and Audit Committee processes were working appropriately and the Directors including the Chairman were performing satisfactorily. The evaluation of the Nomination Committee and Remuneration Committee was deferred and will be carried out in 2009 when the Board believes that the timing will be more appropriate. The fact that the evaluation of the two Committees has been deferred means the Company has not complied totally with provision A6 of the Combined Code.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Company's Audit Committee comprises two independent Non-Executive Directors (namely David Maloney and Peter Williams) and it met three times during the financial year. Both members of the Committee are considered by the Board to have recent and relevant financial experience. The Company considers that it complies with the Combined Code which recommends that the Audit Committee of a smaller Company which is below the FTSE 350 should comprise at least two members who should both be independent Non-Executive Directors, and at least one member should have recent and relevant financial experience.

The Audit Committee assists the Board in discharging its responsibility with regard to financial reporting, external and internal audits and controls, including reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and half-yearly reports remains with the Board.

The Chairman, the Chief Executive Officer, the Chief Financial Officer, other senior executives, the internal auditors and the external auditors may be invited to attend meetings, but are not members. During the period, the main activities of the Audit Committee were:

- Reviewing the half-year and annual financial statements with particular reference to accounting policies, together with significant estimates and financial reporting judgements and the disclosures made therein;

- Reviewing the management representations made to the external auditors and the Company's procedures to ensure all relevant information has been disclosed;

- Discussing any issues arising out of the interim review and full year audit with the external auditors (in the absence of management where appropriate);

- Reviewing the effectiveness of the internal audit function together with the Group's internal financial controls (together with its internal controls and risk management systems);

- Appointing Grant Thornton UK LLP (i) to carry out a full review of the risks identified by the senior management team, (ii) to help develop further the risk management framework of the Group in the light of that review and (iii) to implement a three-year internal audit plan to assist in ensuring ongoing compliance with the Combined Code in this respect; and

- Making recommendations to the Board with regard to continuing the appointment and remuneration of the external auditor; overseeing the Company's relations with the external auditor and the effectiveness of the audit process.

The committee also considers on an ongoing basis the independence of the external auditors and has established policies to consider the appropriateness or otherwise of appointing the external auditors to perform non-audit services. As detailed on page 19, the external auditors are KPMG Plc, which has provided certain non-audit services to the Company, principally in respect of advice on taxation. The committee is satisfied that such work was best undertaken by KPMG and its objectivity has not been impaired by reason of this further work. The committee also reviewed and continues to oversee the whistleblowing arrangements which enable employees to raise concerns about improprieties in financial reporting and other matters on a confidential basis.

NOMINATIONS COMMITTEE

The Company's Nominations Committee is comprised of three members, all of whom are independent Non-Executive Directors (namely Thomas McGrath, David Maloney and Peter Williams) and it met once during the financial year. The Company considers that it complies with the Combined Code, which provides that a majority of the members of the Nomination Committee should be independent Non-Executive Directors. Due to the importance that the Directors play in the success of the Group, the Chairman is invited to attend meetings and does so except when his own position is being discussed.

The Nominations Committee assists the Board in discharging its responsibilities relating to the composition of the Board. It is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, and it makes appropriate recommendations to the Board on such matters.

REMUNERATION COMMITTEE

The Company's Remuneration Committee comprises two Non-Executive Directors (namely David Maloney and Peter Williams) and it met four times during the financial year. The Company considers that it complies with the Combined Code which provides that the Remuneration Committee of a smaller Company which is below the FTSE 350 should consist of at least two members who are both independent Non-Executive Directors.

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

ATTENDANCE AT MEETINGS

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year	6	3	4	1
Attendees				
Anthony Bloom	6*	3**	4**	1**
Lawrence Guffey	6^	n/a	n/a	n/a
Stephen Wiener	6	n/a	n/a	n/a
Richard Jones	6	n/a	n/a	n/a
Thomas McGrath	6	n/a	n/a	1*
Matthew Tooth	6	n/a	n/a	n/a
David Maloney	6	3*	4	1
Peter Williams	6	3	4*	1

* Chairman of Board/Committee

**Anthony Bloom attended these meeting by invitation

^ Number includes meeting attended by Alan Roux as Lawrence Guffey's alternate

The Remuneration Committee takes advice from external consultants and did so during the year from Hewitt New Bridge Street which no other connection with the Group. Following a review of advisers, Watson Wyatt was appointed by the committee in November 2008 to provide future advice. The Chief Executive Officer is consulted on the remuneration packages of the other senior executives and attends discussions by invitation together with the Chief Financial Officer except when their own positions are being discussed. Given the essential part remuneration plays in the success of the Group, the Chairman is also invited to attend meetings of the Committee and does so except when his own remuneration is being considered. The committee does not deal with the fees paid to the Non-Executive Directors. The report of the Remuneration Committee is set out on pages 26 and 30.

RE-ELECTION

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

INVESTOR RELATIONS

The Directors value contact with the Company's institutional and private investors. An Interim and Annual Report and Accounts are sent to all shareholders. Presentations are given to shareholders and analysts following the announcement of the interim results and the preliminary announcement of the full year results. Interim management statements are issued twice each year in respect of the first and third quarters and in addition trading updates are issued in early January and late June immediately before the Company enters into its close period leading up to the interim and preliminary results announcement.

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

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

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

STATEMENT OF INTERNAL CONTROLS

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

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

The Board is satisfied that by the end of the financial period in question such measures were in place. As explained in last year's report, the Group was not compliant with this aspect of the Combined Code at that time and, during the course of the year, the necessary work has been undertaken to understand better the risk management framework to ensure that it became compliant. No significant issues were identified in the process and action has been, or is being, taken to address any matters identified from the ongoing review. As the arrangements were not in place throughout the year, the Company did not fully comply with the requirements of the Combined Code in this regard.

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

Reflecting the Board's commitment to the continued development of the Group's system of risk management and internal control, Grant Thornton UK LLP was appointed by the

Board on the recommendation of the Audit Committee to undertake an exercise to confirm the principal risks facing the Group and recommend and help implement measures to strengthen the risk management framework and internal audit process within the Group.

Under the Audit Committee's terms of reference, it is tasked with reviewing the Company's financial reporting and internal control procedures and to make recommendations to the Board in this area. Key elements of the Group's risk management and internal control framework during 2008 were:

- A core control procedure was the day-to-day involvement of executive members of the Board in all aspects of the business and their attendance at regular meetings with senior management, at which operational and financial performance and operational matters are reviewed. Financial performance was monitored and action taken through regular reporting to the Executive Directors and monthly reporting to the Board against annual budgets approved by the Board.

- Small groups of members of the senior management team met to review current and future risks in their particular areas of responsibility and expertise and to confirm the current measures in place to mitigate those risks.

- An established organisational structure with clear lines of responsibility and reporting requirements. Capital investment and all revenue expenditure being regulated by a budgetary process and authorisation levels (manual and systems), with appraisals and post-investment and period end reviews. Policy manuals setting out agreed standards and control procedures which include human resources related policies, information technology and health and safety.

- An established internal audit function headed by an experienced internal auditor who had access to all areas of the cinema operations and prepares reports which are available to the Board and reports regularly to senior management and the Audit Committee.

- The external auditors providing a supplementary, independent and autonomous perspective on those areas of the internal control system, which they assess in the course of their work. Their findings were reported to both the Audit Committee and the Board.

- The Audit Committee receiving reports on risk management and internal controls and monitoring the overall position and further reviewing actions taken to address areas of weakness.

- A whistleblowing policy being in place ensuring that members of staff who were concerned about impropriety, financial or otherwise, could raise such matters without fear of victimisation or reprisal.

ACCOUNTABILITY, AUDIT AND FINANCIAL

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

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

HUMAN RESOURCES

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

INSURANCE

The Group has in place an insurance programme to help protect it against certain insurable risks. The portfolio of insurance policies is kept under review with its insurance broker to ensure that the policies are appropriate to the Group's activities and exposures.

By order of the Board

Anthony Bloom
Chairman
12 March 2009

DIRECTORS' REMUNERATION REPORT

Introduction

This report has been prepared by the Remuneration Committee and has been approved by the Board. It complies with Schedule 7A of the Companies Act 1985, which incorporates the Directors' Remuneration Report Regulations 2002 and also with the Combined Code. The report will be put to shareholders for approval at the forthcoming Annual General Meeting.

The Act requires the auditors to report on certain parts of the report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration Committee

The Company's Remuneration Committee comprises two Non-Executive Directors (namely David Maloney and Peter Williams) and both are deemed to be independent. The Chairman of the Remuneration Committee is Peter Williams and the Secretary of the committee is the Company Secretary. The committee met four times in the financial period. The committee's terms of reference are available for inspection on the Company's website (www.cineworldplc.com).

The Remuneration Committee monitors and recommends to the Board for approval the structure and level of remuneration for each member of the Senior Management Team ("SMT") including the Executive Directors. The committee received advice from Hewitt New Bridge Street Consultants LLP ("HNBS") during the year in relation to the Company's remuneration policy and its implementation. Other than in connection with the Remuneration Committee, HNBS had no connections with the Company. The committee also received assistance from the Chairman of the Company, the Chief Executive Officer and the Chief Financial Officer; however they do not participate in discussions relating to the setting of their own remuneration.

The objective of the Group's remuneration policies is that all employees, including 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. To determine the elements and level of remuneration appropriate for each member of the SMT, the Committee considers benchmark remuneration data for selected comparable companies and seeks to ensure that fixed costs are no higher than market median, that an appropriately significant proportion of potential pay is performance-related and that total pay is consistent with appropriately competitive levels of pay for superior performance. The arrangements are reviewed on a regular basis.

Remuneration package

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

Annual salary

Salaries are reviewed annually by the Remuneration Committee. The Board approves the overall budget for employee salary increases and the committee agrees the specific increases for the SMT. For members of the SMT below Board level, the committee receives a recommendation from the Chief Executive which it reviews and approves as appropriate. In determining appropriate salary levels for each Executive Director, the committee considers both the nature and the status of the Company's operations and the responsibilities, skills, experience and performance of the Executive Director. The committee compares the Group's remuneration packages for its Executive Directors and employees with those for Directors and employees of similar seniority in companies whose activities are comparable with the Group.

Performance-related bonus

The Executive Directors and all other employees participate in a performance-related bonus scheme. The level of bonus is based on overall Group performance in meeting its primary financial objectives in earnings before interest, tax, depreciation and amortisation ("EBITDA"). The committee ensures that challenging and clearly-assessable targets are set for Executive Directors.

Details of bonuses paid to Executive Directors in the year to 25 December 2008 are included in the remuneration tables set out below. Bonuses are awarded wholly in cash.

Stephen Wiener is eligible for a bonus payable in the range of 0% to 100% of salary on achievement by the Group of 95% to 120% of full year budgeted EBITDA. Richard Jones is eligible for a bonus payable in the range of 0% to 95% of salary on achievement by the Group of 95% to 120% of full year budgeted EBITDA.

The Cineworld Group Performance Share Plan ("PSP")

The PSP was implemented at IPO and the first grants of awards were made after the announcement of the Company's results for the financial year ended 27 December 2007. Only the Executive Directors and certain members of the SMT, decided at the discretion of the Remuneration Committee, participated in the grant. Details of the awards to the Executive Directors

are set out below. Non-Executive Directors, including the Chairman, are not eligible to participate in the PSP.

Under the PSP, awards of conditional shares can be made that vest after three years subject to continued employment and the achievement of specified performance conditions. As outlined in the prospectus, the performance condition applying to the 2008 grant was that:

- 30% of the shares under the award will vest if the average annual growth in earnings per share ("EPS")* (calculated by comparing the EPS for the financial year ended 27 December 2007 and the EPS for the financial year ending 30 December 2010) is not less than 3.2%.

- 100% of the shares under the award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 27 December 2007 and the EPS for the financial year ending 30 December 2010) is at least 9.2%.

- Where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 27 December 2007 and the EPS for the financial year ending 30 December 2010) is between the two limits above, the award shall vest on a straight-line basis between 30% and 100%.

* EPS is the normalised undiluted earnings per share excluding any deferred tax charge relating to tax assets in existence on listing and exceptional items.

The Remuneration Committee will review the performance conditions for future grants regularly to ensure they are appropriate for the Company and the prevailing recruitment market. The conditions 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.

The maximum number of shares subject to an award to an individual in any financial year is 100% of annual base salary as at the award date, unless the Remuneration Committee decides that exceptional circumstances exist in relation to the recruitment or retention of an employee, in which case the limit is 150% of annual base salary. 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.

Awards under the PSP can be satisfied using either new issue shares 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. However, if new issue shares are used, the PSP is subject to the following limits:

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

The Cineworld Group Sharesave Scheme (the "Sharesave Scheme")

Executive Directors are eligible to participate in the Sharesave Scheme, which is an HMRC approved scheme open to all employees of nominated companies who have a minimum of three months' service at the date of invitation. 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. Options were granted to 140 employees in the UK over 549,180 shares on 31 October 2008. The Group operates an equivalent scheme in Ireland and also on 31 October 2008 options were granted to three employees over 9,831 shares under these arrangements. Details of the grants to, and changes in the interests of, the Executive Directors are set out below.

Pension contributions

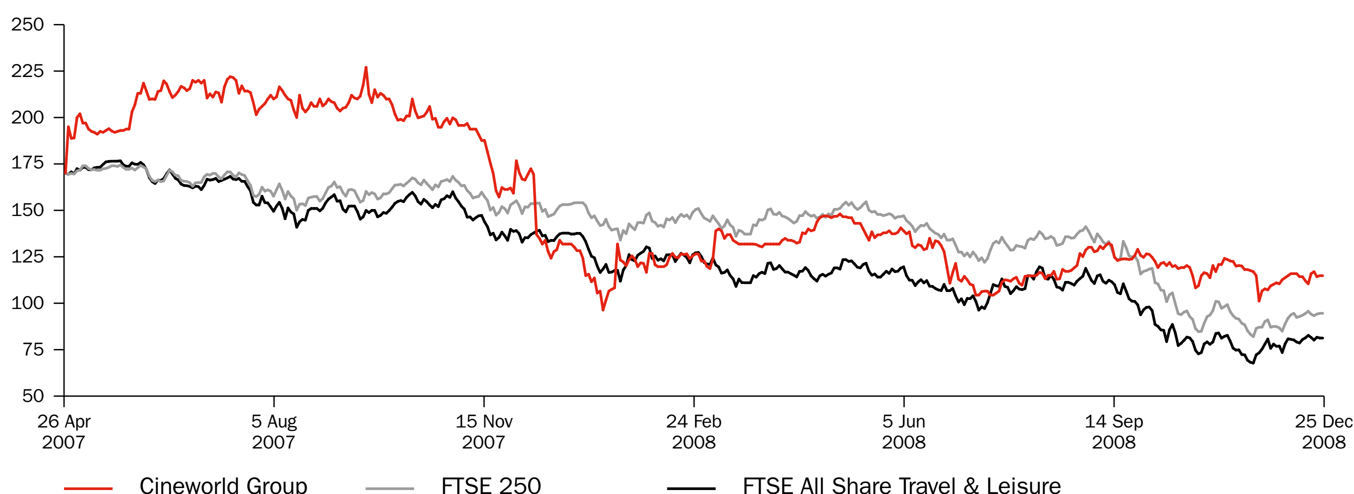
All employees, including Executive Directors, are invited to participate in a Group Personal Pension Plan. All the major schemes operated by the Group are money purchase in nature and have no defined benefits. Two defined benefit schemes are operated in the UK and in Ireland and both have been closed to new members for a number of years. Details of these schemes are shown in note 17 of the financial statements. The Group has no obligation to the pension scheme beyond the payment of contributions. The Company contributions for the Executive Directors are 20% of salary. Bonuses are not pensionable.

Other benefits

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

Performance graph

The graph below compares the Company's Total Shareholder Return performance against the FTSE 250 and FTSE All Share Travel and Leisure indices since IPO in April 2007. The Remuneration Committee believes these indices to be the most appropriate comparators because the Group looks to benchmark itself against smaller companies within the FTSE 250 and is a member of the FTSE All Share Travel and Leisure sector.



Rebased to 170p

The Shares of the Company commenced trading on the London Stock Exchange on 26 April 2007 at an offer price of 170p per share. Admission became effective and unconditional dealings in the Shares commenced on the London Stock Exchange on 2 May 2007.

The mid market closing price on 24 December 2008 was 105p and the range during the period 28 December 2007 to 25 December 2008 was 92.5p to 146p.

Executive Directors' 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 maximum protection for the Group's intellectual property rights and other commercially sensitive information.

The details of the Executive Directors' contracts are summarised in the table below:

Director	Date of contract	Notice period from Company	Notice period from employee
Stephen Wiener	23 April 2007	12 months	12 months
Richard Jones	23 April 2007	12 months	6 months

The Company may in lieu of giving notice terminate an Executive Director's service contract by making a payment equivalent to 95% of base salary and contractual benefits for the notice period. In this event the Director would not be entitled to any bonus for his notice period but would be eligible for a pro-rata bonus for the period up the date of the termination of his contract.

The Company's policy is to endeavour to minimise any payment on early termination by insisting on mitigation of any loss where possible.

Non-Executive Directors' letters of appointment

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

Non-Executive Directors receive fees for services as members of the Board and its committees. The level of fees is determined by the Board after taking into account appropriate advice (except in the case of the Chairman whose level of fee is determined by the Remuneration Committee), and no Director participates in discussions relating to the setting of his own remuneration. Non-Executive Directors do not participate in the Group's share incentives or otherwise receive performance-related pay. Where a Non-Executive Director does not serve until the end of his term, the policy is to pay the fees due pro rata to the date of cessation.

The appointment of each Non-Executive Director is terminable on the notice period stated below 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 in which case no notice is necessary.

Their appointments were made as follows:

Director	Date of appointment	Notice period
Anthony Bloom	7 October 2004	1 month
Lawrence Guffey	21 December 2004	1 month
David Maloney	22 May 2006	1 month
Thomas McGrath	16 May 2005	1 month
Matthew Tooth	24 August 2004	1 month
Peter Williams	22 May 2006	1 month

AUDITED INFORMATION

Aggregated Directors' remuneration

The total amounts for Directors' remuneration were as follows:

Emoluments

(i) Executive

Name of Director	2008 Fees/ basic salary £'000s	2007 Fees/ basic salary £'000s	2008 Perform-ance bonus £'000s	2007 Perform-ance bonus £'000s	2008 Benefits £'000s**	2007 Benefits £'000s**	2008 Other payments £'000s	2007 Other payments £'000s*	2008 Total £'000s	2007 Total £'000s	2008 Company contri-butions to money purchase pension schemes £'000s	2007 Company contri-butions to money purchase pension schemes £'000s	2008 Total including contri-bution to money purchase pension scheme £'000s	2007 Total including contri-bution to money purchase pension scheme £'000s
Stephen Wiener	**380**	355	**304**	333	**33**	33	–	350	**717**	1071	**76**	56	**793**	1,127
Richard Jones	**223**	195	**167**	183	**16**	12	–	175	**406**	565	**45**	34	**451**	599
	603	550	**471**	516	**49**	45	–	525	**1123**	1636	**121**	90	**1244**	1,726

* These payments were special bonuses paid in connection with the IPO.

**Other benefits may include a company car or car allowance, a driver, fuel, life assurance, permanent health insurance and private medical cover.

(ii) Non-Executive

Name of Director	2008 Fees/Basic salary £'000	2007 Fees/Basic salary £'000
Anthony Bloom	**77**	66
Lawrence Guffey**	**30**	21*
David Maloney	**45**	40
Thomas McGrath	**35**	35
Matthew Tooth**	**30**	21*
Peter Williams	**45**	40
	262	223

* Fees paid from IPO only.

**Lawrence Guffey and Matthew Tooth are Directors appointed by The Blackstone Group and their respective Director's fees are payable to The Blackstone Group.

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.

Following a review of current market practice, the fees of the Chairman were increased from £75,000 p.a. to £100,000 p.a. with effect from 1 December 2008. In addition the basic fee for other Non-Executive Directors was increased from £30,000 p.a. to £33,000 p.a. with effect from 1 December 2008. Fees for being a member of a particular committee remained at £5,000 p.a.

Directors' share and share option scheme interests

Details of share options of those Directors who served during the period are as follows:

(a) Cineworld Group Sharesave Scheme

Name of Director	At 28 Dec 2007	Granted during year	Exercised during year	Lapsed during year	At 25 Dec 2008	Exercise price	Earliest date of exercise	Expiry date
Stephen Wiener	6,000	–	–	6,000	–	£1.60	03/11/2010	03/05/11
	–	10,322	–	–	10,322	£0.93	01/12/2011	01/06/12
Richard Jones	6,000	–	–	6,000	–	£1.60	03/11/2010	03/05/11
	–	10,322	–	–	10,322	£0.93	01/12/2011	01/06/12

(b) Cineworld Group Performance Share Plan

Name of Director	At 28 Dec 2007	Awarded during year	Vested during year	Lapsed during year	At 25 Dec 2008	Exercise price	Market value at date of vesting	Vesting date**
Stephen Wiener	–	142,308*	–	–	142,308	£Nil	–	20/03/11
Richard Jones	–	82,692*	–	–	82,692	£Nil	–	20/03/11

* Mid-market price of a Cineworld Group plc share the day before grant was £1.30.

**Subject to satisfaction of the relevant performance conditions.

Approved by the Board

Peter Williams
Chairman of the Remuneration Committee
12 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report, together with the Chief Executive's Review of Operations and the Risk and Uncertainties section, includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Richard Jones
Chief Financial Officer
12 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CINEWORLD GROUP PLC

We have audited the Group and parent company financial statements (the ''financial statements'') of Cineworld Group plc for the period ended 25 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense, the Company Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 AUDITORS

The Directors' responsibilities for preparing the Annual Directors' Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 32.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that information presented in the Business Review that is cross referred from the Chairman's Statement, Chief Executive Officer's Review of Operations and the Chief Financial Officer's Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 25 December 2008 and of its profit for the period then ended.
- The Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.
- The parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 25 December 2008.
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
12 March 2009
London
Chartered Accountants
Registered Auditor

THE FINANCIALS

FOR THE 52 WEEKS ENDED 25 DECEMBER 2008

CONSOLIDATED INCOME STATEMENT

for the period ended 25 December 2008

	Note	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Revenue		**298.9**	285.3
Cost of sales		**(224.6)**	(220.6)
Gross profit		**74.3**	64.7
Other operating income	3	**0.6**	8.3
Administrative expenses		**(36.8)**	(42.6)
Operating profit	4	**38.1**	30.4
Analysed between:			
Operating profit before depreciation and amortisation, adjustments to goodwill and fixed asset impairment charges, onerous lease and other non-recurring or non-cash property charges, transaction and reorganisation costs and profit on disposal of cinema sites		**53.0**	52.0
– Depreciation and amortisation	4	**(14.0)**	(18.3)
– Adjustments to goodwill and fixed asset impairment charges	4	**–**	(7.7)
– Onerous leases and other non-recurring or non-cash property charges	4	**(1.1)**	(1.1)
– Transaction and reorganisation costs	4	**0.2**	(2.6)
– Profit on disposal of cinema sites	3	**–**	8.1
Financial income	7	**1.9**	2.6
Financial expenses	7	**(12.5)**	(20.6)
Net financing costs		**(10.6)**	(18.0)
Share of profit of jointly controlled entities using equity accounting method, net of tax		**0.1**	–
Profit on ordinary activities before tax		**27.6**	12.4
Tax (charge)/credit on profit on ordinary activities	8	**(7.4)**	13.3
Profit for the period attributable to equity holders of the Company		**20.2**	25.7
Basic and diluted earnings per share	5	**14.3p**	24.5p

The notes on pages 40 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

at 25 December 2008

	Note	25 December 2008 £m	25 December 2008 £m	27 December 2007 £m	27 December 2007 £m
Non-current assets					
Property, plant and equipment	9		**112.6**		110.9
Goodwill	10		**216.1**		216.1
Intangible assets	10		**0.7**		0.8
Investments in equity-accounted investee	11		**1.0**		–
Other receivables	14		**0.9**		0.9
Deferred tax assets	12		**18.6**		19.8
Total non-current assets			**349.9**		348.5
Current assets					
Inventories	13	**1.7**		1.5	
Trade and other receivables	14	**21.9**		17.8	
Cash and cash equivalents		**12.8**		10.4	
Total current assets			**36.4**		29.7
Total assets			**386.3**		378.2
Current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	15	**(10.6)**		(9.2)	
Trade and other payables	16	**(46.4)**		(40.2)	
Current taxes payable		**(5.3)**		(1.8)	
Provisions	18	**(2.1)**		(1.5)	
Total current liabilities			**(64.4)**		(52.7)
Non-current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	15	**(119.6)**		(125.6)	
Other payables	16	**(50.5)**		(48.0)	
Employee benefits	17	**(2.6)**		(2.4)	
Provisions	18	**(10.4)**		(13.4)	
Deferred tax liabilities	12	**(1.9)**		(3.5)	
Total non-current liabilities			**(185.0)**		(192.9)
Total liabilities			**(249.4)**		(245.6)
Net assets			**136.9**		132.6
Equity attributable to equity holders of the Company					
Share capital	19		**1.4**		1.4
Share premium	19		**171.4**		171.4
Translation reserves	19		**2.1**		0.4
Hedging reserves	19		**(4.2)**		(0.2)
Retained deficit	19		**(33.8)**		(40.4)
Total equity			**136.9**		132.6

These financial statements were approved by the Board of Directors on 12 March 2009 and were signed on its behalf by:

S M Wiener
Director

R D Jones
Director

CONSOLIDATED CASH FLOW STATEMENT

for the period ended 25 December 2008

	Note	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Cash flow from operating activities			
Profit for the period		**20.2**	25.7
Adjustments for:			
Financial income	7	**(1.9)**	(2.6)
Financial expense	7	**12.5**	20.6
Taxation	8	**7.4**	(13.3)
Share of profit of equity-accounted investee		**(0.1)**	–
Operating profit		**38.1**	30.4
Depreciation and amortisation	4	**14.0**	18.3
Impairment charges and adjustment to goodwill		**–**	7.7
Non-cash property charges	4	**1.1**	1.1
Profit on disposal of cinema sites		**–**	(8.1)
Operating cash flow before changes in working capital and provisions		**53.2**	49.4
(Increase)/decrease in trade and other receivables		**(3.3)**	0.2
(Increase)/decrease in inventories		**(0.2)**	0.1
Increase/(decrease) in trade and other payables		**3.3**	(12.4)
Decrease in provisions and employee benefit obligations		**(3.0)**	(2.8)
Cash generated from operations		**50.0**	34.5
Tax paid		**(2.8)**	(0.2)
Net cash flows from operating activities		**47.2**	34.3
Cash flows from investing activities			
Proceeds from the disposal of cinema sites		**–**	12.3
Interest received		**0.7**	1.2
Acquisition of property, plant and equipment		**(10.9)**	(9.9)
Surplus of pension contributions over current service cost		**(1.6)**	(1.8)
Investment in jointly controlled entity		**(0.3)**	–
Net cash flows from investing activities		**(12.1)**	1.8
Cash flows from financing activities			
Share issue proceeds		**–**	104.3
Proceeds from new loan		**–**	135.0
Dividends paid to shareholders		**(13.7)**	(4.3)
Interest paid		**(9.4)**	(10.2)
Repayment of bank loans		**(9.0)**	(214.0)
Repayment of subordinated bonds		**–**	(54.3)
Share issuance costs		**–**	(7.8)
Payment of finance lease liabilities		**(0.5)**	(0.5)
Debt issuance costs		**–**	(1.6)
Loan to jointly controlled entity		**(0.5)**	–
Net cash from financing activities		**(33.1)**	(53.4)
Net increase/(decrease) in cash and cash equivalents		**2.0**	(17.3)
Effect of exchange rate fluctuations on cash held		**0.4**	–
Cash and cash equivalents at start of period		**10.4**	27.7
Cash and cash equivalents at end of period		**12.8**	10.4

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the period ended 25 December 2008

	Note	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Foreign exchange translation gain		**1.7**	–
Actuarial (losses)/gains on defined benefit pension schemes	17	**(1.5)**	0.7
Deferred tax credit/(charge) on actuarial (losses)/gains		**0.4**	(0.2)
Movement in fair value of cash flow hedge		**(4.0)**	(0.2)
Deferred tax credit on movement in fair value of cash flow hedge		**1.1**	–
Net (expenditure)/income recognised directly in equity		**(2.3)**	0.3
Profit for the period		**20.2**	25.7
Total recognised income and expense for the period attributable to equity holders of the Company		**17.9**	26.0

The notes on pages 40 to 78 are an integral part of these consolidated financial statements.

NOTES

to the consolidated financial statements (forming part of the financial statements)

1 ACCOUNTING POLICIES

Basis of preparation

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 79 to 84.

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

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

The Directors have reviewed the Group’s projected working capital requirements and fixed asset expenditure and believe that the Group has sufficient funding for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

The Group’s business activities, together with the factors likely to affect its future development, performance and position are principally set out in the Business Review contained in the Directors’ Report including the Risks and Uncertainties section on pages 8 to 9. 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 6 to 7 and in notes 15 and 20 of the financial statements. In addition note 20 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.

The Board remains satisfied with the Group’s funding and liquidity position. As highlighted in note 15 to the financial statements, the Group meets its day to day working capital requirements through its bank facilities which consist of a £120m term loan plus £30m revolver which matures in 2012.

The bank facility is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges and rent. Forecasts reviewed by the Board, including forecasts sensitised for adverse trading conditions, show continued compliance with these covenants.

On the basis of its forecasts, both the base case and sensitised as described above, and available bank facilities, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Measurement convention

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

Basis of consolidation

Subsidiaries

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

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

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

Use of non-GAAP profit and loss measures
The Group believes that along with operating loss, the following measures

- EBITDA
- Adjusted earnings
- Net debt

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

EBITDA comprises earnings before interest, tax, depreciation and amortisation, adjustments to goodwill and fixed asset impairment charges, onerous lease and other non-recurring or non-cash property charges, transaction and reorganisation costs and profit on disposal of cinema sites.

Adjusted earnings comprise profit after tax adjusted for certain non-recurring and non-cash items as set out in note 5.

Net debt represents net borrowings including finance leases and financial liabilities offset by cash.

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

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

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

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

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

NOTES

to the consolidated financial statements (forming part of the financial statements)

1 ACCOUNTING POLICIES (CONTINUED)

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

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

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

Property, plant and equipment

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

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

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

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

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

- Long leasehold properties — 30 years or life of lease if shorter
- Leasehold improvements — life of lease
- Plant and equipment — 3 to 10 years
- Fixtures and fittings — 4 to 10 years

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

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

Intangible assets and goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries. 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. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

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

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

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

- Brands — 10 years

Trade and other receivables
Trade and other receivables were initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest method.

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.

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

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

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

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

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

Reversals of impairment
An impairment loss in respect of goodwill is not reversed.

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

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

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

NOTES

to the consolidated financial statements (forming part of the financial statements)

1 ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Defined contribution pension plans

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

Defined benefit pension plans

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

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

Share-based payment transactions

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

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

Provisions

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

Own shares held by Employee Benefit Trust ("EBT")

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

Revenue

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

- 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 year. Monthly Unlimited card revenue is recognised in the period to which it relates
- Other revenue is recognised in the period to which it relates.

Expenses

Operating lease payments

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

Finance lease payments

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

Net financing costs

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

Sale and leaseback

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

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

Taxation

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

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

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

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

Significant accounting judgements and estimates

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

Estimates

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

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

NOTES

to the consolidated financial statements (forming part of the financial statements)

1 ACCOUNTING POLICIES (CONTINUED)

Onerous leases

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

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

Impairment of goodwill

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

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation; however, management has also applied sensitivity analysis to the estimates which does not affect the outcome (see note 10).

Impairment of tangible fixed assets

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

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

Employee post-retirement benefit obligations

The Group has two defined benefit pension plans. The obligations under these plans are recognised in the balance sheet and represent the present value of the obligations calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of the assumptions used are provided in note 17.

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

Deferred tax assets

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

Judgements

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

Finance and operating leases

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

Hedging arrangements

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

Adopted IFRS not yet applied

The following Adopted IFRSs were available for early application but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 8 "Operating Segments" (mandatory for the year commencing on or after 1 January 2009). This is a disclosure standard so it is not expected to have a significant impact on the Group's financial statements.
- Revised IAS 23 "Borrowing Costs" (mandatory for the year commencing on or after 1 January 2009). This standard is not expected to have a significant impact on the Group's financial statements.
- Revised IAS 1 "Presentation of Financial Statements" (mandatory for the year commencing on or after 1 January 2009). This revision to IAS 1 requires certain changes to the presentation of the financial statements, including the current "primary statements".
- Revised IFRS 3 "Business Combinations" (mandatory for the year commencing on or after 1 July 2009). This standard contains a number of changes to the accounting requirements for business combinations. It is only applied for prospective business combinations, so will not impact the Group in respect of past business combinations.
- Revised IAS 27 "Consolidated and Separate Financial Statements" (mandatory for the year commencing on or after 1 July 2009). It is not expected that this standard will have a material impact on the Group's financial statements.
- Amendments to IFRS 2 "Share based payment – Vesting Conditions and Cancellations" (mandatory for the year commencing on or after 1 January 2009). It is not expected that this standard will have a material impact on the Group's financial statements.
- IFRIC 13 "Customer Loyalty Programmes" (mandatory for the year commencing on or after 1 July 2008). The Group does not currently operate a customer loyalty programme, so it is not expected that this standard will have a material impact on the Group.
- IFRIC 14 "The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction" (mandatory for the year commencing on or after 1 January 2009). This standard is not expected to have a significant impact on the Group's financial statements.

2 SEGMENTAL INFORMATION

Geographic sector analysis

Revenue by destination and by origin from countries other than the UK in all financial periods was not material.

Business sector analysis

The Group has operated in one business sector in all financial periods, being cinema operations.

3 OTHER OPERATING INCOME

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Rental income	**0.6**	0.2
Gain on disposal of cinema sites	**–**	8.1
	0.6	8.3

On 15 March 2007, the Group completed a sale and leaseback transaction in respect of its Swindon site, realising proceeds of approximately £5.7m, and generated a profit on disposal of £3.5m (after costs). On 27 March 2007, the Group completed a sale and leaseback transaction in respect of its site in Southampton, realising proceeds of approximately £6.6m, and generated a profit on disposal of £4.6m (after costs).

NOTES

to the consolidated financial statements (forming part of the financial statements)

4 OPERATING PROFIT

Included in operating profit for the period are the following:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Depreciation (note 9)	**13.9**[2]	16.2[2]
Impairment of property, plant and equipment and adjustments to goodwill (note 9, 10)	**–**[2]	7.7[2]
Amortisation of intangibles (note 10)	**0.1**[2]	2.1[2]
Onerous lease and other non-recurring or non-cash property charges	**1.1**[1]	1.1[1]
Transaction costs	**–**[2]	1.9[2]
Reorganisation costs	**(0.2)**[2]	0.7[2]
Hire of other assets – operating leases	**44.2**[1]	42.8[1]

[1] Included in costs of sales

[2] Included in administrative expenses

In 2008, there was a £0.2m release of surplus provisions relating to the sale of cinema sites in 2006.

Transaction costs relate to professional fees in relation to IPO transactions in 2007. Reorganisation costs relate to redundancy, rebranding costs and cancellation of material contracts as a result of the UGC acquisition.

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

	52 week period ended 25 December 2008 £000	52 week period ended 27 December 2007 £000
Auditors' remuneration:		
Group – audit	**208**	217
Company – audit	**5**	5
Amounts received by auditors and their associates in respect of:		
– Audit of financial statements pursuant to legislation	**213**	222
– Other services relating to taxation	**174**	339
– Valuation and actuarial services	**28**	18
– Services relating to corporate finance transactions entered into by or on behalf of the Company or the Group	**–**	793
– Services relating to recruitment and remuneration	**5**	–

5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of non-vested ordinary shares held by the employee ownership trust. Adjusted earnings per share is calculated in the same way except that the profit for the period attributable to ordinary shareholders is adjusted by adding back the amortisation of intangible assets, the cost of share-based payments and other one-off income or expense adjusted pro-forma. Adjusted pro-forma earnings per share is calculated by applying a pro-forma interest charge on the new debt structure (in 2007 only), and a tax charge at the statutory rate, to the adjusted profit.

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of non-vested ordinary shares held by the employee share ownership trust and after adjusting for the effects of dilutive options, which in 2007 and 2008 was £nil.

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Earnings attributable to ordinary shareholders	**20.2**	25.7
Adjustments:		
– Amortisation of intangible assets	**0.1**	9.8
– Share-based payments	**0.1**	0.5
– Transaction and reorganisation costs	**(0.2)**	2.6
– Profit on disposal	**–**	(8.1)
– Impact of straight-lining of operating leases	**1.4**	1.1
Adjusted earnings	**21.6**	31.6
Add back net financing costs (see note 7)	**n/a**	18.0
Less normalised interest	**n/a**	(10.2)
Add back tax charge/less tax credit	**7.4**	(13.3)
Adjusted pro-forma profit before tax	**29.0**	26.1
Less tax at 28.5% (2007: 30%)	**(8.3)**	(7.8)
Adjusted pro-forma profit after tax	**20.7**	18.3

	52 week period ended 25 December 2008 No. of shares m	52 week period ended 27 December 2007 No. of shares m
Weighted average number of shares in issue	**141.7**	104.9
Basic and adjusted earnings per share denominator	**141.7**	104.9
Dilutive options	**–**	–
Diluted earnings per share denominator	**141.7**	104.9
Shares in issue at period end	**141.7**	141.7
	Pence	Pence
Basic and diluted earnings per share	**14.3**	24.5
Adjusted basic and diluted earnings per share	**15.2**	30.1
Adjusted pro-forma basic and diluted earnings per share	**14.6**	17.4
Adjusted pro-forma basic and diluted earnings per share using the number of shares in issue at period end	**14.6**	12.9

NOTES

to the consolidated financial statements (forming part of the financial statements)

6 STAFF NUMBERS AND COSTS

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

	No. of staff	
	2008	2007
Head office	**129**	122
Cinemas	**4,223**	4,273
	4,352	4,395

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

The aggregate payroll costs of these persons were as follows:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Wages and salaries	**42.1**	41.5
Social security costs	**2.8**	2.8
Other pension costs – Defined benefit	**0.1**	0.1
– Defined contribution	**0.3**	0.3
Share-based payments (see note 17)	**0.1**	0.5
	45.4	45.2

See pages 26 to 31 for Directors' remuneration.

7 FINANCE INCOME AND EXPENSE

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Net gain on remeasurement of interest rate swap to fair value	–	0.3
Interest income	**0.7**	1.2
Expected return on defined benefit pension plan assets (note 17)	**1.2**	1.1
Financial income	**1.9**	2.6
Interest expense on bank loans and overdrafts	**8.8**	12.3
Interest accrued on deep discount bonds	–	4.2
Write-off of financing fees on redemption of loans	–	1.0
Amortisation of financing costs	**0.4**	0.5
Unwind of discount on onerous lease provision	**0.6**	0.8
Finance cost for defined benefit pension scheme (note 17)	**1.5**	1.3
Other financial costs	**1.2**	0.5
Financial expense	**12.5**	20.6
Net financing costs	**10.6**	18.0

On 27 April 2007 a swap was taken out to hedge a proportion of the Group's bank debt. Hedge accounting has been applied to this swap from inception. A movement of £4.0m (2007: £0.2m) has been recognised directly in equity in relation to this cash flow hedge.

NOTES

to the consolidated financial statements (forming part of the financial statements)

8 TAXATION

Recognised in the income statement

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Current tax expense		
Current year	**6.4**	1.8
Adjustments in respect of prior years	**(0.1)**	–
Total current tax expense	**6.3**	1.8
Deferred tax expense		
Origination and reversal of temporary differences	**1.1**	(15.1)
Total tax charge/(credit) in income statement	**7.4**	(13.3)

Reconciliation of effective tax rate

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Profit before tax	**27.6**	12.4
Tax using the UK corporation tax rate of 28.5% (2007: 30%)	**7.9**	3.7
Non-deductible expenses	**0.8**	5.8
Differences in overseas tax rates	**(0.3)**	(0.2)
Effect of tax losses utilised	**–**	(0.8)
Accelerated capital allowances in excess of depreciation	**(0.9)**	(5.9)
Effect of lower tax rate on gain on sale of cinema sites	**–**	(0.8)
Adjustments in respect of prior years	**(0.1)**	–
Recognition and reversal of temporary differences	**–**	(15.1)
Total tax charge/(credit) in income statement	**7.4**	(13.3)

During the period there was a deferred tax credit of £1.5m (2007: tax charge £0.2m) recognised directly in equity. See note 12.

Factors that may affect future tax charges
As at 25 December 2008 the Group had potential tax assets relating to the following:

- other non-trading and capital losses of approximately £2.6m
- capital losses of approximately £5.8m

A deferred tax asset has not been recognised in respect of non-trading and capital losses carried forward as it is unclear whether non-trading income or capital gains against which the losses may be offset will arise in the Group for the foreseeable future. The net tax benefit of utilising any of the above losses is expected to amount to approximately 28% of the losses utilised.

To the extent that such potential deferred tax assets crystallise or are recognised in future, a tax credit will arise. Where such potential tax assets relate to Cineworld Group plc's acquisitions of Cine-UK or UGC an equivalent reduction in goodwill will also be made via an adjustment to goodwill within administrative expenses.

9 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Assets in the course of construction £m	Total £m
Cost					
Balance at 28 December 2006	87.8	30.7	30.2	1.2	149.9
Additions	0.6	4.3	4.6	1.4	10.9
Disposals	(12.2)	(1.7)	(1.7)	–	(15.6)
Balance at 27 December 2007	76.2	33.3	33.1	2.6	145.2
Additions	1.8	–	9.9	1.9	13.6
Disposals	–	–	(4.3)	–	(4.3)
Transfers	4.2	–	–	(4.2)	–
Effects of movement in foreign exchange	1.1	0.3	3.3	–	4.7
Balance at 25 December 2008	**83.3**	**33.6**	**42.0**	**0.3**	**159.2**
Accumulated depreciation and impairment					
Balance at 28 December 2006	7.8	9.3	12.9	–	30.0
Charge for the period	4.3	5.3	6.6	–	16.2
Transfers	0.5	(0.5)	–	–	–
Disposals	(8.5)	(1.7)	(1.7)	–	(11.9)
Balance at 27 December 2007	4.1	12.4	17.8	–	34.3
Charge for the period	4.3	0.5	9.1	–	13.9
Disposals	–	–	(4.3)	–	(4.3)
Effects of movement in foreign exchange	0.5	0.3	1.9		2.7
Balance at 25 December 2008	**8.9**	**13.2**	**24.5**	**–**	**46.6**
Net book value					
At 28 December 2006	80.0	21.4	17.3	1.2	119.9
At 27 December 2007	72.1	20.9	15.3	2.6	110.9
At 25 December 2008	**74.4**	**20.4**	**17.5**	**0.3**	**112.6**

The net book value of land and buildings comprised:

	25 December 2008 £m	27 December 2007 £m
Long leasehold	**0.6**	0.7
Short leasehold	**73.8**	71.4
	74.4	72.1

NOTES

to the consolidated financial statements (forming part of the financial statements)

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Security

The secured bank loans (see note 15) are secured by fixed and floating charges on the assets of the Group.

	25 December 2008 £m	27 December 2007 £m
The net book value of assets held under finance leases comprised:		
– Opening net book value	**5.7**	6.0
– Depreciation charge	**(0.3)**	(0.3)
Closing net book value	**5.4**	5.7

10 INTANGIBLE ASSETS

	Goodwill £m	Brand £m	Customer relationships £m	Total £m
Cost				
Balance at 28 December 2006	223.8	1.2	8.4	233.4
Balance at 27 December 2007	223.8	1.2	8.4	233.4
Balance at 25 December 2008	**223.8**	**1.2**	**8.4**	**233.4**
Accumulated amortisation and impairment				
Balance at 28 December 2006	–	0.2	6.4	6.6
Amortisation	–	0.1	2.0	2.1
Adjustment to goodwill	7.7	–	–	7.7
Balance at 27 December 2007	7.7	0.4	8.4	16.5
Amortisation	–	0.1	–	0.1
Balance at 25 December 2008	**7.7**	**0.5**	**8.4**	**16.6**
Net book value				
At 28 December 2006	223.8	1.0	2.0	226.8
At 27 December 2007	216.1	0.8	–	216.9
At 25 December 2008	**216.1**	**0.7**	**–**	**216.8**

Impairment testing

Goodwill on acquisition is allocated to individual cash generating units ("CGUs"). Each individual cinema is considered to be a CGU; however, for the purpose of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs. Accordingly, three groups of CGUs have been identified, being ex-Cine-UK sites, ex-UGC sites excluding Dublin, and Dublin. The ex-Cine and ex-UGC sites were acquired together as part of those two investments in 2004, so have been grouped. This is with the exception of the Dublin cinema which operates in Ireland and is therefore considered to be a separate segment (although not a reportable segment). Goodwill allocated to groups of CGUs is as follows:

	25 December 2008 £m	27 December 2007 £m
Ex-Cine-UK Sites	**71.6**	71.6
Ex-UGC sites excluding Dublin	**142.3**	142.3
Dublin	**2.2**	2.2
	216.1	216.1

The recoverable amount of goodwill has been determined by assessing the value in use. The key assumptions behind the impairment review are as follows:

- 2009 forecast earnings before interest, tax, depreciation, and amortisation (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 3% per annum for the first five years. Thereafter it is assumed that the growth rate will decline over the remaining 15 years of cash flows, and EBITDA will decline over the final five years. 20 years of cash flows is considered appropriate as most properties in the estate have long term leases.
- Property costs are factored into the model, but are assumed to grow at 2.5% per annum over the life of the model. Cash flows are not assumed in perpetuity.
- The Group has discounted forecast flows using a rate of 11.8% which is the Group's WACC with the cost of debt adjusted to be calculated pre-tax. This is considered to reflect the risks associated with the relevant cash flows.

Management believe the assumptions outlined above are appropriate for all three CGUs, as all CGUs are exposed to the same general market conditions. Management has sensitised the key assumptions including the discount rate and under the sensitised case no indicators of impairment exist.

Amortisation charge

The amortisation of intangible assets and adjustment to goodwill is recognised in the following line items in the income statement:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Administrative expenses	**0.1**	9.8

An adjustment of £7.7m in 2007 was recorded to reduce goodwill in 2007 for tax assets recognised during the period which existed at the time of the business combinations.

NOTES

to the consolidated financial statements (forming part of the financial statements)

11 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

The Group has the following investment in a jointly controlled entity:

	Country of incorporation	Class of shares held	Ownership 2008
Digital Cinema Media Limited	England and Wales	Ordinary	50%

On 8 February 2008 the Group jointly formed Digital Cinema Media Limited ("DCM") with Odeon Cinemas Holdings Limited ("Odeon"). On 10 July 2008 DCM acquired certain trade and assets (substantially employees, computer systems, leasehold office and existing contracts) from Carlton Screen Advertising Limited, the Group's former advertising supplier.

Under the terms of the shareholder agreement between the Group and Odeon, key business decisions in respect of DCM require the unanimous approval of the shareholders. As a consequence, the Directors of the Group do not have total management control of DCM, therefore the Group's investment is accounted for as a joint venture.

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

	2008 £m
Current assets	**16.4**
Long-term assets	**0.7**
Current liabilities	**(15.8)**
Long-term liabilities	**(1.1)**
Net assets	**0.2**
Income	**28.2**
Expenses	**(28.0)**
Net profit	**0.2**

12 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	25 December 2008 £m	27 December 2007 £m	**25 December 2008 £m**	27 December 2007 £m	**25 December 2008 £m**	27 December 2007 £m
Property, plant and equipment	**7.3**	10.3	**(3.3)**	(4.9)	**4.0**	5.4
Intangible assets	**–**	–	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Employee benefits	**0.9**	0.7	**–**	–	**0.9**	0.7
Reverse premiums	**3.1**	2.9	**–**	–	**3.1**	2.9
Effect of straight-lining operating lease accruals	**7.8**	7.5	**–**	–	**7.8**	7.5
Interest rate swap	**1.1**	–	**–**	–	**1.1**	–
Tax assets/(liabilities)	**20.2**	21.4	**(3.5)**	(5.1)	**16.7**	16.3
Set off tax	**(1.6)**	(1.6)	**1.6**	1.6	**–**	–
Net tax assets/(liabilities)	**18.6**	19.8	**(1.9)**	(3.5)	**16.7**	16.3

See note 8 for details of unrecognised tax assets.

Deferred taxation provided for in the financial statements at the year end represents provision at 28% (2007: 28%) on the above items.

A review of the deferred tax will be performed at each balance date and adjustments made in the event of a change in any key assumptions.

Deferred tax assets and liabilities are attributable to the following:

	27 December 2007 £m	Recognised in income £m	Recognised in equity £m	**25 December 2008 £m**
Property, plant and equipment	5.4	(1.4)	–	**4.0**
Intangible assets	(0.2)	–	–	**(0.2)**
Employee benefits	0.7	(0.2)	0.4	**0.9**
Reverse premiums	2.9	0.2	–	**3.1**
Effect of straight-lining operating lease accruals	7.5	0.3	–	**7.8**
Interest rate swap	–	–	1.1	**1.1**
Tax assets/(liabilities)	16.3	(1.1)	1.5	**16.7**

	28 December 2006 £m	Recognised in income £m	Recognised in equity £m	27 December 2007 £m
Property, plant and equipment	(4.9)	10.3	–	5.4
Intangible assets	(0.6)	0.4	–	(0.2)
Employee benefits	1.4	(0.5)	(0.2)	0.7
Reverse premiums	–	2.9	–	2.9
Effect of straight-lining operating lease accruals	–	7.5	–	7.5
Interest rate swap	5.5	(5.5)	–	–
Tax assets/(liabilities)	1.4	15.1	(0.2)	16.3

NOTES

to the consolidated financial statements (forming part of the financial statements)

13 INVENTORIES

	25 December 2008 £m	27 December 2007 £m
Goods for resale	**1.7**	1.5
	1.7	1.5

14 TRADE AND OTHER RECEIVABLES

Current

	25 December 2008 £m	27 December 2007 £m
Trade receivables	**2.2**	1.4
Other receivables	**0.7**	1.2
Loan to jointly controlled entity	**0.5**	–
Prepayments and accrued income	**18.5**	15.2
	21.9	17.8

Non-current

	25 December 2008 £m	27 December 2007 £m
Land lease premiums	**0.9**	0.9
	0.9	0.9

Land lease premiums are being amortised over the lives of the leases.

15 INTEREST-BEARING LOANS AND BORROWINGS AND OTHER FINANCIAL LIABILITIES

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	25 December 2008 £m	27 December 2007 £m
Non-current liabilities		
Interest rate swaps	**2.7**	–
Secured bank loans, less issue costs of debt to be amortised	**110.5**	119.2
Liabilities under finance leases	**6.4**	6.4
	119.6	125.6
Current liabilities		
Interest rate swaps	**1.5**	0.2
Secured bank loans, less issue costs of debt to be amortised	**8.6**	8.5
Liabilities under finance leases	**0.5**	0.5
	10.6	9.2

The terms and conditions of outstanding loans were as follows:

				25 December 2008		27 December 2007	
	Currency	Nominal interest rate	Year of maturity	**Face value**	**Carrying amount**	Face value	Carrying amount
Secured bank loan	GBP	LIBOR + 0.95%	2012	**120.0**	**119.1**	129.0	127.7
Finance lease liability	GBP	7.2%	2029	**6.9**	**6.9**	6.9	6.9
Total interest-bearing liabilities				**126.9**	**126.0**	135.9	134.6

On 26 April 2007 the bank loans were refinanced with a new term loan of £135m for a term of five years and interest charged at 0.95% (2007: 1.35%) above LIBOR based on the current position with respect to the covenants. The range payable above LIBOR is 0.7% – 1.35% depending on the covenant headroom. The bank loans are secured by fixed and floating charges on the assets of the Group. The balance of the loan at 25 December 2008 was £120m. In addition to the term loan, the Group has a £30m revolver which has not been drawn down.

See note 20 for bank loan maturity analysis.

NOTES

to the consolidated financial statements (forming part of the financial statements)

15 INTEREST-BEARING LOANS AND BORROWINGS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

Finance lease liabilities

The maturity of obligations under finance leases is as follows:

	25 December 2008 £m	27 December 2007 £m
Within one year	**0.5**	0.5
Between one and two years	**0.5**	0.5
In the second to fifth years	**1.7**	1.7
Over five years	**11.1**	11.6
	13.8	14.3
Less future finance charges	**(6.9)**	(7.4)
	6.9	6.9
Analysed as:		
Within one year	**0.5**	0.5
More than one year	**6.4**	6.4
	6.9	6.9

Analysis of net debt

	Cash at bank and in hand £m	Bank loans £m	Deep discounted bonds £m	Finance leases £m	Interest rate swap £m	Net debt £m
At 28 December 2006	27.7	(206.9)	(127.8)	(6.9)	(0.3)	(314.2)
Cash flows	(17.3)	79.0	54.3	0.5	–	116.5
Non-cash movement	–	0.2	73.5	(0.5)	0.1	73.3
At 27 December 2007	10.4	(127.7)	–	(6.9)	(0.2)	(124.4)
Cash flows	2.0	9.0	–	0.5	–	11.5
Non-cash movement	–	(0.4)	–	(0.5)	(4.0)	(4.9)
Effect of movement in foreign exchange rates	0.4	–	–	–	–	0.4
At 25 December 2008	**12.8**	**(119.1)**	**–**	**(6.9)**	**(4.2)**	**(117.4)**

The non-cash movements relating to bank loans represent the write-off or amortisation of bank fees previously capitalised, and those on bonds to interest accrued but not payable until the redemption of the bonds.

16 TRADE AND OTHER PAYABLES

	25 December 2008 £m	27 December 2007 £m
Current		
Trade payables	**23.2**	16.6
Other payables	**3.9**	3.3
Accruals and deferred income	**19.3**	20.3
	46.4	40.2

	25 December 2008 £m	27 December 2007 £m
Non-current		
Accruals and deferred income	**50.5**	48.0

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

17 EMPLOYEE BENEFITS

Pension plans

The Group operates two externally funded defined benefit pension schemes, one in the United Kingdom, the MGM Pension Scheme, and one in Ireland, the Adelphi-Carlton Limited Contributory Pension Plan.

The Company made contributions of £1.7m during 2008 (2007: £1.8m).

The latest actuarial valuation of the MGM Pension Scheme took place on 5 April 2006. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the scheme for IAS19 are stated further below.

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 Company. Accordingly the surplus has not been recognised.

Actuaries for Adelphi-Carlton Limited carried out the last actuarial valuation of the scheme as at 1 April 2007. Based on this assessment, the actuarial value of the assets of the scheme was more than sufficient to cover 100% of the benefits that had accrued to members. In view of this, a suspension of Company contributions was in force from 1 April 2001 to 25 December 2008. Total contributions for the 52 weeks ended 27 December 2007 and 25 December 2008 were £nil and £nil, respectively. No surplus is recognised in respect of the Adelphi-Carlton Scheme because the Company is not able to assess the surplus.

Actuarial gains and losses are recognised immediately in equity.

NOTES

to the consolidated financial statements (forming part of the financial statements)

17 EMPLOYEE BENEFITS (CONTINUED)

The net deficit in the pension scheme is:

	25 December 2008 £m	27 December 2007 £m
MGM Pension Scheme	**(2.6)**	(2.4)
Adelphi-Carlton Limited Contributory Pension Plan	**–**	–
Net deficit	**(2.6)**	(2.4)

MGM Pension Scheme

	25 December 2008 £m	27 December 2007 £m
Present value of funded defined benefit obligations	**(24.4)**	(26.6)
Fair value of plan assets	**21.8**	24.2
Deficit in scheme	**(2.6)**	(2.4)

Movements in present value of defined benefit obligation:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
At beginning of period	**(26.6)**	(26.4)
Current service cost	**(0.1)**	(0.1)
Interest cost	**(1.5)**	(1.3)
Contributions by scheme participants	**(0.1)**	(0.1)
Actuarial gain	**2.9**	0.3
Benefits paid	**1.0**	1.0
At end of period	**(24.4)**	(26.6)

Movements in fair value of plan assets

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
At start of period	**24.2**	21.8
Expected return on plan assets	**1.2**	1.1
Actuarial (losses)/gains	**(4.4)**	0.3
Contributions by employer	**1.7**	1.9
Contributions by members	**0.1**	0.1
Benefits paid	**(1.0)**	(1.0)
At end of period	**21.8**	24.2

Income/(expense) recognised in the consolidated income statement:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Current service cost	**(0.1)**	(0.1)
Interest on defined benefit pension plan obligation	**(1.5)**	(1.3)
Expected return on defined benefit pension plan assets	**1.2**	1.1
Total	**(0.4)**	(0.3)

The income/(expense) is recognised in the following line items in the consolidated income statement:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Administrative expenses	**(0.1)**	(0.1)
Financial expenses	**(1.5)**	(1.3)
Financial income	**1.2**	1.1
Total	**(0.4)**	(0.3)

Actuarial gains/(losses) recognised in equity:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Actuarial (losses)/gains recognised in the period	**(1.5)**	0.7
Cumulative amount at start of period	**2.0**	1.3
Cumulative amount at end of period	**0.5**	2.0

NOTES

to the consolidated financial statements (forming part of the financial statements)

17 EMPLOYEE BENEFITS (CONTINUED)

The fair value of the plan assets and the return on those assets were as follows:

	Long-term rate of return expected at 25 December 2008	52 week period ended 25 December 2008 £m	Long-term rate of return expected at 27 December 2007	52 week period ended 27 December 2007 £m
Equities	**7.50%**	**10.2**	8.00%	12.0
Fixed interest bonds	**4.00%**	**3.6**	4.50%	3.6
Index-linked bonds	**3.75%**	**7.8**	4.25%	8.4
Other	**2.50%**	**0.2**	5.50%	0.2
		21.8		24.2

Cineworld Cinemas Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at the accounting date.

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Expected return on scheme assets	**1.2**	1.1
Actuarial (loss)/gain	**(4.4)**	0.3
Actual return on plan assets	**(3.2)**	1.4

Principal actuarial assumptions (expressed as weighted averages):

	52 week period ended 25 December 2008 %	52 week period ended 27 December 2007 %
Inflation	**2.9**	3.4
Rate of general long-term increase in salaries	**3.9**	4.4
Rate of increase to pensions in payment	**2.3 – 3.6**	2.8 – 3.6
Discount rate for scheme liabilities	**6.3**	5.9

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.8 years if they are male and for a further 23.6 years if they are female. For a member who retires in 2018 at age 65 the assumptions are that they will live on average for a further 21.6 years after retirement if they are male and for a further 24.3 years after retirement if they are female.

History of plans

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

Balance sheet

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m	52 week period ended 28 December 2006 £m	52 week period ended 29 December 2005 £m
Present value of defined benefit obligation	**(24.4)**	(26.6)	(26.4)	(28.2)
Fair value of plan assets	**21.8**	24.2	21.8	20.9
Deficit	**(2.6)**	(2.4)	(4.6)	(7.3)

Experience adjustments

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m	52 week period ended 28 December 2006 £m	52 week period ended 29 December 2005 £m
Experience adjustments on plan assets	**(4.4)**	0.3	0.3	1.9
Experience adjustments on plan liabilities	**–**	–	0.1	(0.1)
Losses in change in actuarial assumptions	**–**	–	–	(3.3)

The Group expects to contribute approximately £1.6m to its defined benefit plans in the next financial period.

Adelphi-Carlton Limited Contributory Pension Plan

	25 December 2008 £m	27 December 2007 £m
Present value of funded defined benefit obligations	**(1.3)**	(1.0)
Fair value of plan assets	**1.9**	1.7
Surplus in scheme	**0.6**	0.7
Irrecoverable surplus	**(0.6)**	(0.7)
	–	–

NOTES

to the consolidated financial statements (forming part of the financial statements)

17 EMPLOYEE BENEFITS (CONTINUED)

Movements in present value of defined benefit obligation:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
At beginning of period	**(1.0)**	(1.0)
Interest	**(0.1)**	–
Benefits paid	**0.1**	–
Exchange rate movement	**(0.3)**	–
At end of period	**(1.3)**	(1.0)

Movements in fair value of plan assets:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
At start of period	**1.7**	1.7
Expected return on plan assets	**0.1**	–
Actuarial loss	**(0.4)**	–
Benefits paid	**(0.1)**	–
Exchange adjustments	**0.6**	–
At end of period	**1.9**	1.7

Expense recognised in the consolidated income statement:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Expected return on defined benefit pension plan assets	**–**	–
Total	**–**	–

The income is recognised in the following line items in the consolidated income statement:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Financial income	**–**	–
	–	–

Actuarial gains recognised directly in equity:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Actuarial gains recognised in the period	–	–
Cumulative amount at start of period	**0.1**	0.1
Cumulative amount at end of period	**0.1**	0.1

The fair value of the plan assets and the return on those assets were as follows:

	Expected rate of return	52 week period ended 25 December 2008 £m	Expected rate of return	52 week period ended 27 December 2007 £m
Equities	**7.70%**	**0.4**	7.50%	0.6
Property	**6.00%**	**0.1**	6.10%	0.1
Corporate bonds	**5.00%**	**1.4**	4.70%	1.0
Other	**3.00%**	**0.0**	–	–
		1.9		1.7

Actual return on plan assets:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Expected return on scheme assets	**0.1**	–
Actuarial loss	**(0.4)**	–
Actual return on plan assets	**(0.3)**	–

NOTES

to the consolidated financial statements (forming part of the financial statements)

17 EMPLOYEE BENEFITS (CONTINUED)

Principal actuarial assumptions (expressed as weighted averages):

	52 week period ended 25 December 2008 %	52 week period ended 27 December 2007 %
Inflation rate	**1.75**	2.50
Discount rate	**5.00**	5.25
Expected rate of return on plan assets	**5.54**	5.73
Rate of pension increases in payment	**3.00**	3.00
Rate of pension increases in deferment	**1.75**	2.25
Material demographic assumptions	**110% PNFA00 and 110 % PNMA00 with 1.25% p.a. future mortality improvements**	PMA92c10 for males PFA92c10 for females

History of plans

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

Balance sheet

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m	52 week period ended 28 December 2006 £m	52 week period ended 29 December 2005 £m
Present value of defined benefit obligation	**(1.3)**	(1.0)	(1.0)	(1.1)
Fair value of plan assets	**1.9**	1.7	1.7	1.7
Surplus	**0.6**	0.7	0.7	0.6
Irrecoverable surplus	**(0.6)**	(0.7)	(0.7)	(0.6)
	–	–	–	–

Experience adjustments

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m	52 week period ended 28 December 2006 £m	52 week period ended 29 December 2005 £m
Experience adjustments on plan assets	**(0.4)**	–	–	0.2
Experience adjustments on plan liabilities	**–**	–	–	–
Gains/(losses) on change in actuarial assumptions	**–**	–	0.1	(0.1)

The Group expects to contribute approximately £nil to the Adelphi-Carlton defined benefit plans in the next financial year.

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £0.3m (2007: £0.3m).

Share-based payments

Employee Sharesave Scheme – period ended 27 December 2007

On 9 October 2007 the Company approved a Sharesave Scheme open to all UK-based employees. 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. No performance conditions apply. Awards were granted to 213 employees over 348,168 shares on 3 November 2007 at a market price of £1.63.

The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The shares were valued using the Black Scholes Model. A charge of £nil was recorded in the income statement for the period.

Employee Sharesave Scheme – period ended 25 December 2008

A further grant was made under the Sharesave Scheme in 2008. Awards were granted to 143 employees over 559,011 shares on 31 October 2008.

The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The shares were valued using the Black Scholes Model. A charge of £35,000 was recorded in the income statement for the period in respect of both the 2007 and 2008 Sharesave Scheme grants.

The Cineworld Group Performance Share Plan ("PSP")

Under the PSP, awards of conditional shares can be made that vest after three years subject to continued employment and the achievement of specified performance conditions as follows:

- 30% of the shares under the award will vest if the average annual growth in earnings per share ("EPS") (calculated by comparing the EPS for the financial year ended 27 December 2007 and the EPS for the financial year ending 30 December 2010) is not less than 3.2%.
- 100% of the shares under the award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 27 December 2007 and the EPS for the financial year ending 30 December 2010) is at least 9.2%.
- Where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 27 December 2007 and the EPS for the financial year ending 30 December 2010) is between the two limits above, the award shall vest on a straight-line basis between 30% and 100%.

On 20 March 2008 awards were granted under the PSP over 412,650 shares of which 11,538 lapsed and 401,112 were outstanding as at 25 December 2008. The shares were valued using the Black Scholes Model. A charge of £66,000 was recorded in the income statement in respect of shares granted under the PSP.

NOTES

to the consolidated financial statements (forming part of the financial statements)

17 EMPLOYEE BENEFITS (CONTINUED)

The number and weighted average exercise prices of share options in equity settled schemes are as follows:

	Weighted average exercise price 2008 Equity settled	Number of options 2008 Equity settled	Weighted average exercise price 2007 Equity settled	Number of options 2007 Equity settled	Weighted average exercise price 2007 Cash settled	Number of options 2007 Cash settled
Outstanding at the beginning of the year	**1.63**	**348,168**	–	14,031[1]	–	3,755
Exercised during the year	**–**	**–**	–	(14,031)	–	(3,755)
Granted during the year	**0.54**	**960,011**	1.63	348,168[2]	–	–
Lapsed during the year	**1.63**	**(222,360)**	–	–	–	–
Outstanding at the end of the year	**0.67**	**1,085,819**	1.63	348,168	–	–
Exercisable at the end of the year	**–**	**–**	–	–	–	–

The average share price during 2008 was £1.18.

Assumptions relating to grants of share options in 2008 were:

Scheme name	Date of grant	Share price at grant (£)	Exercise price (£)	Expected volatility (%)	Expected life (years)	Dividend yield (%)	Risk-free rate (%)	Fair value (£)
Sharesave Scheme	31 October 2008	1.04	0.93	56	3.25	9.0	2.87	0.28
PSP	20 March 2008	1.30	Nil	56	3.0	9.0	2.87	0.99

The total expenses recognised for the period arising from share-based payments are as follows:

	52 week period ended 25 December 2008 £m	52 week period ended 27 December 2007 £m
Equity-settled share-based payment expense	**0.1**	0.5
Share-based payments expenses	**0.1**	0.5

The £0.5m equity-settled share-based payment expense in 2007 relates to 1,383 shares held by the trustees of the Cineworld Employee Benefit Trust. On IPO these shares were converted to 276,600 ordinary shares, as a result of the share split, and were gifted to senior managers of the Group. An expense has been recognised for the market value of the shares.

(1) Pre-IPO shares

(2) Post-IPO shares

18 PROVISIONS

	Property provisions £m
Balance at 26 December 2006	18.3
Utilised	(3.4)
Balance at 27 December 2007	**14.9**
Non-current	13.4
Current	1.5
Balance at 27 December 2007	14.9
Provisions (released) during the period	(0.3)
Utilised	(2.1)
Balance at 25 December 2008	**12.5**
Non-current	10.4
Current	2.1
Total	**12.5**

Property provisions relate to onerous leases, dilapidations and other property liabilities. The provision for onerous leases covers the rent payable on particular cinema sites that is 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 life depending on the term of the lease. The discount rate used was 11.8%. The utilisation of the provision is net of the unwinding of the discount on onerous leases of £0.6m (2007: £0.8m).

NOTES

to the consolidated financial statements (forming part of the financial statements)

19 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

52 weeks ended 27 December 2007 and 52 weeks ended 25 December 2008:

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained deficit £m	Total £m
At 28 December 2006	–	–	0.4	–	(64.1)	(63.7)
Profit for the period	–	–	–	–	25.7	25.7
Actuarial gain on defined benefit pension scheme	–	–	–	–	0.7	0.7
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	(0.2)	(0.2)
Dividends paid in the period	–	–	–	–	(4.3)	(4.3)
Shares issued, net of related costs	0.6	93.5	–	–	–	94.1
Bonds converted to shares	0.5	77.9		–	–	78.4
Bonus share issue	0.3	–	–	–	–	0.3
Reversal of accrual relating to cash-settled shares	–	–	–	–	1.8	1.8
Movement in fair value of cash flow hedge	–	–	–	(0.2)	–	(0.2)
At 27 December 2007	1.4	171.4	0.4	(0.2)	(40.4)	132.6
Profit for the period	–	–	–	–	20.2	20.2
Actuarial loss on defined benefit pension scheme	–	–	–	–	(1.5)	(1.5)
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	1.5	1.5
Dividends paid in the period	–	–	–	–	(13.7)	(13.7)
Movement in fair value of cash flow hedge	–	–	–	(4.0)	–	(4.0)
Movements due to share-based compensation	–	–	–	–	0.1	0.1
Retranslation of foreign currency denominated subsidiaries	–	–	1.7	–	–	1.7
At 25 December 2008	**1.4**	**171.4**	**2.1**	**(4.2)**	**(33.8)**	**136.9**

Share capital

	25 December 2008 £m	27 December 2007 £m
Cineworld Group plc		
Authorised		
200,000,000 ordinary shares of £0.01 each	**2.0**	2.0
Allotted, called up and fully paid		
141,721,509 ordinary shares of £0.01 each	**1.4**	1.4

On 26 April 2007 the authorised share capital was increased from £50,017.15 to £2,048,272 by the creation of 199,826,485 ordinary shares.

On admission to the London Stock Exchange on 2 May 2007, the Company made the following share issues:

- 61,381,075 shares in connection with the global offer
- 45,777,434 shares in connection with the conversion of outstanding bonds
- 34,390,185 bonus shares on the existing shares (on the basis of 199 new shares for every existing one share)

48,272 redeemable preference shares of £1 each were redeemed and cancelled from the Company's authorised share capital on 2 May 2007.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve
The hedging reserve comprises the liability in relation to the interest rate swap entered into to hedge against variable interest payments on £62.5m (2007: £67.5m) of the total £120.0m (£129.0m) of bank debt. As hedge accounting has been adopted the gains/losses are recorded through equity until such time as the cash flows being hedged occur, when they are recycled to the income statement.

Dividends
The following dividends were recognised during the period:

	2008 £m	2007 £m
Interim	**4.5**	4.3
Final (for the period ended 27 December 2007)	**9.2**	–
	13.7	4.3

An interim dividend of 3.2p per share was paid on 3 October 2008 to ordinary shareholders (2007: 3.9p). The Board has proposed a final dividend of 6.3p per share payable on 17 June 2009. In accordance with IAS10 this had not been recognised as a liability at 25 December 2008.

20 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 Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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.

NOTES

to the consolidated financial statements (forming part of the financial statements)

20 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's credit risk is primarily attributable to its trade receivables. However, due to the nature of the Group's business, trade receivables are not significant, which limits the related credit risk. The Group's trade receivables are disclosed in note 14. Of the total balance of £2.2m (2007: £1.4m) due 78.6% (2007: 60.6%) are within credit terms. The trade receivables balance is stated net of a provision for doubtful debts of £0.3m in 2007, which was released in 2008. Based on past experience the Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due. The credit risk on liquid funds and derivative financial instruments is also limited because the counterparties are banks with high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition to the financial liabilities set out in the table below, the Group has a £30m revolver facility with Barclays Bank available to May 2012, which to date has not been drawn on.

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 so will not always reconcile with the amounts disclosed on the balance sheet.

25 December 2008

	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 – 12 months £m	1 – 2 years £m	2 – 5 years £m	More than 5 years £m
Non-derivative financial liabilities							
Secured bank loans	119.1	(120.0)	(4.5)	(4.5)	(9.0)	(102.0)	–
Finance lease liabilities	6.9	(13.8)	(0.2)	(0.3)	(0.5)	(1.7)	(11.1)
Trade and other payables	23.2	(23.2)	(23.2)	–	–	–	–
Derivative financial liabilities							
Interest rate swaps used for hedging	4.2	(5.3)	(0.7)	(0.8)	(1.5)	(2.3)	–
	153.4	(162.3)	(28.6)	(5.6)	(11.0)	(106.0)	(11.1)

The secured bank loan is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges and rent.

27 December 2007

	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 – 12 months £m	1 – 2 years £m	2 – 5 years £m	More than 5 years £m
Non-derivative financial liabilities							
Secured bank loans	127.7	(129.0)	(4.5)	(4.5)	(9.0)	(111.0)	–
Finance lease liabilities	6.9	(14.7)	(0.2)	(0.3)	(0.5)	(1.7)	(12.0)
Trade and other payables	19.9	(19.9)	(19.9)	–	–	–	–
Derivative financial liabilities							
Interest rate swaps used for hedging	0.2	(0.2)	–	–	–	(0.2)	–
	154.7	(163.8)	(24.6)	(4.8)	(9.5)	(112.9)	(12.0)

Cash flow hedges

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

2008

	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
Interest rate swaps:							
Liabilities	(4.2)	(4.2)	(0.7)	(0.8)	(1.5)	(1.2)	–

2007

	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
Interest rate swaps:							
Liabilities	(0.2)	(0.2)	–	–	–	(0.2)	–

It is expected that the expected cash flows will impact profit and loss when the cash flows occur.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The majority of the Group's operations are in the United Kingdom and hence for these operations there is no exposure to foreign currency risk other than in respect of certain purchases that may be denominated in currencies other than sterling. In addition there is an operation in Ireland where non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in euro rates. However, the exposure is limited as euro operations are not significant. A 10% increase/(decrease) in the value of €1 against sterling would increase/decrease the profit before tax for 2008 by approximately £205,000 (2007: £132,000).

Interest rate risk

The Group's policy is to manage its cost of borrowing by securing fixed interest rates on a portion of its term loan.

Whilst fixed-rate interest-bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling.

In addition, the fair value risk inherent in fixed-rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process.

The Group uses interest rate swaps agreed with other parties to hedge a portion of its bank loans that have variable interest rates. Interest rate swaps are measured at fair value, which have been calculated by discounting the expected future cash flows at prevailing interest rates.

At the period end the Group had one interest rate swap which hedged 51.9% (2007: 52.3%) of the Group's variable rate secured bank debt.

NOTES

to the consolidated financial statements (forming part of the financial statements)

20 FINANCIAL INSTRUMENTS (CONTINUED)

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2008	2007
Fixed rates instruments		
Financial liabilities (interest rate swap)	**(4.2)**	(0.2)
Financial liabilities (secured bank loans)	**(62.3)**	(67.5)
	(66.5)	(67.7)
Variable rate instruments		
Financial liabilities (secured bank loans)	**(57.7)**	(61.5)

£62.3m (2007: £67.5m) of the variable rate financial liability is hedged via the interest rate swap with the balance attracting a variable interest rate.

Fair value sensitivity analysis for fixed-rate instruments

The Group accounts for fixed-rate derivative financial instruments (interest rate swaps) at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged. Hedge accounting has been adopted for the year ended 27 December 2007 on the swap taken out in May 2007.

A change of 100 basis points in interest rates would have increased equity by £1.8m or decreased equity by £1.8m (2007: increase £2.1m, decrease £2.2m) and would have increased or decreased profit or loss by £nil (2007: £nil).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
Effect in GBP thousands	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
25 December 2008				
Variable rate instruments	**(1,287)**	**1,287**	**–**	**–**
Interest rate swap	**643**	**(643)**	**–**	**–**
Cash flow sensitivity (net)	**(644)**	**644**	**–**	**–**
27 December 2007				
Variable rate instruments	(1,584)	1,584	–	–
Interest rate swap	989	(989)	–	–
Cash flow sensitivity (net)	(595)	595	–	–

Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

Short-term debtors and creditors have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

	Carrying amount 25 December 2008 £m	Fair value 25 December 2008 £m	Carrying amount 27 December 2007 £m	Fair value 27 December 2007 £m
Cash and cash equivalents	**(12.8)**	**(12.8)**	(10.4)	(10.4)
Secured bank loans	**119.1**	**120.0**	127.7	129.0
Finance lease liabilities	**6.9**	**6.9**	6.9	6.9
Interest rate swaps	**4.2**	**4.2**	0.2	0.2
	117.4	**118.3**	124.4	125.7

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 secured bank loans is stated net of debt issuance costs and the fair value is stated gross of debt issuance costs and is calculated using the market interest rates.

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 25 December 2008 and 27 December 2007. 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 debt which includes borrowings disclosed above, cash and cash equivalents and equity attributable to equity holders of the parent company, as disclosed in note 15. 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.

21 OPERATING LEASES

Non-cancellable operating lease rentals commitments are as follows:

	Land and buildings £m	Other £m	25 December 2008 £m	Land and buildings £m	Other £m	27 December 2007 £m
Less than one year	**41.8**	**0.4**	**42.2**	40.2	0.3	40.5
Between one and five years	**169.7**	**1.8**	**171.5**	164.4	1.4	165.8
More than five years	**587.4**	**–**	**587.4**	604.0	–	604.0
	798.9	**2.2**	**801.1**	808.6	1.7	810.3

NOTES

to the consolidated financial statements (forming part of the financial statements)

22 CAPITAL COMMITMENTS

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

	25 December 2008 £m	27 December 2007 £m
Contracted	4.0	6.7

23 RELATED PARTIES

The compensation of key management personnel (including the Directors) is as follows:

	Salary and fees including bonus £'000s	Compensation for loss of office £'000s	Pension contributions £'000s	Total £'000s
52 weeks ended 25 December 2008				
Total compensation for key management personnel (including the Directors)	1,688	–	142	1,830

	Salary and fees including bonus £'000s	Compensation for loss of office £'000s	Pension contributions £'000s	Total £'000s
52 weeks ended 27 December 2007				
Total compensation for key management personnel (including the Directors)	2,292	–	120	2,412

M Tooth and L Guffey are Directors appointed by Blackstone, a major shareholder. Their Directors' fees of £30,250 and £30,250 respectively are payable to Blackstone.

Share-based compensation benefit charges for key management personnel (including Directors' was £0.1m in 2008 (2007: £0.5m).

Other related party transactions

52 week period ended 25 December 2008

Digital Cinema Media ("DCM") is a joint venture between the Group and Odeon Cinemas Holdings Limited set up in 2008. Revenue received from DCM in the year totalled £7,361,000 and as at the year end £2,161,000 was due from DCM in respect of trade receivables. In addition the Group has a working capital loan outstanding from DCM of £500,000. The Group has guaranteed £3,000,000 of DCM's bank debt payable to Royal Bank of Scotland. The Group does not consider it is probable that it will be called on under the terms of the guarantee.

52 week period ended 27 December 2007

Included in the results for the period were amounts paid to the Blackstone Shareholders in respect of management fees of £1,169,956 and interest of £4,245,099 on the deep discounted bonds. These bonds were redeemed in cash at carrying amount on IPO in 2007.

S Wiener had 10% interest-bearing loan notes (nominal value of £699,998) which accrued interest of £23,139 during the period. These loan notes were redeemed in cash at carrying amount upon IPO for an amount of £895,564.

P Stefka had 10% interest-bearing loan notes (nominal value of £99,998) which accrued interest of £2,091 during the period. These loan notes were redeemed in cash at carrying amount upon IPO for an amount of £127,937.

R Jones had 10% interest-bearing loan notes (nominal value of £99,998) which accrued interest of £2,091 during the period. These loan notes were redeemed in cash at carrying amount upon IPO for an amount of £127,937.

A Alvarez had 10% interest-bearing loan notes (nominal value of £99,998) which accrued interest of £2,091 during the period. These loan notes were redeemed in cash at carrying amount upon IPO for an amount of £127,937.

COMPANY BALANCE SHEET

at 25 December 2008

	Note	25 December 2008 £'000s	25 December 2008 £'000s	27 December 2007 £'000s	27 December 2007 £'000s
Fixed assets					
Investments	26		**131,349**		131,248
Current assets					
Debtors	27	**93,667**		70,298	
Cash at bank		**3,006**		–	
		96,673		70,298	
Creditors: amount falling due within one year	28	**(37,514)**		(17,444)	
Net current assets			**59,159**		52,854
Net assets			**190,508**		184,102
Capital and reserves					
Called up share capital	29		**1,417**		1,417
Share premium account	29		**171,354**		171,354
Profit and loss account	29		**17,737**		11,331
Shareholders' funds – equity			**190,508**		184,102

These financial statements were approved by the Board of Directors on 12 March 2009 and were signed on its behalf by:

S M Wiener
Director

R D Jones
Director

COMPANY RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the period ended 25 December 2008

	Note	52 week period ended 25 December 2008 £'000s	52 week period ended 27 December 2007 £'000s
Profit for the period		**20,052**	17,651
Issue of shares at nominal value		–	1,415
Cancellation of shares		–	(48)
Share premium		–	171,354
Dividends paid during the year	29	**(13,747)**	(4,252)
Equity instruments granted	29	**101**	–
Share-based payments		–	1,695
Net increase in shareholders' funds		**6,406**	187,815
Opening shareholders' funds/(deficit)		**184,102**	(3,713)
Closing shareholders' funds		**190,508**	184,102

NOTES

to the Company financial statements

24 ACCOUNTING POLICIES

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

Basis of preparation

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

The Directors have reviewed the Group's projected working capital requirements and fixed asset expenditure and believe that the Company has sufficient funding for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are principally set out in the review of the business contained in the Business Review in the Directors' Report including the Risks and Uncertainties section on pages 8 to 9. 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 6 to 7. In addition note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk managements objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Board remains satisfied with the Group's funding and liquidity position. As highlighted in note 20 to the financial statements, the Group meets its day-to-day working capital requirements through its bank facilities which consist of a £120m term loan plus £30m revolver which matures in 2012.

The bank facility is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges and rent. Forecasts reviewed by the Board, including forecasts sensitised for adverse trading conditions, show continued compliance with these covenants.

On the basis of its forecasts, both the base case and sensitised as described above, and available bank facilities, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Under Section 230 (4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its cash flows are included within the consolidated financial statements of Cineworld Group plc.

The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Cineworld Group where the Group controls 90% or more of the voting rights.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

Impairment

The Group evaluates its investments for financial impairment where events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, an impairment in value is recorded.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

24 ACCOUNTING POLICIES (CONTINUED)

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Share-based payment transactions

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

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

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to or reimbursed by the subsidiary are recognised as a reduction in the cost of investment in subsidiary.

Own shares held by Employee Benefit Trust ("EBT")

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

25 STAFF NUMBER AND COSTS

The Company has no employees; however it bears total Non-Executive Directors and company secretarial fees of £278,000. See pages 26 to 31 for details of Directors' emoluments.

26 FIXED ASSET INVESTMENTS

Company	Share in Group undertaking £'000s
Balance at 27 December 2007	131,248
Additions	101
Balance at 25 December 2008	**131,349**
Net book value	
At 27 December 2007	131,248
At 25 December 2008	**131,349**

For details of £101,000 addition to investment see note 29.

	Country of incorporation	Principal activity	Class and % of shares held	
Subsidiary undertakings				
Directly held				
Augustus 1 Limited	England & Wales	Holding company	Ordinary	100
Indirectly held				
Augustus 2 Limited	England & Wales	Holding company	Ordinary	100
Cineworld Group Limited	England & Wales	Holding company	Ordinary	100
Cine-UK Limited	England & Wales	Cinema operation	Ordinary	100
Cineworld Cinemas Holdings Limited	England & Wales	Holding company	Ordinary	100
Cineworld Cinemas Limited	England & Wales	Holding company and cinema operation	Ordinary	100
Cineworld Finance Limited	England & Wales	Dormant	Ordinary	100
Cineworld Estates Limited	England & Wales	Cinema property leasing	Ordinary	100
Cineworld South East Cinemas Limited	England & Wales	Holding company	Ordinary	100
Cineworld Exhibition Limited	England & Wales	Dormant	Ordinary	100
Gallery Holdings Limited	England & Wales	Holding company	Ordinary	100
			"A" Ordinary	100
			Preference	100
Gallery Cinemas Limited	England & Wales	Dormant	Ordinary	100
Slough Movie Centre Limited	England & Wales	Dormant	Ordinary	100
Adelphi-Carlton Limited	Eire	Cinema operation	Ordinary	100
Cineworld Cinema Properties Limited	England & Wales	Property company	Ordinary	100
Cineworld Elite Pictures Theatre (Nottingham) Limited	England & Wales	Non-trading	Ordinary	98.2
			Cum 5% Pref	99.6
Classic Cinemas Limited	England & Wales	Retail services company	Ordinary	100
Computicket Limited	England & Wales	Dormant	Ordinary	100
Digital Cinema Media Limited	England & Wales	Screen advertising	Ordinary	50

NOTES

to the Company financial statements

27 DEBTORS

	25 December 2008 £'000s	27 December 2007 £'000s
Amounts due from subsidiary undertakings	**93,667**	70,298
	93,667	70,298

28 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	25 December 2008 £'000s	27 December 2007 £'000s
Amounts due to subsidiary undertakings	**(37,296)**	(17,444)
Corporation tax payable	**(218)**	–
	(37,514)	(17,444)

29 SHARE CAPITAL AND RESERVES

	Share capital £'000s	Share premium account £'000s	Profit and loss account £'000s	Total £'000s
At 27 December 2007	1,417	171,354	11,331	184,102
Profit for the period			20,052	20,052
Dividends paid during the year	–	–	(13,747)	(13,747)
Equity instruments granted	–	–	101	101
At 25 December 2008	**1,417**	**171,354**	**17,737**	**190,508**

Share premium is stated net of share issue costs.

Equity instruments granted of £101,000 represents the fair value of share options granted to employees of subsidiary undertakings. There is a corresponding increase in investments: see note 26.

This element of the profit and loss reserve is not distributable

30 SHARE-BASED PAYMENTS

See note 17 of the Group financial statements.

SHAREHOLDER INFORMATION

DIRECTORS

A H Bloom (Non-Executive Director and Chairman)
L Guffey (Non-Executive Director and Deputy Chairman)
S Wiener (Chief Executive Officer)
R Jones (Chief Financial Officer)
D Maloney (Non-Executive Director and Senior Independent Director)
T McGrath (Non-Executive Director)
M Tooth (Non-Executive Director)
P Williams (Non-Executive Director)

REGISTERED AND HEAD OFFICE

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TELEPHONE NUMBER

020 8987 5000

WEBSITE

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www.cineworldplc.com

COMPANY NUMBER

Registered Number: 5212407

REGISTRAR

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Huddersfield HD8 0GA

AUDITORS

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

FINAL DIVIDEND – 2008

Announcement	12 March 2009
Ex dividend	20 May 2009
Record date	22 May 2009
Payment date	17 June 2009

FINANCIAL ADVISER AND BROKER

J P Morgan Cazenove Limited
20 Moorgate
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LEGAL ADVISERS TO THE COMPANY

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PLACE OF INCORPORATION

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