Cineworld Group plc
Annual Report and Accounts 2009

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Highlights 2009

Financial

- Group revenue up 11.5% to £333.4m, up 9.4% on a pro rated 52 week basis (2008: £298.9m);
- EBITDA* up 5.1% to £55.7m (2008: £53.0m);
- Operating profit increased to £39.6m (2008: £38.3m);
- Profit on ordinary activities before tax up 11.6% to £30.8m (2008: £27.6m);
- Cash generated from operations increased to £54.6m (2008: £48.4m);
- Net debt reduced to £104.3m (2008: £117.4m);
- Reported EPS†: 14.4p (2008: 14.3p); adjusted pro forma EPS 16.2p (based on 52 week adjusted pro forma earnings) (2008: 14.6p);
- Proposed final dividend of 6.8p per share increases proposed full year dividend to 10.0p per share (2008: 9.5p per share).

Operational

- Box office up 16.9% at £230.9m, up 14.7% on a pro rated 52 week basis (2008: £197.5m);
- Admissions increased by 8.9% to 49.1m, 6.9% on a pro rated 52 week basis (2008: 45.1m);
- Average ticket price per admission up 7.5% to £4.71 (2008: £4.38);
- Average retail spend per person held firm at £1.72 (2008: £1.71);
- Market share at 23.9% (2008: 23.3%) (source: EDI Neilsen);
- New cinema openings at Aberdeen (10 screens) and Witney (five screens);
- Digital Cinema Media ("DCM") had a challenging year, in line with the wider advertising industry.

Key Performance Indicators ("KPIs")

Admissions (Millions) **+8.9%**

Year	Value	Change
07	45.0	
08	45.1	
09	48.2	+6.9%
09	**49.1**	**+8.9%**

Box office revenue (£m) **+16.9%**

Year	Value	Change
07	185.7	
08	197.5	
09	226.5	+14.7%
09	**230.9**	**+16.9%**

Average ticket price (£) **+7.5%**

Year	Value	Change
07	4.12	
08	4.38	
09	4.71	+7.5%
09	**4.71**	**+7.5%**

Retail spend per customer (£) **+0.5%**

Year	Value	Change
07	1.67	
08	1.71	
09	1.72	+0.5%
09	**1.72**	**+0.5%**

EBITDA (£m) **+5.1%**

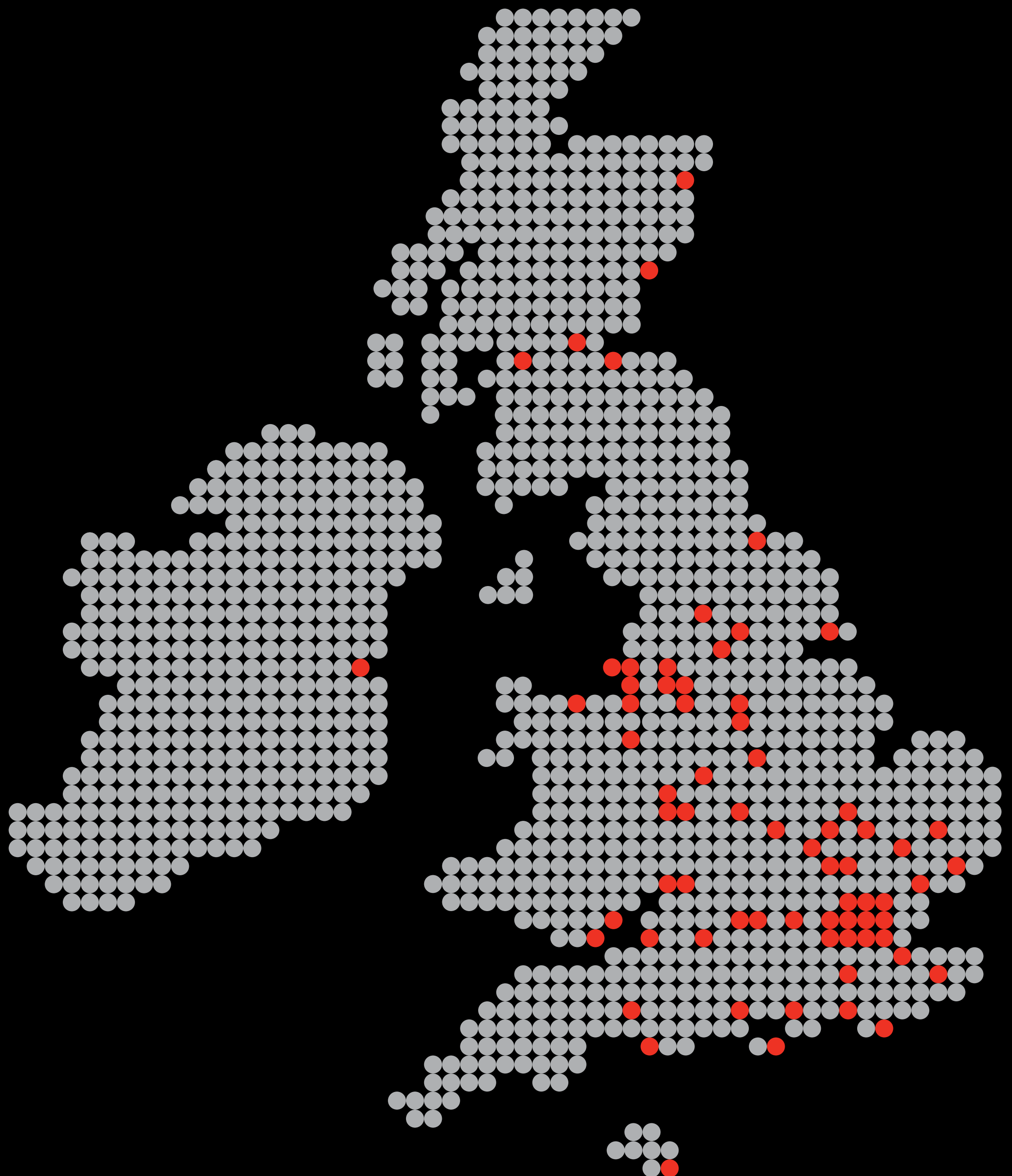
Year	Value	Change
07	52.0	
08	53.0	
09	54.6	+3.0%
09	**55.7**	**+5.1%**

52 week period
53 week period (shown in bold)

* EBITDA is defined as per the financial performance section of the Chief Executive and Chief Financial Officers' Review.
† Based on weighted average number of shares in the period of 141.7m. See Note 5 to the financial statements for calculations.

A Real Cinema Experience

THE BIG PICTURE



2009 was another good year for Cineworld...

Cineworld Group was founded in 1995 and is now one of the leading cinema groups in the UK and Ireland. We are dedicated to ensuring that all aspects of every visit are memorable – unparalleled quality of service, great shows, comfortable seating and tempting retail offers.

With 77 cinemas, Cineworld offers a range of exceptional venues for corporate or private events. Our state-of-the-art digital projection facilities can display any type of media, from PowerPoint presentations to feature films. With stadium seating and capacity ranging from 15 to over 500 seats, Cineworld can offer the perfect size venue for every audience.

We continue to lead the way in digital and 3D technology. Cineworld currently has one of the largest number of digital projectors across the UK – showcasing 3D, live sport, live opera, interactive gaming or corporate presentations. All our theatres offer excellent facilities and have full disabled access.

790
screens

77
cinemas

Chairman's Statement

Anthony Bloom
Chairman

The strong performance in 2009 confirmed the robust cash generative nature of our business.

I am pleased to report that Cineworld has delivered another successful year with strong growth in revenue and profitability and an increase in box office market share, even though 2009 was an extremely challenging year from an economic point of view. The strong performance in 2009 confirmed the robust cash generative nature of our business, resulted in record figures and is enabling us to propose an increased dividend.

Total revenues increased by 11.5% to £333.4m and Adjusted pro forma Earnings Per Share grew to 16.2p, an increase of 11.0% compared to the previous year. As our Balance Sheet is strong and with borrowings under control, the Board is pleased to be proposing an increase in the full year dividend to a record 10.0p per share (2008: 9.5p).

2009 was also an important year for the cinema industry in the UK which saw a major step forward in the use of digital media, evidenced by the well publicised success of 3D films. Current 3D technology, which has advanced immeasurably since the much derided technology of past, was quickly accepted by cinema goers and, I believe, has ushered in a new era for the cinema industry. Thirteen 3D films were released in 2009, compared to only four in 2008 and the expectation is that there will be at least eighteen 3D films in 2010.

Underpinning this trend is the fact that "Avatar" has become the most successful film at the box office in the history of cinema.

The success of 3D during the year was enabled by the major conversion to digital projection within the industry. Here, Cineworld has led the way, investing in digital equipment in the early part of the year. Digital projection has also facilitated the screening of alternative content such as opera and live theatre productions. Our other key area of expansion was the opening, in the latter part of 2009, of a 10 screen cinema in Aberdeen and a five screen cinema, in Witney, both with digital projection facilities in all auditoria. At the end of the year we operated 77 cinemas with a total of 790 screens.

The continued downturn in the wider advertising market has been well publicised, but it was nevertheless disappointing to report a significant fall in screen advertising revenues. We remain optimistic about the longer term prospects for screen advertising, in light of the opportunities afforded by our digital expansion and also from the advertising industry as a whole once demand picks up.

At the end of the year we operated 77 cinemas with a total of 790 screens.

Lawrence Guffey retired from the Board in November 2009, having served as a Non-Executive Director since December 2004 and as Deputy Chairman since April 2007. I would like to take this opportunity to thank him for his valuable contribution to the business, and to welcome Alan Roux (who was previously Lawrence Guffey's Alternate Director) to the Board. Cineworld's people are at the heart of our business and, on behalf of the Board, I would like to thank all our management and our employees for their achievements, hard work and commitment to the Company.

There is general consensus that the economic, financial and competitive environment will again be challenging during the year ahead. Nevertheless thanks to the strength of our business which we have built over the last 15 years and the continued hard work of our management and employees, we continue to look forward to the future with confidence.

Anthony Bloom
Chairman
11 March 2010

Our Strategy

The Group's primary objective is to consolidate its position as one of the leading cinema businesses in the UK and Ireland in terms of sites, screens and admissions and to improve its operating margins, thereby growing shareholder value. In order to achieve this, the Group will continue to:

- Improve its offer to its customers;
- Grow box office revenues;
- Increase retail spend per customer;
- Increase other revenue streams;
- Grow the estate through selective new openings, expansions and acquisitions;
- Look to expand into complementary markets; and
- Use technology to improve our customers' experience.

The Business Model

The key driver of our business, admissions, is derived by showing feature films in our multiplex cinemas. This, in turn, drives box office and the two other main income sources which are retail sales and third party advertising shown on our screens prior to feature presentations. The principal costs to the business are film rental and those of operating our cinemas.

Our other key area of expansion was the opening, in the latter part of 2009, of a 10 screen cinema in Aberdeen and a five screen cinema in Witney, both with digital projection facilities in all auditoria.

Market Overview

The UK and Ireland cinema market continues to be dominated by three major exhibitors; Odeon UCI, Cineworld and Vue. In total they account for over 70% of the total market box office. The rest of the market is represented by smaller multiplex chains and independents which tend to operate non-multiplex cinemas (less than five screens). This situation has remained largely constant because of the significant barriers to entry, both through acquisition and organically. The rate of new cinema openings has been falling in recent years, partly due to the limited number of new retail and leisure development opportunities and the long time it takes to bring developments to fruition. This has been exacerbated more recently due to reduced funding for developers in the present financial climate.

In 2009, box office revenue in UK and Ireland increased 11% to £1.05bn (EDI Neilsen) whilst UK admissions increased 5.5% to over 173m (CEA). This demonstrated the resilience of cinema in the economic and consumer environment, the low price of going to the cinema compared to other forms of leisure and the desire for escapism. However, underpinning the overall success was the strong line up of films and the successful introduction of films in the 3D format.

At the end of December 2009, Cineworld had one of the largest digital estates of any cinema operator in the UK.

Chief Executive and Chief Financial Officers' Review

Stephen Wiener
Chief Executive Officer

Richard Jones
Chief Financial Officer

Cineworld's success in 2009 was underpinned by the excellent film slate as well as the successful introduction of 3D films.

Performance Overview
In the 53 week financial year box office revenue increased 16.9% to £230.9m (2008: £197.5m) or 14.7% on a 52 week basis, representing a box office market share of 23.9% (2008: 23.3%). The Group's admissions increased by an impressive 4.0m on the prior year (8.9% on a reported basis or 6.9% on a 52 week basis). Average ticket price per admission increased by 7.5% to £4.71 (2008: £4.38) largely reflecting an improved mix and the higher ticket prices charged on 3D films. Retail spend per person held firm at £1.72 (2008: £1.71).

Cineworld's success in 2009 was underpinned by the excellent film slate as well as the successful introduction of 3D films. Overall prices were higher, reflected by the higher box office revenues, due to modest general price increases and also the benefit of the price uplift from 3D admissions. Approximately 12% of market box office was from 3D for the full year, up from approximately 10% in the first half of 2009.

Box Office
A combination of strong price and admissions growth in the year enabled Cineworld's box office to increase 16.9% to £230.9m (2008: £197.5m) and achieve a box office market share of 23.9% (2008: 23.3%). On a 52 week pro rated basis for 2009, box office increased by 14.7%. By this measure, Cineworld is the number two cinema operator in the UK and Ireland, according to EDI Neilsen ("EDI" an organisation which collects, reports and analyses information on the UK and Irish cinema industry). Admissions of 49.1m

Cineworld delivered a strong financial performance for the year.

	53 week period ended 31 December 2009	Pro rated 52 week period ended 31 December 2009	52 week period ended 25 December 2008
Admissions	**49.1m**	**48.2m**	45.1m
	£m	**£m**	£m
Box office	**230.9**	**226.5**	197.5
Retail	**84.4**	**82.8**	77.0
Other	**18.1**	**17.8**	24.4
Total revenue	**333.4**	**327.1**	298.9

gave Cineworld a UK market share in admissions of 26.8% (up from 26.5% in 2008), making us the leading operator in the UK and Irish market on this basis (source: EDI). Average ticket price per admission increased 7.5% to £4.71 (2008: £4.38). The increase was partly aided by the premium pricing on 3D performances and by a larger adult audience mix during the year. The average ticket price excluding VAT of 3D was almost £5.90 compared to 2D of almost £4.54. Cineworld nevertheless continues to offer its customers compelling value with the lowest average ticket price of any of the major UK cinema groups.

There were strong performances in the year from a number of core blockbusters which included "Harry Potter and the Half Blood Prince", "Transformers: Revenge of the Fallen", "The Hangover", "Twilight Saga: New Moon" and "Star Trek". All these films performed in line with industry expectations. The 2009 film highlight of the year was "Slumdog Millionaire", a relatively unknown film released in the UK at the beginning of the year, quickly catching the attention of the film industry and cinema-going public and receiving much critical acclaim. It exceeded expectations by grossing over £30m in national box office and collected eight Oscar awards.

We played a series of operas transmitted live via satellite from the New York Metropolitan Opera, opera and ballet from The Royal Opera House and theatre productions from the National Theatre.

The year also saw 13 major films released in 3D, the most notable being "Avatar", the highest grossing film of all time with strong support from "Bolt", "Monsters Versus Aliens", "Ice Age 3: Dawn of the Dinosaurs", "UP" and "A Christmas Carol". Overall Cineworld achieved a market share of 35% in 3D films. The success of these films has helped to raise the profile of this format, which in turn has supported cinema admissions and increased box office revenues. It is particularly pleasing to see the establishment of the 3D format in mainstream cinema entertainment and, given our strong position in the provision of digital facilities, enables us to give further choice to our customers.

In line with our strategy, we have continued to offer customers the broadest range of films on the market. There were a number of small and mid range films which performed well during the year including "District 9", "Paranormal Activity" and "The Time Traveller's Wife" where we achieved higher individual market shares than our competitors. Whilst we remain the biggest exhibitor of Bollywood films in the UK with a 62% share of the UK market, the supply of product during the first half of 2009 was disrupted due to the Bollywood strike which resulted in our box office for Bollywood product falling 8% against 2008. We remain the only major chain to screen Tamil language films. In addition, we showcased a series of other successful foreign language films such as "Coco before Chanel" and "Let the Right One In" which contributed favourably to our full year results.

We made steady progress during the year in developing our alternative content offering and played a series of operas transmitted live via satellite from the New York Metropolitan Opera, opera and ballet from The Royal Opera House and theatre productions from the National Theatre. Since the year end, we have also successfully screened international rugby in 3D, further widening the choice which we are able to offer our customers.

Retail

Despite the tough consumer environment, retail spend per person has held firm in 2009 at £1.72 (2008: £1.71). This is a reflection of the competitive offers and strength of our promotions. As expected, our customers have become more value conscious given the tough economic backdrop, and we have responded with a number of value initiatives which have been successful.

During 2009, we refreshed and replaced a number of ice cream and general retail areas, adding 13 new Ben & Jerry's scoop shops and refurbished a number of other retail stands. We are also pleased to report that we have renewed long-term arrangements with Coca Cola and Candyking, continuing our partnership with these recognised brands, which will help to maintain the value of our overall offer.

We also began targeting retail promotions at specific customer groups who typically spend less on retail products. Amongst the more successful initiatives were the high value "Buy One Get One Free" Coke promotion for Orange Wednesday customers and the high value Combo packages for our Unlimited customers. The results from these and other initiatives will be used to develop our offers further during 2010.

As reported at the last set of results, we have seen increased costs on key commodities, but the business has a number of long-term fixed price agreements in place which have afforded us a degree of protection. We have also continued to develop new social and environmental initiatives and have reduced the paper used in the production of our popcorn bags, as well as sourcing healthier cooking oil.

Chief Executive and Chief Financial Officers' Review
continued

Advertising
Digital Cinema Media Limited ("DCM"), our joint venture screen advertising business formed in July 2008, had a challenging year in line with the rest of the advertising industry. Screen advertising revenues fell 38.8% against the previous year which had benefitted from two months' worth of revenue from the old Carlton Screen Advertising minimum guarantee, representing an additional £1.0m of revenue.

DCM's primary function is to sell advertising time on cinema screens on behalf of Cineworld and its other clients. It also engages in related promotional work between advertisers and cinemas. The fall in revenues generated for Cineworld against the previous year largely reflected the state of the wider advertising industry, with reduced levels of demand.

A new management team at DCM, formed during the end of 2008 and early 2009, has been driving operational efficiencies and effectiveness so that the business is well positioned to capitalise on the increased flexibility offered to advertisers via the digital format, as well as any improvements to the overall advertising market. Cineworld believes that DCM remains an exciting prospect for us to drive future growth in revenue and profitability.

Investment in Digital
At the end of December 2009, Cineworld had one of the largest digital estates of any cinema operator in the UK. Digital projection is an important part of our strategy, which enables the screening of films (2D and 3D) and other content using digital media. During the first quarter of 2009, the Group installed a further 74 digital projectors, thereby consolidating its leading position in digital. A number of existing digital projectors were also redeployed to larger auditoria, to satisfy customer demand while also maximising the financial benefits from screening 3D films. Cineworld is currently installing a further 102 digital screens bringing the total number of digital screens in the estate to 265.

The film industry thrives on technological advances and the swift adoption of 3D, with thirteen 3D films shown in 2009 and at least 18 scheduled for 2010, means the industry appears set to enjoy further growth from 3D and digital content in 2010 and beyond, with Cineworld well placed to capitalise on this trend.

Unlimited Card Programme
Our unique subscription service, Unlimited, offers a competitive value proposition to our customers. The service offers customers the opportunity to pay a fixed monthly (or annual) subscription which enables them to watch standard films at our cinemas as many times as they wish. Cineworld prides itself on being the only cinema operator in the UK and Ireland to offer this service which currently has approximately 240,000 subscribers. The service is one of the pillars which underpin our strategy of growing other revenues and admissions. It brings to the Group the financial benefits of regular subscription income and reduces the level of fluctuations in our revenues. It also brings operational benefits by encouraging repeat visits, often at off peak times. This, in turn, enables us to improve capacity utilisation at our cinemas, provide more retail opportunities and 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 2009.

Initiatives and Developments
The investment made in our consumer website in late 2008 has generated on-line sales up 13% on the previous year and recorded over 48m visits in 2009. We also launched a mobile enabled web booking service in the year to capitalise on increased use of handheld devices by our customers and their preference to book via the web rather than by telephone.

Progress continued to be made in growing the "My Cineworld" membership on our consumer website which stood at 200,000 at the end of the year, a 100% increase over the year. This is an important tool for us in engaging with our customers and in understanding how we can improve our offer to them, thereby improving customer retention and increasing visits to our cinemas. Our partnership with Tesco continues to flourish and over 200,000 admissions in 2009 were achieved through their Clubcard programme. Tesco has also invested in TV advertising to promote the ticket offer, raising Cineworld's brand profile. Our new gift card proposition was rolled out in the year and is being sold at many well known retail outlets. It replaces our existing paper based gift vouchers and will improve operational efficiencies on redemption at the tills as well as facilitate payment for our customers. Since the year end, we have expanded our marketing team to increase focus on digital related opportunities in screenings of alternative content and opportunities in the Business 2 Business sector.

Our People
Attracting, developing and retaining talented staff is important for our business. It is vital for our continued success that we encourage our employees' personal development and career progression. A new performance management framework was implemented during the year. It involved all senior and line managers with the aim of providing meaningful employees' objective setting and structured performance reviews. By using this framework, we aim to increase further the high proportion of management and supervisory positions which are held by internally promoted employees, thereby bringing operational and financial benefits to the Group. As part of the drive to increase the efficiency and effectiveness of staff recruitment, a new recruitment website was launched in the year. It provides cinema managers with a tool to select candidates efficiently and then to process the selections quickly and effectively.

"My Cineworld" membership on our consumer website which stood at 200,000 at the end of the year, a 100% increase over the year.

Chief Executive and Chief Financial Officers' Review
continued

New Openings
In line with our strategy for growing our estate, we successfully opened a 10-screen cinema in Aberdeen and a five screen cinema in Witney in October 2009, both with full digital projection facilities. Looking further ahead to 2010 and beyond, our cinema opening programme is likely to be impacted by the availability of finance for developers and therefore uncertainty over the timing of projects. 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.

Key Trends and Factors Potentially Affecting the Future
The future success of the Group in 2010 will remain principally dependent on the strength of the film releases during the year. Sequels and franchises will continue to contribute a significant number of the higher profile blockbuster films. Many such films outperform the original film or concept, so the film studios will continue to look to capitalise on proven successful formulae. The overall film release programme for 2010 is known and there is a strong line up of potential blockbuster films which include a range of sequels and new films.

The enormous success of "Avatar" has further elevated the profile of 3D films and has given the 3D format and digital technology greater impetus. More films are planned for release in 3D together with conversion of older films to 3D. To date, most 3D films have tended to be of the animated, computer generated imagery variety, though as 3D technology and film making and production improve, we expect to see more live films in 3D. In addition, we have already successfully started to screen certain high-profile rugby events in 3D in the early part of 2010 and would anticipate further opportunities to show similar alternative content.

The major product for the cinema industry will remain 2D films, though 3D and other content will continue to gain in popularity as more content is provided digitally. Our plans for digital mirror these trends and we will continue to convert our existing estate to digital.

As previously reported, we enjoyed more mid week business in 2009, particularly in conjunction with our "Bargain Tuesdays" promotion and "Orange Wednesdays". The two days combined now contribute over 27% of weekly admissions for the year, up from a little over 25.5% for 2008 and demonstrates that customers have been seeking greater value in the current economic climate.

An improving economy will be good all round for the business and aid the recovery of the advertising market and of our screen advertising revenues in particular. However, plans for new cinemas will remain less certain until finance for developers becomes more available. We will continue to identify and sign agreements with developers for new cinemas in anticipation of when the fiscal situation eases.

Cineworld will continue to offer a highly compelling choice within the wider range of entertainment and leisure activities. Going to the cinema will remain one of the best value forms of popular entertainment and will continue to attract audiences because of the film product and the immersive viewing experience that cannot be matched by any other media.

Financial Performance

	53 week period ended 31 December 2009 Total	Pro rated 52 week period ended 31 December 2009 Total	52 week period ended 25 December 2008 Total
Admissions	**49.1m**	**48.2m**	45.1m
	£m	**£m**	£m
Box office	**230.9**	**226.5**	197.5
Retail	**84.4**	**82.8**	77.0
Other	**18.1**	**17.8**	24.4
Total revenue	**333.4**	**327.1**	298.9
EBITDA*	**55.7**	**54.6**	53.0
Operating profit	**39.6**	**38.9**	38.1
Financial income	**1.2**	**1.2**	1.9
Financial expenses	**(9.9)**	**(9.7)**	(12.5)
Net financing costs	**(8.7)**	**(8.5)**	(10.6)
Share of profit from joint venture	**(0.1)**	**(0.1)**	0.1
Profit on ordinary activities before tax	**30.8**	**30.3**	27.6
Tax on profit on ordinary activities	**(10.4)**	**(10.2)**	(7.4)
Profit for the period attributable to equity holders of the Company	**20.4**	**20.1**	20.2

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

As a result of strong film product and maintenance of our market share, we have enjoyed very buoyant trade during the year.

Revenues

Total revenue for 2009 was £333.4m, a rise of 11.5% on the prior period (2008: £298.9m) or a 9.4% rise on a pro rated 52 week basis.

As a result of strong film product and maintenance of our market share, we have enjoyed very buoyant trade during the year and box office was 16.9% higher at £230.9m (2008: £197.5m). On a pro rated 52 week basis for 2009, box office was 14.7% higher than 2008 on 6.9% more admissions.

Retail sales for the year were up 9.6% at £84.4m (2008: £77.0m) or 7.5% higher on a pro rated 52 week basis. The percentage increase is less than that of box office and is reflective of the challenging consumer environment.

Other revenues were down 25.8% to £18.1m (2008: £24.4m). Excluding the additional week in 2009, the adverse variance increases to 27.0%. Income from non-screen advertising such as ticket bookings, theatre hires, sponsorships and games were up 20.0% against the previous year, but their performance was overshadowed by a 38.8% fall during the year in screen advertising revenue. The previous year also benefitted from two months' worth of revenue from the old Carlton Screen Advertising minimum guarantee, being an additional £1.0m of revenue.

EBITDA* and Operating Profit

EBITDA was up 5.1% at £55.7m against the 2008 figure of £53.0m and was achieved through better spend levels and cost margins and continued management of operating costs. These were partly offset by rising energy costs during the year and the shortfall in screen advertising revenue. The EBITDA margin was adversely impacted by the change in the sales mix from reduced screen advertising revenue, nearly all of which feeds directly into EBITDA. Operating profit increased to £39.6m (2008: £38.1m). The estimated contribution to EBITDA from the additional week in 2009 was approximately £1.1m and approximately £0.6m to operating profit.

Earnings

Overall profit on ordinary activities before tax was £30.8m compared with £27.6m in 2008. Basic earnings per share amounted to 14.4p and adjusted pro forma earnings per share were 16.2p (using a normalised tax rate of 28.0%). This compares favourably with the 2008 adjusted pro forma earnings per share of 14.6p. The weighted average number of shares during 2009 was 141.7m and no shares were issued during the period.

Finance Costs

The falls in interest rates during the later part of 2008 benefited the Group during 2009 and the early part of 2010. The interest expense in the year relates primarily to interest on bank debt. The majority of the remaining interest charge is non-cash interest on onerous leases and the pension scheme.

Taxation

The overall tax charge was £10.4m giving an overall effective tax rate of 33.8% for the year (2008: 26.8%). The corporation tax charge consisted of the charge in respect of the current year of £7.1m and a charge of £1.7m relating to prior years. The balance of the tax charge of £1.6m resulted 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).

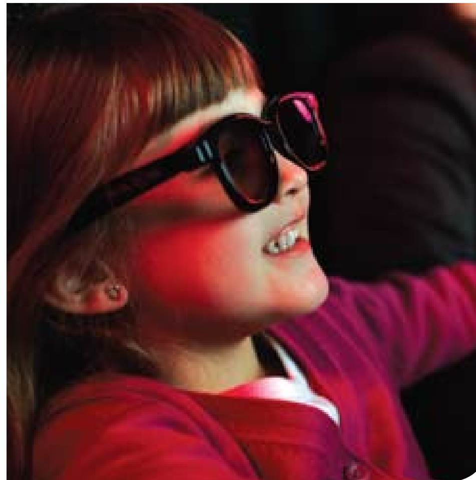
Cash Flow and Balance Sheet

The Group continued to be strongly cash generative at the operating level during the year. Total cash generated from operations increased to £54.6m (2008: £48.4m). 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, which reflects the higher level of trade during the Christmas period. The high level of internally generated cash has funded our entire capital expenditure whilst repaying debt of £9.0m and paying dividends of £13.5m. Furthermore, the Group enjoys the security of a revolving credit facility of up to £30.0m (undrawn at the end of the year), as part of the overall bank facility which further enhances the Group's overall liquidity.

Net cash spent on capital for the year of £15.6m consisted of gross expenditure of £18.3m against which contributions of £2.7m were received from the landlords. Of the gross amount, £4.4m related to new digital projectors and £6.5m represented equipment replacement, site refurbishments and expenditure on various initiatives such as website enhancements and upgrading of automated ticket sales points. The balance of capital expenditure of £7.4m related to the cost of opening the new 10 screen cinema at Aberdeen and the new five screen cinema at Witney. The contributions received from the landlords have been treated as reverse premiums and will be amortised to the profit and loss account over the terms of the respective leases.

Chief Executive and Chief Financial Officers' Review
continued

The enormous success of "Avatar" has further elevated the profile of 3D films and has given the 3D format and digital technology greater impetus.



We enjoyed more mid week business in 2009, particularly in conjunction with our "Bargain Tuesdays" promotion and "Orange Wednesdays".

Net debt at the end of December 2009 fell to £104.3m (2008: £117.4m), due to the repayment of £9.0m of the bank loan and the maintenance of a healthy cash balance. Net debt included a £3.9m liability valuation of the interest rate swap hedge on the bank loan (2008: £4.2m 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.

Like the previous year, the Group remained well within its banking covenants and continued to achieve the financial targets which enabled it to benefit from a low margin on its bank debt of 0.95% above three month LIBOR. By reducing net debt and improving EBITDA during the year ahead, the Group will increase scope to reduce the margin on its bank debt further to 0.7% 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 are recommending to shareholders for approval a final dividend in respect of the year ended 31 December 2009 of 6.8p per share, which taken together with the interim dividend of 3.2p per share paid in October 2009, gives a total dividend in respect of 2009 of 10.0p per share, a 0.5p increase from the level in 2008. Subject to shareholder approval, the final dividend will be paid on 7 July 2010 to shareholders on the register on 11 June 2010. Going forward, subject to business performance and the Group's investment requirements, in accordance with our desire to provide shareholders with an attractive level of cash distribution, the Board expects to increase the dividend taking account growth in adjusted pro forma earnings per share and our existing target payout ratio of 60% of underlying net income.

Current Trading and Looking Ahead

2010 has started well in view of the adverse weather conditions across the UK in January. We have enjoyed some carry over of business from the Christmas blockbuster films, in particular "Avatar" which has exceeded industry expectations to become the biggest film of all time (in world box office terms), overtaking Titanic.

However, we are not complacent and will continue to work hard to improve our competitive position across the United Kingdom. We remain committed to offering our customers the broadest range of films in the most modern and comfortable of cinema multiplexes. We constantly seek to update and invest in our customer offer with a clear focus on achieving operational and financial targets.

Given the sound financial standing of the Group, we feel well positioned to take advantage of business opportunities which may arise in the future. With an exciting film release schedule in 2010, we are confident of the prospects for the business in the forthcoming year.

Stephen Wiener
Chief Executive Officer

Richard Jones
Chief Financial Officer

11 March 2010

Risks and Uncertainties

The continuing development of existing and new technology (such as 3D television) may introduce new competitive forces for the film going audience.

The following is a summary of the principal risks and uncertainties to the business. If any of these risks or other unforeseen risks materialise, they could have a serious adverse effect on the Group's business and its financial condition, in turn impacting upon the value of its securities in issue. Where possible and appropriate, the Group seeks to mitigate these risks and uncertainties. Some factors which may mitigate particular risks and uncertainties are also set out below.

Availability of Film Content
Cinema-going 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 negotiating 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. Cineworld's Unlimited Card subscription service generates regular subscription revenues which helps to offset lower box office receipts during quieter trading periods. It is also part of Cineworld's 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 specifically 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 to either convert to digital or, potentially, go out of business.

Cineworld currently has one of the largest digital and 3D estate in the UK and is financially 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 (the period between the film being released at the cinema and on DVD). The window is currently agreed at approximately 16 weeks to capitalise on box office awareness and success. Cinema exhibitors have historically mitigated this threat by refusing to screen films which has minimised reductions in the release window to date.

The existence of DVD (and video before that) has proven the ability of cinema to co-exist 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 (such as 3D television) may introduce new competitive forces for the film going audience. The cinema does, however, provide 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 the overall demand for advertising and the competitive pressures for that advertising spend. The formation of Digital Cinema Media Limited in 2008, with a joint venture partner, was a positive step towards taking closer control of future screen advertising revenues. The advantages of screening advertisements 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.

Poor Location Selection
The selection of the wrong location for the development of new cinemas could result in lower than expected returns and a series of poor decisions on location could seriously impact the Group. Each potential site is reviewed carefully and the management team are experienced in the choice of location for, and development of, new sites.

UK and Global Economy
The main driver of cinema-going is the film though it is recognised that macro-economic influences may affect cinema-going 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 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.

The failure of one of the banks used by the Group could result in the loss of deposits and/or banking facilities. Banks are monitored and reviewed and deposits spread between a number of institutions to reduce the risk.

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. Lack of available capital has impacted property developers who have not been able to proceed with developments which would have included new cinemas. 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.

Existing and New Competitors
Existing competitors could change their strategies or a new competitor could enter the market at a local or national level reducing trade. The cost of developing new sites or acquiring existing cinemas are barriers to entry as is the lack of readily available cinemas for acquisition.

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 Systems and Suppliers
The failure of the Group's IT systems, including its website, telephone booking service and Unlimited Card scheme administration, could seriously impact its continued success. The Group's website, telephone booking service and Unlimited Card scheme administration are hosted by different specialist companies. Suppliers are monitored 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 in such areas as planning, environmental and health and safety matters, licensing, food and drink retailing, and the minimum wage. Failure to comply with this type of legislation 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 schemes' deficits or from changes in the way they are administered.

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

Corporate Responsibility

On Saturday mornings it is possible for children to see films for £1 which is a price that has not been increased for over 13 years.

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, health and 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

Cineworld observes the British Board of Film Classification's guidelines for film classification unless the local authority specifies otherwise; within this, however, it seeks to show as wide a range and other screen content as possible. It often uses the demands of local communities to help direct what sort of product it shows Cineworld was once again the leading exhibitor of Bollywood product with a 62% box office share of the 51 Bollywood films released during the year (a lower number than usual due to the widely publicised strike which lasted from April until June). It also shows more foreign language films, American independent productions and smaller British releases than its principal multiplex competitors. In addition to film, Cineworld has continued to branch out into alternative content and has exhibited live opera from the Metropolitan Opera in New York, ballet from the Royal Opera House and theatre from the National Theatre which has all helped attract wider audiences to our cinemas.

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 Aberdeen in December 2009, the Group sponsored another Cineworld branded Variety Club Sunshine coach which was given to Woodlands School, based in Aberdeen catering for 29 children aged 5 to 19 with severe and complex needs. Local churches have also started to hire our cinemas for services on Sunday morning more, a time when they are traditionally quiet, giving them a further and different role, in the community.

During the year, Cineworld also started to sponsor two MA scholarships at the National Film and Television School. It was once again the major venue partner for the Edinburgh International Film Festival as well as the Jameson Dublin International Film Festival and a number of other smaller film festivals across the UK. Recently Cineworld has teamed up with Global Radio to start off 2010 with a charity screening programme, raising money for "Have a Heart", the charity associated with Heart FM. While being pleased to support all these worthwhile causes, these activities help to establish and maintain the profile of the Cineworld brand.

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 offer 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 13 years. Senior citizens and students also receive discounts at certain times. Free tickets are offered to helpers of wheelchair users registered with the Cinema Exhibitor Association ("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 on-going programme of improvements.

The business has a Disability Focus Group which meets regularly to review all aspects of access for the disabled and the improvement in the services provided in this area which include regular screenings of subtitled and audio descriptive films, the installation of infrared systems in all new build cinemas and a programme of replacing induction loop systems in older cinemas during refurbishments. All these changes have helped to improve overall coverage for the hard of hearing within the cinemas and are linked to digital projection becoming more widespread. With an ongoing programme being implemented for the installation of digital projection to existing cinemas and full digital projection being installed in new cinemas, it will be possible to provide further improvements in our facilities for the hard of hearing and the partially sighted. By 31 December 2009, 155 screens with digital projections had been upgraded in this way (including both new cinemas opened in 2009 which offer disabled facilities in every screen).

Film Piracy

One of the major threats to the cinema industry is still 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.

During 2009 with the simultaneous release of movies worldwide and the increase in UK first releases, there was an increased risk of film

The new popcorn bags use 39% less raw material which will save over 24 tonnes of paper per year.

piracy within the industry. Cineworld continued to work closely with the CEA, Federation Against Copyright Theft ("FACT") and INFA©T Ireland in order to help reduce and prevent film piracy. In line with the operational strategy of the Group, each cinema management team has a responsibility to ensure that they do everything reasonably practicable to protect the intellectual property rights of films and alternative content exhibited within our cinemas.

Increased vigilance around high-profile releases and the use of night vision technology has proved to be extremely effective this year and, as a result, there has been no proven camcorded films or forensic traces linked back to Cineworld in the past year and resulted in one notable success. During the year staff at Cineworld's cinema on the Isle of Wight successfully disrupted the camcording of a film and reported it to the police which resulted in a significant legal test case. The offender was detained by police and subsequently successfully prosecuted under Section 6 of the Fraud Act 2006. Prior to this case it was not clear that such a prosecution could be brought under this section.

With the ever changing threat of evolving technologies, Cineworld continues to review and develop its training programme, policies and procedures to ensure its staff are able to help combat film piracy.

Environment

Cineworld seeks to comply with all relevant environmental legislation and to operate in an environmentally sensitive manner. The Directors acknowledge the impact that the business has on the environment and 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.

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 continues to run pilot projects to evaluate possible measures to reduce its environmental impact. For instance at its multiplex in Didcot, a "grey water" system was installed which reused rainwater to flush the toilets and the results monitored. The system did save water, however, upon evaluation the life span carbon footprint of installing and maintaining the system was greater than what could be saved, therefore other systems are now being investigated.

The Group is preparing for inclusion in the Environment Agency's Carbon Reduction Commitment Energy Efficiency Scheme ("CRC") which will track carbon usage of the Group as of April 2010. In February 2009, external consultants were appointed to undertake energy efficiency surveys at a sample of locations focusing on electricity usage. These surveys identified areas for improvement in equipment and also operational practices. All cinemas in the Group undertook a review of their own operational procedures to ensure best practice was being followed to minimise energy waste. A benchmarking report was also produced that ranked cinemas electricity consumption both by area and by footfall. The benchmarking report was used to identify 20 cinemas that were representative of the estate where improvements could be made. These 20 cinemas were provided with detailed consumption data in a graphical form on a monthly basis from May 2009 that allowed them to compare their electricity usage against previous months and also the pattern of daily usage by half hourly intervals. For the period May to November 2009, these 20 cinemas have saved over 3.5% in electricity usage compared to the same period in 2008.

The conversion to digital technology, which commenced in earnest during the year, will further reduce Cineworld's environmental impact. The move away from 35mm celluloid prints represents a direct reduction in the use of raw materials for the production of these bulky prints, but also the amount of waste that is ultimately produced as these prints are shredded and are unable to be recycled at the end of their relatively short life. In addition, the distribution of digital content through small hard drives is greatly reducing the delivery costs and associated carbon footprint. Ultimately cable or satellite delivery should remove the carbon impact almost completely.

The conversion to digital, and 3D technology in particular, has brought its own challenges. Throughout the UK, the use of special disposable 3D glasses to enable this format has been the norm (as it was with Cineworld through the choice of RealD as our technology partner). In early 2009, Cineworld led the way in the UK by starting to recycle these glasses and this had a significant impact on the amount of wastage. In November 2009, it took a much more positive step. From 6 November, it altered its pricing structure from a premium for 3D films with "free" glasses to a smaller premium but with customers being required to purchase glasses separately. This change has significantly encouraged customers to retain their glasses for future use and develops potential opportunities such as the marketing of special 3D glasses including protective cases which, in turn, should help the level of re-use accelerate significantly.

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 reducing its impact on the environment, whilst maintaining the wide overall choice that customers demand.

Following extensive trials of soya oil to replace traditional coconut oil in our popcorn recipes,

Corporate Responsibility continued

Cineworld will be rolling out the recipe change to all cinemas in early 2010. Soya oil is significantly lower in saturated fat and calories. In addition, all our pick'n'mix is now free of artificial flavours and colours. These changes will not only bring potential health benefits, but also commercial benefits in the region of £80k per annum.

We continue to explore possible recyclable, biodegradable and compostable replacements for all of our packaging and have recently commenced the roll out of a new specification of popcorn bag. The new popcorn bags use 39% less raw material which will save over 24 tonnes of paper per year. We have been looking at the viability of switching some of our key product lines to UK sourced and recently moved to a new nacho chip, which was previously being produced in Spain. Our new nacho chip is manufactured in the UK, contains 12% less salt and we have reduced the packaging used by more than 8%. In partnership with Ben & Jerry's, we have also rolled out an initiative which will save up to 78% of the water used through our scoop shop dipping wells.

We are continually reviewing the number of suppliers that deliver direct to our cinemas with a view to minimising the number of vehicles and deliveries needed to operate our concessions stands. We are also working with our key supply partners to understand their CSR credentials and looking to develop ways of sharing practices and improving our own impact on the environment. In addition, in determining suppliers, consideration is given to the ethical policies adopted by companies particularly with regard to child labour and environmental issues.

Our People
Our people are the core to our success. Cineworld's Human Resources strategy is to ensure we have the right people, in the right place, at the right time and these people are motivated, engaged and fulfilled so that they drive the business forward. Ultimately only motivated, engaged and fulfilled people will deliver a great cinema-going experience to our customers.

As part of the strategy, Cineworld is committed to attracting, developing, engaging and retaining talent. In 2009, Cineworld introduced a web based recruitment management system which enables the Company to treat all candidates fairly and consistently. Once the selection criteria has been consistently applied, both suitable and unsuitable candidates are quickly advised of status with their applications. Successful candidates are then moved through the recruitment process effectively and efficiently. Recruiting managers have been extremely pleased with the new system, recognising that the calibre of candidates, who are better suited to their roles, has improved since its implementation.

In 2009, Cineworld introduced a web based recruitment management system which enables the Company to treat all candidates fairly and consistently.

As part of the Cineworld commitment to development, every single employee has an induction programme and a number of training and development programmes are run on an annual basis. Key to an outstanding workforce are well trained managers. During 2009, every General Manager attended a bespoke development session called "People Management". This course focused on recruit, train, motivate and retain and explored the theory behind this strap-line along with a number of practical workshops to up-skill managers. Additionally, all managers attended a "Managing Misconduct" course in 2009 to ensure they had the skills and legal knowledge to manage their teams effectively. A further development programme is now underway to ensure all site managers have the practical skills to interview and train Cineworld site employees to help them reach their full potential.

Cineworld's policy is to promote from within and it is notable that a significant proportion of management and supervisory positions are held by employees who have started within the organisation at lower levels. To ensure staff are developed to their full potential, there is a performance management framework. Every member of the senior management team and all head office line managers have attended workshops to ensure they have the skills to set meaningful objectives and to appraise their teams effectively which helps enable employees to achieve their potential by having open conversations about their performance and career aspirations.

The Cineworld Human Resources team ensures policies and procedures are up-to-date and legally compliant which again enables fair and consistent treatment of all employees. Quarterly "health checks" are held with every general manager to ensure Cineworld policies and practices are being adhered to and Human Resources coaching and guidance is provided where needed.

All employees participate in the success of Cineworld through bonus schemes and Cineworld is proud that for the 15th consecutive year bonuses were paid to all staff in 2009. Cineworld is also committed to increasing the number of employees who hold shares in the Group. It has so far issued two invitations to staff to participate in its SAYE Share Option Scheme which provides employees with a further opportunity to share in the Group's success.

Employees are encouraged to share their views and make suggestions to management in a number of ways including via a dedicated email address and good ideas are then acted upon. In addition, to increase employee engagement throughout 2010, focus groups are being held with a cross section of staff to take their views on working at Cineworld. Again, good ideas will be captured and incorporated into ways of working going forward for the benefit of all.

Safety

The ongoing management of day-to-day health, safety and welfare of Cineworld's customers, staff and contractors is of prime concern. Further steps have been taken this year to ensure that each cinema management team has the knowledge, understanding and tools necessary to effectively manage health and safety to a high standard within its site to keep all our staff, customers and other visitors as safe as possible.

During the 2008/09 year, all cinemas were subject to a Fire, Food and Health and Safety audit and overall achieved an average mark of 81% (with 70% being considered the acceptable level of performance). The process was overseen and verified by external consultants. Follow-up audits were undertaken at sites where standards were not found to be at the level expected by the Group and regular monthly compliance monitoring was completed for all remaining sites by way of reviewing monthly audit update submissions.

To ensure the highest possible standards were achieved, the acceptable pass mark for the next round of Fire, Food and Health and Safety audits has been increased to 85%. Early indications for the 2009/10 year are that site standards have significantly improved on last year's results with an average pass mark in excess of this figure.

Unlike the audits in 2008/09, this year's audits are all being undertaken on an unannounced basis in order to reflect the true operation of health and safety at each site.

A review of documented health and safety policies and procedures was carried out in the latter part of the year to ensure that they reflected changing legislative standards as well as recommended good practices. Also, following the completion of the IOSH Managing Safely course by all senior field managers in April 2009, further health and safety courses have been arranged for the Learning and Development team in 2010. This in-house team will then be responsible for cascading accredited safety training to site managers and other selected personnel alike, maintaining and further increasing the safety knowledge within the Group.

The ongoing management of health, safety and welfare of Cineworld's customers, staff and contractors is of prime concern.

Board of Directors

Anthony Herbert Bloom
Chairman

Stephen Wiener
Chief Executive Officer

Richard David Jones
Chief Financial Officer

Thomas Berard McGrath
Non-Executive Director

Matthew David Tooth
Non-Executive Director

David Ossian Maloney
Non-Executive Director

Peter Wodehouse Williams
Non-Executive Director

Alan David Roux
Non-Executive Director

Anthony Herbert Bloom
Chairman – Age 71
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 of Law degree 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 (H.C.) by the University of Witwatersrand in recognition of his contribution towards the establishment of a non-racial society in South Africa.

Richard David Jones
Chief Financial Officer – Age 48
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 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. Mr Jones holds a degree in mathematics from the University of Warwick.

Matthew David Tooth
Non-Executive Director – Age 34
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 was previously a Director of Orangina-Schweppes, Southern Cross and Merlin Entertainments. Mr Tooth holds a first class honours degree in economics from Exeter University.

Peter Wodehouse Williams
Non-Executive Director – Age 56
Peter Williams joined the Board in May 2006. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Peter joined EMI Group in February 2010 as an Executive Director of Maltby Investment Limited. He is a Non-Executive Director of Asos plc, Silverstone Holdings Limited and is a member of the Design Council. From December 2008 to May 2009, he was an Executive Director of JJB Sports Plc, responsible for the turnaround strategy and business restructuring. 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 10 years. Mr Williams has also held senior finance positions in Freemans plc, Bandive Limited and Aiwa Limited. Mr Williams has a degree in mathematics from Bristol University and is a chartered accountant.

Stephen Mark Wiener
Chief Executive Officer – Age 58
Stephen Wiener joined the Cineworld Board in October 2004. He has 40 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 Limited and developed the business into a chain of 34 cinemas before it was acquired by Blackstone in October 2004. At the time of the UGC acquisition, he was appointed Chief Executive Officer of the combined Group.
He is also a Director of the Cinema Exhibitors Association and Chairman of Digital Cinema Media Limited ("DCM"), the screen advertising company 50% owned by Cineworld.

Thomas Berard McGrath
Non-Executive Director – Age 54
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 Key Brand Entertainment. Mr. McGrath holds a BA and an MBA from Harvard University.

David Ossian Maloney
Non-Executive Director – Age 54
David Maloney joined the Board in May 2006. He is the Senior Independent Director, Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Mr. Maloney is currently the Chairman of Hoseasons Holdings Ltd, 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 Avis Europe plc. Mr. Maloney holds a degree in Economics from Heriot Watt University, Edinburgh and is a fellow of the Chartered Institute of Management Accountants.

Alan David Roux
Non-Executive Director – Age 40
Alan Roux was appointed a Director in November 2009 having acted as an Alternate Director since September 2008. Mr Roux is an Executive Director of The Blackstone Group International Limited where he is responsible for monitoring and advising Blackstone's private equity portfolio of companies in Europe. Previously he was the Director of Operations Development at Tesco Stores. His earlier career was with Procter & Gamble and the Boston Consulting Group.
Mr Roux is also a Director of Tragus Limited and United Biscuits Limited. An electronic engineer by training, Mr Roux holds a MBA from Columbia Business School.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the 53 week period ended 31 December 2009. The comparative period is for the 52 week period ended 25 December 2008.

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 and Business Review
The strategy of the Group is set out on page 6 and a review of its business and operations, including the main trends and factors likely to affect its future development and performance, is set out in the Chief Executive and Chief Financial Officers' Review on pages 8 to 15.

Key performance indicators are set out below and the principal risks and uncertainties are set out on pages 16 to 17. Information about environmental, employee and community issues is set out in part below and also in the Corporate Responsibility ("CR") section on pages 18 to 21.

The Strategy, Chief Executive and Chief Financial Officers' Review, Risks and Uncertainties and CR sections are incorporated by reference into this Directors' Report. Certain statements in these sections are forward looking and so involve risk and uncertainty because they relate to events, and depend upon circumstances, that will occur in the future and therefore results and developments can differ materially from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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 72 to 75 and are also incorporated in this report by reference.

Key Performance Indicators ("KPI's")

	53 week period ended 31 December 2009	52 week period ended 25 December 2008
Admissions	**49.1m**	45.1m
Box Office Revenue	**£230.9m**	£197.5m
Average ticket price	**£4.71**	£4.38
Retail spend per customer	**£1.72**	£1.71
EBITDA	**£55.7m**	£53.0m

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 EDI Neilsen).

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, 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 Note 1 to the financial statements) serves as a useful proxy for cash flows generated by operations and of the Group's ability to finance its capital expenditure and pay dividends.

Results and Dividends
The results for the Group for the 53 week period ended 31 December 2009 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 Statement of Comprehensive Income on page 41. The results for the parent company are drawn up under UK GAAP.

An interim dividend of 3.2p per share was paid on 2 October 2009. The Directors are recommending a final dividend of 6.8p which, if approved by the shareholders at the Annual General Meeting ("AGM"), will be paid on 7 July 2010 to shareholders on the register on 11 June 2010.

Financial Risk Management
The Board 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 attracted a margin of 0.95% during the year (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, whom held office at the end of the period under review, are given on pages 22 and 23. During the year, Lawrence Guffey, a Blackstone Director (as defined below), was replaced as a Director by Alan Roux, another Blackstone Director. Alan Roux had previously acted as Lawrence Guffey's Alternate Director since 23 November 2008. No compensation was paid for the loss of office on this change of Directors.

In accordance with the Articles of Association (the "Articles"), one third of the Directors are retiring by rotation at the AGM and, being eligible, are offering themselves for re-election. The Directors retiring by rotation, are David Maloney, Thomas McGrath and Stephen Wiener. In addition under the Articles, any Director appointed during the year must resign and stand for re-election at the next AGM and so Alan Roux will also be offering himself for election. Following the Board evaluation process undertaken in September 2009, the Board is satisfied that each Director standing for 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 Shareholder Voting Arrangements 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. Currently The Blackstone Group has not elected to exercise their right to appoint a Blackstone Director as the Deputy Chairman of the Board, but has reserved their right to do so in the future.

Mr Tooth is a Managing Director at The Blackstone Group and Mr Roux is an Executive Director of The Blackstone Group. The Blackstone Shareholders are affiliates of The Blackstone Group. Mr Tooth and Mr Roux 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 Remuneration Report on pages 34 to 38.

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 Directors' Remuneration Report on page 38. 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 31 December 2009 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, in their service contracts or letters of appointment described on page 36 and in Note 24, 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	**31 December 2009**	25 December 2008	**31 December 2009**	25 December 2008
Anthony Bloom	**–**	–	**1,723,224***	1,723,224*
Stephen Wiener	**1,593,800**	1,593,800	–	–
Richard Jones	**247,939**	247,939	–	–
Thomas McGrath	**131,000**	131,000	–	–
David Maloney	**10,000**	10,000	–	–
Peter Williams	**10,000**	10,000	–	–

* Shares are held by a nominee for a Jersey based discretional trust, of which Mr Bloom is one of the potential beneficiaries.

Conflicts of Interest
The Articles were amended at the 2008 AGM 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 and Control
The Company has only one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and each carries one vote. Details of the share capital, and changes in it over the period, are shown in Note 19 to the financial statements. There has been no change to the share capital between 31 December 2009 and the date of this report.

The holders of ordinary shares are entitled to receive Company reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

There are no restrictions on transfers of, or limitations on the holding of, ordinary shares and there is also no requirement of any prior approval of any transfers other than those which may be applicable from time to time under existing laws or regulation. No ordinary shares carry any special rights with regard to control of the Company. There are no restrictions on voting rights attaching to the ordinary shares. The Company is not aware of any known agreements between shareholders that restrict the transfer of voting rights attached to ordinary shares. Details of an arrangement in respect of how voting rights are to be exercised by the largest shareholder are set out below in the Major Shareholder Voting Arrangements section.

The Company's Articles set out the rules governing the appointment and replacement of Directors. In addition the Articles, together with English law, define the Board's powers. Changes to the Articles must be approved by shareholders in accordance with the Articles themselves and legislation in force at the relevant time. New Articles were adopted at the Company's AGM in May 2008 mainly to take account of the changes brought about by the implementation of certain provisions of the Companies Act 2006. Further amendments to the Articles will be proposed at the AGM this year principally to reflect the implementation of the final provisions of the Companies Act 2006. Details of the proposed changes are set out in the Notice of AGM dispatched to shareholders with the Annual Report and Accounts (the "AGM circular").

Major Shareholder Voting Arrangements
As set out under Substantial Shareholdings below, Blackstone Capital Partners (Cayman) IV L.P., Blackstone Capital Partners (Cayman) IV-A L.P. and Blackstone Family Investment Partnership (Cayman) IV-A L.P. (together the "Blackstone Shareholders") in aggregate control the exercise of 20.09% of the rights to vote at general meetings of the Company. The Company and the Blackstone Shareholders 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.

Essential Contracts and Arrangements
The Group has a number of contractual agreements with its suppliers in support of its business. While the loss of some of these arrangements may cause temporary disruption, none on their own are considered essential to the business of the Group.

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

No Director or employee is contractually entitled to compensation for loss of office or employment as a result of a change in control; however, provisions in the Company's share schemes may cause options or awards granted to employees to vest on a change of control.

Substantial Shareholdings
At 11 March 2010, the Group had been notified, pursuant to the Disclosure and Transparency Rules of the following interests in the voting rights of the Company:

	Voting rights	% of total voting rights	Nature of holding
Blackstone Shareholders:			
Blackstone Capital Partners (Cayman) IV L.P.	20,993,954	14.81	Direct interest
Blackstone Capital Partners (Cayman) IV-A L.P.	638,250	0.45	Direct interest
Blackstone Family Investment Partnership (Cayman) IV-A L.P.	6,846,645	4.83	Direct interest
Artemis Investment Management Limited	22,535,349	15.90	Direct interest
HSBC Holdings plc	14,163,717	10.00	Direct and indirect interest
Parvus Asset Management (UK) LLP	13,999,627	9.87	See below*
Legal & General Group Plc	7,525,879	5.31	Direct and indirect interest
AXA S.A.	7,456,655	5.26	Direct and indirect interest
Rathbone Brothers PLC	7,443,449	5.25	Indirect interest
Tosca Fund Asset Management LLP	7,077,557	4.99	See below†

* Disclosed as an equity swap being a financial instrument with similar economic effect to a Qualifying Financial Instrument.
† Disclosed as a CFD being a financial instrument with similar economic effect to a Qualifying Financial Instrument.

Issue of New Shares and Purchase of Own Shares
At the AGM held on 21 May 2009, shareholders gave authority for the allotment of shares up to an aggregate nominal value of up to £944,810 subject to certain conditions. This authority will expire on the earlier of the 2010 AGM and 20 August 2010. No shares have been issued under this authority.

Also at the AGM held on 21 May 2009, 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 AGM to renew both the Company's authority to issue new shares and its authority to purchase its own ordinary shares for cancellation or placing in treasury. Details of the proposed resolutions are set out in the AGM circular.

Annual General Meeting
The Notice convening the AGM, to be held at The Cineworld Cinema, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF at 11.00 am on 12 May 2010, is contained in the AGM circular. Details of all the resolutions to be proposed are set out in the AGM circular.

Introduction of a New Share Option Plan
As explained in the Directors' Remuneration Report on pages 34 to 38, approval is being sought from shareholders at the AGM for the introduction of a new Company Share Option Plan. Further details are set out 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 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 £45,686 (2008: £37,500) to a variety of local and national charities in the UK. In addition the Group supported over 35 film screenings on behalf of various charities in the year and responded to over 1,400 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 2006. 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 31 December 2009 for the Group was 32 days (2008: 36 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 Human Resources 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.

Corporate Governance
Details of the Group's Corporate Governance arrangements are set out in the Corporate Governance Statement on pages 29 to 33 which together with the Directors' Remuneration Report and the Directors' Responsibilities Statement form part of this report together with any other parts cross referenced from it.

Corporate Responsibility
Cineworld recognises its responsibilities to the communities in which it operates and to operate in a way that respects the environment and people within those communities. Further details on its approach to such matters are set out in the Corporate Responsibility section on pages 18 to 21.

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 have confirmed that they are willing to continue in office and a resolution proposing their reappointment, at a fee to be agreed by the Directors, will be proposed at the AGM.

Funding and Liquidity
Information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive and Chief Financial Officers' Review and the Risks and Uncertainties section on pages 8 to 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described

Directors' Report continued

in the Chief Executive and Chief Financial Officers' Review on pages 8 to 15. 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.

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 £111m term loan plus £30m revolver which matures in 2012. The current economic conditions create uncertainty particularly over: (a) the level of demand for the Group's products; and (b) the availability of bank finance in the foreseeable future.

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. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including compliance with the bank facility covenants.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

By order of the Board

Richard Ray
Company Secretary
Cineworld Group plc
11 March 2010

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

Registered: England
No: 5212407

Corporate Governance Statement

Compliance with the Combined Code
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 published by the Financial Reporting Council in June 2008 ("the Combined Code") and which are available on its website www.frc.org.uk. For the year ended 31 December 2009, the Board considers that the Company was compliant with the provisions of the Combined Code except that the Chairman did not meet the independence criteria on his appointment (Code Provision A2.2). Further details are set out below under the heading "Directors and Directors' Independence", otherwise this report explains how the Company has complied with the provisions of the Combined Code. The information required to be disclosed by the Disclosure and Transparency Rules ("DTR") 7.1 and 7.2 is set out in this statement except that information required by DTR 7.2.6 which is set out in the Directors' Report on pages 24 to 28 and is incorporated in this statement by reference.

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 and also once for a strategy day. 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 performance.

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, was 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, Cine-UK Limited, within the Group and had held this position since its foundation in 1995. The Board considers that, although Anthony Bloom was not viewed as independent on appointment, his knowledge and understanding of the business are such as to justify him retaining the role as Chairman. Alan Roux (who replaced Lawrence Guffey during the year) and Matthew Tooth, both Non-Executive Directors, are also considered by the Board not to be independent (as was Lawrence Guffey) 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 22 and 23.

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 ("AGM"). Further details of the letters of appointment of the Non-Executive Directors and the service contracts of the Executive Directors can be found in the Directors' Remuneration Report on pages 34 to 38.

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

The Chairman, together with the Chief Executive Officer, leads the Board in determination of its strategy having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders. 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 Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. He holds regular meetings with his 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 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, Thomas McGrath and Peter Williams are all 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 Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which 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.

The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters, ensuring Board procedures are followed and facilitating the good information flow within the Board and the Board appointed Committees.

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, a performance evaluation was carried out in respect of the Board, the Audit, Remuneration and Nomination Committees 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 relevant Committee and the Board. The evaluation confirmed that overall the Board and Committee processes were working appropriately and the Directors including the Chairman were performing satisfactorily, however there were a few matters identified where the Directors felt that the time allocated to them needed to be increased in the future and steps have been and are being taken to address these concerns.

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. During the year, each Committee reviewed its own terms of reference and recommended changes to the Board which it adopted. The terms of reference of each of the Board's three Committees are available on the website or from the Company Secretary.

Audit Committee

The Company's Audit Committee comprises two Independent Non-Executive Directors (namely David Maloney and Peter Williams) and it met five 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 of 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 monitoring the financial reporting process, 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:

- Monitoring the financial reporting process and 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 risk register and the measures implemented to mitigate the principal risks facing the Group;
- Monitoring and reviewing the effectiveness of the internal audit function and the Group's internal financial controls together with its broader internal controls and risk management systems;
- Considering the reports of Grant Thornton UK LLP review of specific areas of risk (following their appointment in November 2008 to help implement a three year internal audit plan to assist in ensuring ongoing compliance with the Combined Code);
- 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 monitoring the effectiveness of the audit process; and
- Reviewing its terms of reference and recommending changes to the Board.

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 27 the external auditors are KPMG, who have provided certain non-audit services to the Company, principally in respect of advice on taxation and corporate finance matters. The Committee is satisfied that such work was best undertaken by KPMG and their objectivity has not been impaired by reason of this further work. 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.

Nomination Committee

The Company's Nomination 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 two times 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 Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. It is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and 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 five 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 fulfilling 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 monitoring and approving the remuneration of senior management below Board level.

The Remuneration Committee appointed Watson Wyatt (now Towers Watson) as an external advisor in November 2008 and took advice from them during the year. Watson Wyatt have no other connection with the Group except as the actuary to the pension scheme of Adelphi-Carlton Limited, the Group's operating company in Ireland.

The Chief Executive Officer is consulted on the remuneration packages of the other senior executives and attends discussions by invitation except when his own position is being discussed. Given the essential part remuneration plays in the success of the Group, the Chairman 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 34 to 38.

Re-election

Under the Company's Articles of Association, at the AGM 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 AGM 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 with 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.

Attendance at Meetings

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

	Board (including strategy day)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year	**7**	**5**	**5**	**2**
	Attended	Attended	Attended	Attended
Director				
Anthony Bloom	7*	5†	5†	2†
Lawrence Guffey††	6**	n/a	n/a	n/a
Stephen Wiener	7	n/a	n/a	n/a
Richard Jones	7	n/a	n/a	n/a
Thomas McGrath	6	n/a	n/a	2*
Alan Roux††	1	n/a	n/a	n/a
Matthew Tooth	7	n/a	n/a	n/a
David Maloney	7	5*	5	2
Peter Williams	6	5	5*	2

* Chairman of Board/Committee.
† Anthony Bloom attended these meetings by invitation.
** Number includes meeting attended by Alan Roux as Lawrence Guffey's alternate.
†† Lawrence Guffey resigned and Alan Roux was appointed as a Director on 23 November 2009. There was only one meeting between 23 November 2009 and 31 December 2009.

The Board uses the AGM 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 Nomination Committee are available at the AGM to answer questions, and that all Directors attend.

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

Internal Controls

The Board is 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 Group has in place internal control and risk management arrangements in relation to the Group's financial reporting processes and the preparation of its consolidated accounts. The arrangements include policies and procedures to ensure the maintenance of records which accurately and fairly reflect transactions to enable the preparation of financial statements in accordance with International Financial Reporting Standards or UK Generally Accepted Accounting Principles, as appropriate, with reasonable assurance.

More generally 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 during the financial period in question such measures were in place throughout the Group and the Company fully complies 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 ongoing development of the Group's system of risk management and internal control, Grant Thornton UK LLP, continued its appointment during the year, undertaking a number of specific reviews and reporting back to the Committee in the process making recommendations to help strengthen the risk management framework and internal control processes 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 2009 were:

- 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 were 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 existing 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 included 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 prepared reports which were available to the Board and reported regularly to senior management and the Audit Committee.
- Reports from Grant Thornton following their reviews of specific areas of risk as part of their ongoing assistance with the Internal Audit programme.
- 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 reviewing the risk register, receiving reports on risk management and internal controls and monitoring the overall position and 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
It is not practical or possible to insure against every risk to the fullest extent. The Group has in place an insurance programme to help protect it against certain insurable risks. The portfolio of insurance policies is kept under regular review with its insurance broker to ensure that the policies are appropriate to the Group's activities and exposures in light of cost, and the likelihood and magnitude of the risks involved.

By order of the Board

Anthony Bloom
Chairman
11 March 2010

Directors' Remuneration Report

Introduction
This report has been prepared by the Remuneration Committee and has been approved by the Board. It complies with Regulation 11 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and also with the Combined Code. The report will be put to shareholders for approval at the forthcoming Annual General Meeting ("AGM").

The Companies Act 2006 (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 Act. 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 five times in the financial period. The Committee's terms of reference, which were reviewed during the year and updated, are available for inspection on the Company's website (www.cineworldplc.com) or on request from the Company Secretary.

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 Watson Wyatt (now Towers Watson) during the year in relation to the Company's remuneration policy and its implementation. Watson Wyatt was appointed by the Remuneration Committee in November 2008. Watson Wyatt has no other connections with the Company except as the actuary to the pension scheme of Adelphi-Carlton Limited, the Group's operating company in Ireland. The Committee also received assistance from the Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary, 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. Currently the expected value of the performance related element of the Executive Directors' packages is around 50% at the target performance level. 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. Following a review in late 2009, the Remuneration Committee has decided that, with effect from the 2011 financial year, bonus arrangements should be more heavily weighted towards longer term performance and, accordingly, it proposes to re-calibrate the performance related bonus to shift payouts to more stretching performance levels while increasing awards under the long-term incentive arrangements.

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 Officer 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. It also takes into account salary increases across the rest of the Group which for the year were generally in the range of 1% to 4.5%.

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 31 December 2009 are included in the remuneration tables set out on page 37. 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 grant of awards was made in March 2008 after the announcement of the Company's results for the financial year ended 27 December 2007. A further grant of awards was made in March 2009 after the announcement of the Company's results for the financial year ended 25 December 2008. Only the Executive Directors and members of the SMT, decided at the discretion of the Remuneration Committee, participated in each 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 are made that vest after three years subject to continued employment and the achievement of specified performance conditions. The performance conditions applying to all awards granted to the Executive Directors in 2008 and 2009 were 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 last financial year prior to the date of grant and the EPS for the financial year ending three years later) 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 last financial year prior to the date of grant and the EPS for the financial year ending three years later) is at least 9.2%.
- Where the average annual growth in EPS (calculated by comparing the EPS for the last financial year prior to the date of grant and the EPS for the financial year ending three years later) is between the two limits above, the award shall vest on a straight-line basis between 30% and 100%.

* EPS for the 2008 grant is defined as the normalised undiluted earnings per share excluding any deferred tax charge relating to tax assets in existence on listing and exceptional items and for the 2009 grant is defined as the adjusted pro forma diluted earnings per share as calculated in Note 5 to the financial statements.

Total Shareholder Return has been considered as an alternative or additional performance measure, but difficulties in identifying appropriate comparator companies has resulted in the Committee deciding to use EPS as the sole performance measure. The Remuneration Committee will review the performance conditions for future grants regularly to ensure they are appropriate for the Company and the prevailing internal and external expectations. 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 10 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 10 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.

A share retention policy exists under which each Executive Director will be expected to retain 50% of all shares that he acquires under his PSP awards or following the exercise of options, after allowing for sales of shares to pay tax, until such time as he has built up a shareholding equal in value to 100% of his salary.

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 month's 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. No options were granted under the Sharesave Scheme during the year as no fresh invitation was made to eligible participants. Details of the interests of the Executive Directors in the Sharesave Scheme 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.

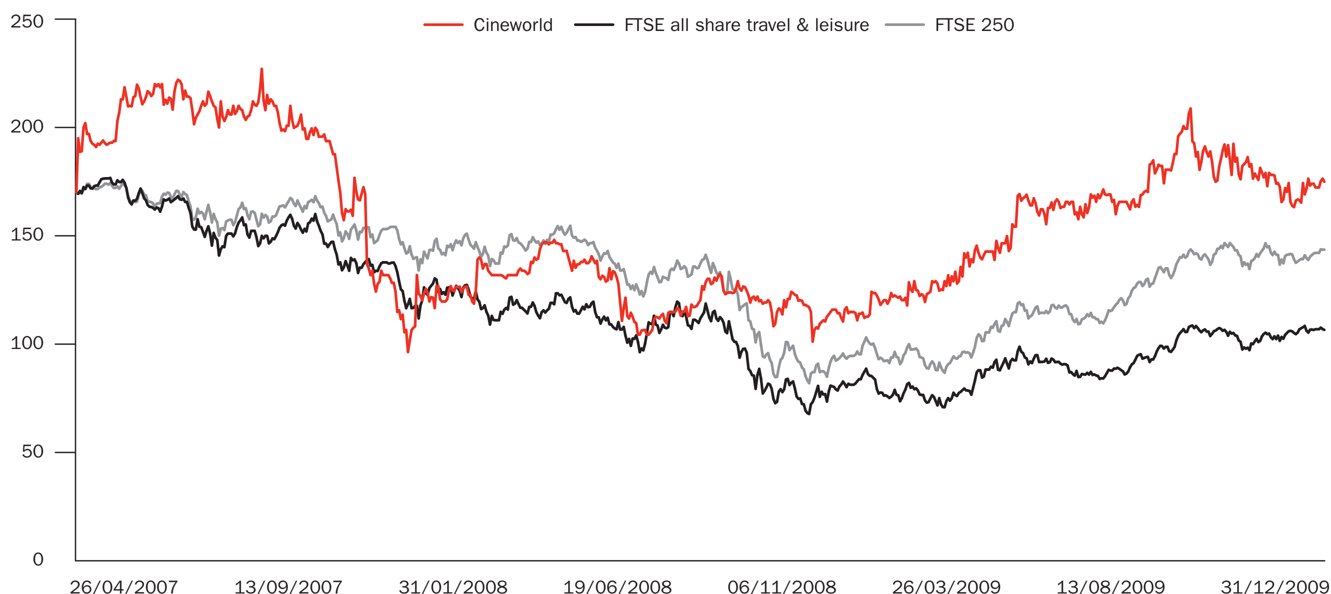
Other Benefits

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

Introduction of a new Company Share Option Plan ("CSOP")

Shareholders are being asked to approve the introduction of a CSOP at the AGM. The CSOP is being introduced not with the intention of increasing the overall potential awards of the Executive Directors or any other member of the SMT, but to provide the Remuneration Committee with flexibility to award long-term incentives in different forms and to pass benefits in a more tax efficient manner to recipients. Full details of the proposal are set out in the AGM circular.

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 31 December 2009 was 150p and the range during the period 26 December 2008 to 31 December 2009 was 101.5p to 179p.

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 to 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 (except in the case of the Chairman whose level of fee is determined by the Remuneration Committee) after taking into account appropriate advice, 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
David Maloney	22 May 2006	1 month
Thomas McGrath	16 May 2005	1 month
Alan Roux	23 November 2009	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	**2009 Fees/ Basic salary £'000**	2008 Fees/ Basic salary £'000	**2009 Performance bonus £'000**	2008 Performance bonus £'000	**2009 Benefits £'000†**	2008 Benefits £'000†	**2009 Total £'000**	2008 Total £'000	**2009 Company contributions to money purchase pension schemes £'000**	2008 Company contributions to money purchase pension schemes £'000	**2009 Total including contributions to money purchase pension scheme £'000**	2008 Total including contributions to money purchase pension scheme £'000
Stephen Wiener	**400***	380	**341**	304	**37**	33	**778**	717	**80**	76	**858**	793
Richard Jones	**235***	223	**189**	167	**18**	16	**442**	406	**47**	45	**489**	451
	635	603	**530**	471	**55**	49	**1220**	1123	**127**	121	**1347**	1244

* With effect from 1 July 2009, Stephen Wiener and Richard Jones basic salaries were increased by 5% and 4.5% respectively.

† Other benefits include a company car or car allowance, fuel, life assurance, permanent health insurance and private medical cover and in the case of Stephen Wiener a driver as well.

(ii) Non-Executive

Name of Director	**2009 Fees/Basic salary £'000**	2008 Fees/Basic salary £'000
Anthony Bloom	**100**	77
Lawrence Guffey*	**30**	30
David Maloney	**48**	45
Thomas McGrath	**38**	35
Alan Roux*	**3**	–
Matthew Tooth*	**33**	30
Peter Williams	**48**	45
	300	262

* Lawrence Guffey, Alan Roux and Matthew Tooth are Directors appointed by The Blackstone Group and their respective Director's fees are payable to The Blackstone Group. Alan Roux was appointed a Director on 23 November 2009 in place of Lawrence Guffey.

During the year, there was no increase in the fees paid to the Chairman or the Non-Executive Directors. The basic fee for a Non-Executive Director was £33,000 p.a. An additional fee of £5,000 p.a is paid for being a member of a particular committee.

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.

Directors' Remuneration Report continued

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 25 Dec 2008	Granted during year	Exercised during year	Lapsed during year	At 31 Dec 2009	Exercise price	Earliest date of exercise	Expiry date
Stephen Wiener	10,322	–	–	–	**10,322**	£0.93	01/12/2011	01/05/12
Richard Jones	10,322	–	–	–	**10,322**	£0.93	01/12/2011	01/05/12

(b) Cineworld Group Performance Share Plan

Name of Director	At 25 Dec 2008	Awarded during year	Vested during year	Lapsed during year	At 31 Dec 2009	Exercise price	Market value at date of vesting	Vesting Date**
Stephen Wiener	142,308*	–	–	–	**142,308**	£nil	–	20/03/11
	–	152,343†	–	–	**152,343**	£nil	–	26/03/12
Richard Jones	82,692*	–	–	–	**82,692**	£nil	–	20/03/11
	–	89,843†	–	–	**89,843**	£nil	–	26/03/12

* Mid-market price of a Cineworld Group plc share the day before grant was £1.30.
† Mid-market price of a Cineworld Group plc share the day before grant was £1.28.
** Subject to satisfaction of the relevant performance conditions details of which are set on page 35.

By order of the Board

Peter Williams
Chairman of the Remuneration Committee
11 March 2009

Statement of Directors' Responsibilities
in respect of the Annual Report and the Financial Statements

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

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

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

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

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

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

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

The Directors confirm that to the best of our knowledge:

1. 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

2. the Chief Executive and Chief Financial Officers' Review together with the Risks and Uncertainties section, which are incorporated in the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company 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
11 March 2010

Independent Auditors' Report
to the Members of Cineworld Group plc

We have audited the financial statements of Cineworld Group plc for the year ended 31 December 2009 set out on pages 41 to 82. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 29 to 33 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to Report by Exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 27 to 28, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 29 to 33 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Mark Summerfield (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

11 March 2010

Consolidated Statement of Comprehensive Income
for the Period Ended 31 December 2009

	Note	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Revenue		**333.4**	298.9
Cost of sales		**(253.8)**	(224.6)
Gross profit		**79.6**	74.3
Other operating income	3	**0.7**	0.6
Administrative expenses		**(40.7)**	(36.8)
Operating profit	4	**39.6**	38.1
Analysed between:			
Operating profit before depreciation and amortisation, onerous lease and other non-recurring or non-cash property charges, transaction and reorganisation costs		**55.7**	53.0
– Depreciation and amortisation	4	**(15.3)**	(14.0)
– Onerous leases and other non-recurring or non-cash property charges	4	**(0.4)**	(1.1)
– Transaction and reorganisation costs	4	**(0.4)**	0.2
Finance income	7	**1.2**	1.9
Finance expenses	7	**(9.9)**	(12.5)
Net finance costs		**(8.7)**	(10.6)
Share of (loss)/profit of jointly controlled entities using equity accounting method, net of tax		**(0.1)**	0.1
Profit on ordinary activities before tax		**30.8**	27.6
Tax charge on profit on ordinary activities	8	**(10.4)**	(7.4)
Profit for the period attributable to equity holders of the Company		**20.4**	20.2
Other comprehensive income			
Movement in fair value of cash flow hedge		**0.3**	(4.0)
Foreign exchange translation (loss)/gain		**(0.5)**	1.7
Actuarial gains/(losses) on defined benefit pension schemes		**0.8**	(1.5)
Income tax on other comprehensive income		**(0.3)**	1.5
Other comprehensive income for the period, net of income tax		**0.3**	(2.3)
Total comprehensive income for the period attributable to equity holders of the Company		**20.7**	17.9
Basic and diluted earnings per share	5	**14.4p**	14.3p

The Notes on pages 45 to 76 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2009

	Note	31 December 2009 £m	31 December 2009 £m	25 December 2008 £m	25 December 2008 £m
Non-current assets					
Property, plant and equipment	9		**114.6**		112.6
Goodwill	10		**216.1**		216.1
Intangible assets	10		**0.6**		0.7
Investments in equity-accounted investee	11		**0.9**		1.0
Other receivables	14		**1.4**		0.9
Deferred tax assets	12		**16.6**		18.6
Total non-current assets			**350.2**		349.9
Current assets					
Inventories	13	**1.9**		1.7	
Trade and other receivables	14	**19.9**		21.9	
Cash and cash equivalents		**16.9**		12.8	
Total current assets			**38.7**		36.4
Total assets			**388.9**		386.3
Current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	15	**(11.9)**		(10.6)	
Trade and other payables	16	**(46.5)**		(46.4)	
Current taxes payable		**(8.9)**		(5.3)	
Provisions	18	**(1.2)**		(2.1)	
Total current liabilities			**(68.5)**		(64.4)
Non-current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	15	**(109.3)**		(119.6)	
Other payables	16	**(53.5)**		(50.5)	
Employee benefits	17	**(0.7)**		(2.6)	
Provisions	18	**(10.6)**		(10.4)	
Deferred tax liabilities	12	**(1.8)**		(1.9)	
Total non-current liabilities			**(175.9)**		(185.0)
Total liabilities			**(244.4)**		(249.4)
Net assets			**144.5**		136.9
Equity attributable to equity holders of the Company					
Share capital	19		**1.4**		1.4
Share premium			**171.4**		171.4
Translation reserves	19		**1.6**		2.1
Hedging reserves	19		**(3.9)**		(4.2)
Retained deficit			**(26.0)**		(33.8)
Total equity			**144.5**		136.9

These financial statements were approved by the Board of Directors on 11 March 2010 and were signed on its behalf by:

Stephen Wiener
Director

Richard Jones
Director

Consolidated Statement of Changes in Equity
for the Period Ended 31 December 2009

	Issued capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained deficit £m	Total £m
Balance at 27 December 2007	**1.4**	**171.4**	**0.4**	**(0.2)**	**(40.4)**	**132.6**
Profit for the period	–	–	–	–	20.2	20.2
Other comprehensive income						
Actuarial loss on defined benefit scheme	–	–	–	–	(1.5)	(1.5)
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	1.5	1.5
Movement in fair value of cash flow hedge	–	–	–	(4.0)	–	(4.0)
Retranslation of foreign denominated subsidiaries	–	–	1.7	–	–	1.7
Contributions by and distributions to owners						
Dividends paid in period	–	–	–	–	(13.7)	(13.7)
Movements due to share-based compensation	–	–	–	–	0.1	0.1
Balance at 25 December 2008	**1.4**	**171.4**	**2.1**	**(4.2)**	**(33.8)**	**136.9**
Profit for the period	–	–	–	–	20.4	20.4
Other comprehensive income						
Movement in fair value of cash flow hedge	–	–	–	0.3	–	0.3
Retranslation of foreign currency denominated subsidiaries	–	–	(0.5)	–	–	(0.5)
Actuarial gain on defined benefit scheme	–	–	–	–	0.8	0.8
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	(0.3)	(0.3)
Contributions by and distributions to owners						
Dividends paid in period	–	–	–	–	(13.5)	(13.5)
Movements due to share-based compensation	–	–	–	–	0.4	0.4
Balance at 31 December 2009	**1.4**	**171.4**	**1.6**	**(3.9)**	**(26.0)**	**144.5**

Consolidated Statement of Cash Flows
for the Period Ended 31 December 2009

	Note	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Cash flow from operating activities			
Profit for the period		**20.4**	20.2
Adjustments for:			
Financial income	7	**(1.2)**	(1.9)
Financial expense	7	**9.9**	12.5
Taxation	8	**10.4**	7.4
Share of loss/(profit) of equity-accounted investee		**0.1**	(0.1)
Operating profit		**39.6**	38.1
Depreciation and amortisation	4	**15.3**	14.0
Non-cash property charges	4	**0.4**	1.1
Surplus of pension contributions over current service cost	22	**(1.6)**	(1.6)
Decrease/(increase) in trade and other receivables		**1.5**	(3.3)
Increase in inventories		**(0.2)**	(0.2)
Increase in trade and other payables		**2.1**	3.3
Decrease in provisions and employee benefit obligations		**(2.5)**	(3.0)
Cash generated from operations		**54.6**	48.4
Tax paid		**(4.8)**	(2.8)
Net cash flows from operating activities		**49.8**	45.6
Cash flows from investing activities			
Interest received		**0.1**	0.7
Acquisition of property, plant and equipment		**(15.6)**	(10.9)
Investment in jointly controlled entity		**–**	(0.3)
Loan to jointly controlled entity	22	**–**	(0.5)
Net cash flows from investing activities		**(15.5)**	(11.0)
Cash flows from financing activities			
Dividends paid to shareholders		**(13.5)**	(13.7)
Interest paid		**(7.2)**	(9.4)
Repayment of bank loans		**(9.0)**	(9.0)
Payment of finance lease liabilities		**(0.5)**	(0.5)
Net cash from financing activities		**(30.2)**	(32.6)
Net increase in cash and cash equivalents		**4.1**	2.0
Effect of exchange rate fluctuations on cash held		**–**	0.4
Cash and cash equivalents at start of period		**12.8**	10.4
Cash and cash equivalents at end of period		**16.9**	12.8

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 77 to 82.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements, except as described on page 51.

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.

Information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive and Chief Financial Officers' Review and the Risks and Uncertainties section on pages 8 to 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive and Chief Financial Officers' Review on pages 8 to 15. 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.

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 £111m term loan plus £30m revolver which matures in 2012. The current economic conditions create uncertainty particularly over: (a) the level of demand for the Group's products; and (b) the availability of bank finance in the foreseeable future.

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. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including compliance with the bank facility covenants.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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.

1 Accounting Policies continued

Use of non-GAAP profit and loss measures

The Group believes that along with operating profit, 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 of earnings before interest, tax, depreciation and amortisation, onerous lease and other non-recurring or non-cash property charges, transaction and reorganisation costs. Items are included within non-recurring if they are regarded as being material and unlikely to recur in future periods.

Adjusted earnings comprises 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.

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

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the 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 statement of comprehensive income 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.

1 Accounting Policies continued

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

• Land and buildings: short leasehold properties including leasehold improvements	30 years or life of lease if shorter
• Plant and machinery	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 re-assessed annually.

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset. Previously the Group recognised all borrowing costs as an expense in the period in which they were incurred. The Group has capitalised borrowing costs with respect to the construction of new sites. IAS 23 Revised was adopted for the first time in the period and in accordance with the transitional provisions of the standard, comparative figures have not been restated.

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.

1 Accounting Policies continued

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.

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.

When the calculation results in a benefit to the Group, the asset recognised is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income.

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.

1 Accounting Policies continued

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

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

Revenue

Revenue represents the total amount receivable for goods sold, excluding sales related taxes and intra-Group transactions. All the Group's revenue is received from the sale of goods.

- 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 or monthly in advance. When revenue from the Unlimited card is received annually in advance it is recognised on a straight-line basis over the year. Monthly Unlimited card revenue is recognised in the period to which it relates.
- Other revenue is recognised in the period to which it relates.

Expenses

Operating Lease Payments

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

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 statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the 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.

1 Accounting Policies continued

Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. IFRS 8 was adopted for the first time in the current period.

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.

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 operating 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 consider that the assumptions used are the most appropriate but recognise 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.

1 Accounting Policies continued

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 when deciding whether they can hedge account.

New Standards and Interpretations

With effect from 26 December 2008 the Group adopted the following pronouncements:

Amendment to IAS 23 "Borrowing Costs", which requires capitalisation of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. As a result, interest has been capitalised on certain assets in development in the period, see Note 9.

IFRIC 14 "IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", which clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of the minimum funding requirements on such assets. There has been no effect on the consolidated financial statements from the adoption of this standard.

IAS 1 (Revised) "Presentation of financial statements"; As a result, the primary statements have been renamed in accordance with the standard, and the Group has elected to present single consolidated statement of comprehensive income.

IFRS 7 (Amendment) "Improving disclosures on financial instruments"; The effect of adopting the revision to IFRS 7 is to provide additional disclosures around the fair value hierarchy of financial instruments.

IFRS 8 "Operating Segments"; The Group has presented information on its operating segments in accordance with the requirements of this standard and IFRS 8 (Amendment) "Operating Segments – Disclosure of information about segment assets". As the Group only has one operating segment, there is no effect on the consolidated financial statements from the adoption of this standard.

The revised IFRS 3 "Business Combinations" (effective for annual reporting periods beginning on or after 1 July 2009), which contains new requirements for how business combinations are recorded in the financial statements. This accounting standard has been early adopted.

IFRS and interpretations with effective dates after 31 December 2009 relevant to the Group will be implemented in the financial year where the standards become effective. The Group has not early adopted the following pronouncements that are not yet effective:

The IASB has issued the following standards, amendments to standards and interpretations that will be effective for the Group as from 1 January 2010 or after. The Group does not expect any significant impact of these amendments on its consolidated financial statements.

- IFRS 2 (Amendment) "Share-based Payment – Scope of IFRS 2 and revised IFRS 3 Business Combinations";
- IFRS 5 (Amendment) "Non-current Assets Held for Sale and Discontinued Operations – Disclosures of non-current assets (or disposal groups) classified as held";
- IAS 1 (Amendment) "Presentation of financial statements – Current/non-current classification of convertible instruments";
- IAS 7 (Amendment) "Statement of Cash flows – Classification of expenditures on unrecognised assets";
- IAS 17 (Amendment) "Leases – Classification of leases of land and buildings";
- IAS 18 (Amendment) "Revenue – Determining whether an entity is acting as a principal or as an agent";
- IAS 36 (Amendment) "Impairments of Assets – Unit of accounting for goodwill impairment test";
- IAS 38 (Amendment) "Intangible Assets – Additional consequential amendments arising from revised IFRS 3" and "Measuring the fair value of an intangible asset acquired in a business combination";
- IAS 39 "Financial Instruments: Recognition and Measurement – Treating loan prepayment penalties as closely related embedded derivatives", "Scope exemption for business combination contracts" and "Cash flow hedge accounting";
- IFRIC 9, "Reassessment of Embedded Derivatives – Scope of IFRIC 9 and revised IFRS 3"; and
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instruments".

Notes to the Consolidated Financial Statements continued
(Forming Part of the Financial Statements)

2 Operating Segments
Determination and presentation of operating segments:

Further to the adoption of IFRS 8, the Group has determined that it has one operating segment and therefore one reportable segment being cinema operations. All the disclosable operating segment information required by IFRS8 can be found in the primary statements.

Revenue by destination and by origin from countries other than the UK in all financial periods was not material. Likewise non-current assets located in other countries other than the UK in all financial periods are not material.

Entity wide disclosures:

Revenue by product and service provided	**53 week period ended 31 December 2009 Total £m**	52 week period ended 25 December 2008 Total £m
Box office	**230.9**	197.5
Retail	**84.4**	77.0
Other	**18.1**	24.4
Total revenue	**333.4**	298.9

All revenue streams are driven by admissions. The Group's internal management reporting and operations are not separated into these categories.

3 Other Operating Income

	53 week period ended 31 December 2009 Total £m	52 week period ended 25 December 2008 Total £m
Rental income	**0.7**	0.6
	0.7	0.6

4 Operating Profit
Included in operating profit for the period are the following:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Depreciation (Note 9)	**15.2**†	13.9†
Amortisation of intangibles (Note 10)	**0.1**†	0.1†
Onerous lease and other non-recurring or non-cash property charges	**0.4***	1.1*
Transaction and reorganisation costs	**0.4**†	(0.2)†
Hire of other assets – operating leases	**46.0****	44.2**

* Included in costs of sales.
† Included in administrative expenses.
** £1.0m included in administrative costs. The balance is included in cost of sales.

In 2009 there was a credit on onerous leases following changes in trading assumptions of £0.5m (2008: £0.3m) and non-cash property charges of £0.9m (2008: £1.4m).

In 2009, transaction and reorganisation costs relate to professional fees incurred in connection with an aborted acquisition. In 2008, there was a £0.2m release of surplus provisions relating to the sale of cinema sites in 2006.

4 Operating Profit continued

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

	53 week period ended 31 December 2009 £'000	52 week period ended 25 December 2008 £'000
Auditors' remuneration:		
Group – audit	**190**	208
Company – audit	**5**	5
Amounts received by auditors and their associates in respect of:		
– Audit of financial statements pursuant to legislation	**195**	213
– Audit related regulatory reporting	**45**	41
	240	254
– Other services relating to taxation	**197**	174
– Valuation and actuarial services	**20**	28
– Services relating to corporate finance transactions entered into by or on behalf of the Company or the Group	**49**	–
– Services relating to recruitment and remuneration	**–**	5

5 Earnings Per Share

Basic earnings per share ("EPS") 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 earnings per share is calculated by applying 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 2009 and 2008 was £nil.

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Earnings attributable to ordinary shareholders	**20.4**	20.2
Adjustments:		
Amortisation of intangible assets	**0.1**	0.1
Share based-payments	**0.4**	0.1
Transaction and reorganisation costs	**0.4**	(0.2)
Impact of straight lining of operating leases	**0.9**	1.4
Adjusted earnings	**(53 weeks) 22.2**	(52 weeks) 21.6
Add back tax charge	**10.4**	7.4
Adjusted pro forma profit before tax	**(53 weeks) 32.6**	(52 weeks) 29.0
Less estimated impact of 53rd week in period	**(0.6)**	–
Less tax at 28% (2008: 28.5%)	**(9.0)**	(8.3)
Adjusted pro forma profit after tax	**(52 weeks) 23.0**	(52 weeks) 20.7

Notes to the Consolidated Financial Statements continued
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5 Earnings Per Share continued

	53 week period ended 31 December 2009 Number of shares (m)	52 week period ended 25 December 2008 Number of shares (m)
Weighted average number of shares in issue	**141.7**	141.7
Basic and adjusted earnings per share denominator	**141.7**	141.7
Dilutive options	**–**	–
Diluted earnings per share denominator	**141.7**	141.7
Shares in issue at period end	**141.7**	141.7

	Pence	Pence
Basic and diluted earnings per share	**(53 weeks) 14.4**	(52 weeks) 14.3
Adjusted basic and diluted earnings per share	**(53 weeks) 15.7**	(52 weeks) 15.2
Adjusted pro forma basic and diluted earnings per share	**(52 weeks) 16.2**	(52 weeks) 14.6

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:

	Number of staff	
	2009	2008
Head office	**131**	129
Cinemas	**4,350**	4,223
	4,481	4,352

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:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Wages and salaries	**46.8**	42.1
Social security costs	**3.1**	2.8
Other pension costs – defined benefit	**–**	0.1
– defined contribution	**0.4**	0.3
Share-based payments (see Note 17)	**0.4**	0.1
	50.7	45.4

See pages 34 to 38 for Directors' remuneration.

7 Finance Income and Expense

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Interest income	**0.2**	0.7
Expected return on defined benefit pension plan assets (Note 17)	**1.0**	1.2
Finance income	**1.2**	1.9
Interest expense on bank loans and overdrafts	**5.3**	8.8
Amortisation of financing costs	**0.3**	0.4
Unwind of discount on onerous lease provision	**1.1**	0.6
Finance cost for defined benefit pension scheme (Note 17)	**1.5**	1.5
Interest charge as a result of change in discount rate relating to onerous lease provisions	**1.2**	–
Other financial costs	**0.5**	1.2
Finance expense	**9.9**	12.5
Net finance costs	**8.7**	10.6

Recognised within other Comprehensive Income:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Movement in fair value of interest rate swap	**0.3**	(4.0)
Foreign exchange translation (loss)/gain	**(0.5)**	1.7
Finance income	**(0.2)**	(2.3)

As a result of the change in accounting policy with respect to the treatment of borrowing costs (see Note 1), capitalised borrowing costs amounted to £0.1m at 31 December 2009.

8 Taxation

Recognised in the Income Statement

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Current tax expense		
Current year	**7.1**	6.4
Adjustments in respect of prior years	**1.7**	(0.1)
Total current tax expense	**8.8**	6.3
Deferred tax expense		
Origination and reversal of temporary differences	**1.6**	1.1
Total tax charge in income statement	**10.4**	7.4

Notes to the Consolidated Financial Statements continued

(Forming Part of the Financial Statements)

8 Taxation continued

Reconciliation of Effective Tax Rate

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Profit before tax	**30.8**	27.6
Tax using the UK corporation tax rate of 28% (2008: 28.5%)	**8.6**	7.9
Non-deductible expenses	**–**	0.8
Differences in overseas tax rates	**(0.2)**	(0.3)
Accelerated capital allowances in excess of depreciation	**0.3**	(0.9)
Adjustments in respect of prior years	**1.7**	(0.1)
Total tax charge/(credit) in income statement	**10.4**	7.4

During the period there was a deferred tax charge of £0.3m (2008: tax credit £1.5m) recognised directly in equity. See Note 12.

Factors that may affect future tax charges

As at 31 December 2009 the Group had potential tax assets relating to the following:

- other non-trading losses of approximately £2.6m (2008: £2.6m); and
- capital losses of approximately £7.6m (2008: £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.

Deferred tax is not provided on unremitted earnings of subsidiaries and joint ventures where the Group controls the timing of remittance and it is probable that the temporary difference will not reverse in the foreseeable future.

The tax rate in 2008 was 28.5% since the change from 30% to 28% occurred on 6 April 2008.

9 Property, Plant and Equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets in the course of construction £m	Total £m
Cost					
Balance at 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
Additions	0.8	4.9	7.5	4.3	17.5
Disposals	–	(0.2)	(2.0)	–	(2.2)
Transfers	4.6	–	–	(4.6)	–
Effects of movement in foreign exchange	(0.2)	(0.1)	(0.7)	–	(1.0)
Balance at 31 December 2009	**88.5**	**38.2**	**46.8**	**–**	**173.5**
Accumulated depreciation and impairment					
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	–	–	–	–	–
Balance at 25 December 2008	8.9	13.2	24.5	–	46.6
Charge for the period	4.8	4.7	5.7	–	15.2
Disposals	–	(0.2)	(2.0)	–	(2.2)
Effects of movement in foreign exchange	(0.1)	(0.1)	(0.5)	–	(0.7)
Balance at 31 December 2009	**13.6**	**17.6**	**27.7**	**–**	**58.9**
Net book value					
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
At 31 December 2009	**74.9**	**20.6**	**19.1**	**–**	**114.6**

Land and buildings represents short leasehold properties encompassing leasehold improvements.

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

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

	31 December 2009 £m	25 December 2008 £m
Opening net book value	**5.4**	5.7
Depreciation charge	**(0.3)**	(0.3)
Closing net book value	**5.1**	5.4

The above assets held under finance leases relate to a finance lease held on one cinema site which is included within land and buildings.

Interest of £0.1m (2008: £nil) has been capitalised during the period in relation to the construction of new sites at a rate of 3.9%.

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(Forming Part of the Financial Statements)

10 Intangible Assets

	Goodwill £m	Brand £m	Customer relationships £m	Total £m
Cost				
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
Balance at 31 December 2009	**223.8**	**1.2**	**8.4**	**233.4**
Accumulated amortisation and impairment				
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
Amortisation	–	0.1	–	0.1
Balance at 31 December 2009	**7.7**	**0.6**	**8.4**	**16.7**
Net book value				
At 27 December 2007	216.1	0.8	–	216.9
At 25 December 2008	216.1	0.7	–	216.8
At 31 December 2009	**216.1**	**0.6**	**–**	**216.7**

Impairment testing
Goodwill is allocated as follows:

Group of CGUs	31 December 2009 £m	25 December 2008 £m
Cineworld Group	**216.1**	n/a
Ex-Cine-UK sites	**n/a**	71.6
Ex-UGC sites excluding Dublin	**n/a**	142.3
Dublin	**n/a**	2.2
	216.1	216.1

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. On adoption during the period of IFRS 8 "Operating Segments", the Directors have concluded that the Group now has one segment, being cinema operations. Furthermore, the ex-Cine-UK and ex-UGC (including Dublin) businesses are now fully integrated, meaning that goodwill is now monitored on a Group wide level.

The recoverable amount of Cineworld has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond that the first year period have been extrapolated using the below assumptions. This growth rate does not exceed the long-term average growth rate for the market in which Cineworld operates.

The key assumptions behind the impairment review are as follows:

2010 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") and essential capex on existing sites. In line with long-term industry growth rates, EBITDAR is assumed to grow at 3% per annum for the first five years. Thereafter for the purposes of the annual impairment review, 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.

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 pre-tax discount rate of 10.1% being a market participant's discount rate. This is considered to reflect the risks associated with the relevant cash flows.

Management have sensitised the key assumptions including the discount rate and under base case and sensitised case no indicators of impairment exist. Management believes that any reasonably possible change in the key assumptions on which Cineworld's recoverable amount is based would not cause Cineworld's carrying amount to exceed its recoverable amount.

10 Intangible Assets continued

Amortisation Charge

The amortisation of intangible assets is recognised in the following line items in the income statement:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Administrative expenses	**0.1**	0.1

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
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.

	2009 £m	2008 £m
Cost	**0.9**	0.9
Share of post acquisition reserves	**0.1**	–
	1.0	0.9
Share of post tax (loss)/profit	**(0.1)**	0.1
Carrying value	**0.9**	1.0

Summary aggregated financial information on jointly controlled entities – 100 per cent:

	2009 £m	2008 £m
Current assets	**14.7**	16.4
Non-current assets	**1.8**	0.7
Current liabilities	**(10.5)**	(15.8)
Non-current liabilities	**(6.0)**	(1.1)
Net assets	**–**	0.2
Income	**41.9**	28.2
Expenses	**(42.1)**	(28.0)
Net (loss)/profit	**(0.2)**	0.2

Notes to the Consolidated Financial Statements continued

(Forming Part of the Financial Statements)

12 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2009 £m	25 December 2008 £m	**31 December 2009 £m**	25 December 2008 £m	**31 December 2009 £m**	25 December 2008 £m
Property, plant and equipment	**5.7**	7.3	**(3.1)**	(3.3)	**2.6**	4.0
Intangible assets	**–**	–	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Employee benefits	**0.4**	0.9	**–**	–	**0.4**	0.9
Reverse premiums	**2.9**	3.1	**–**	–	**2.9**	3.1
Effect of straight-lining operating lease accruals	**8.1**	7.8	**–**	–	**8.1**	7.8
Interest rate swap	**1.0**	1.1	**–**	–	**1.0**	1.1
Tax assets/(liabilities)	**18.1**	20.2	**(3.3)**	(3.5)	**14.8**	16.7
Set off tax	**(1.5)**	(1.6)	**1.5**	1.6	**–**	–
Net tax assets/(liabilities)	**16.6**	18.6	**(1.8)**	(1.9)	**14.8**	16.7

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% (2008: 28%) on the above items.

A review of the deferred tax is performed at each balance sheet date and adjustments made in the event of a change in assumptions.

Deferred tax assets and liabilities have been recognised as follows:

	25 December 2008 £m	Recognised in income £m	Recognised in equity £m	**31 December 2009 £m**
Property, plant and equipment	4.0	(1.4)	–	**2.6**
Intangible assets	(0.2)	–	–	**(0.2)**
Employee benefits	0.9	(0.3)	(0.2)	**0.4**
Reverse premiums	3.1	(0.2)	–	**2.9**
Effect of straight-lining operating lease accruals	7.8	0.3	–	**8.1**
Interest rate swap	1.1	–	(0.1)	**1.0**
Tax assets/(liabilities)	16.7	(1.6)	(0.3)	**14.8**

	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

13 Inventories

	31 December 2009 £m	25 December 2008 £m
Goods for resale	**1.9**	1.7
	1.9	1.7

Goods for resale recognised in cost of sales in the period amounted to £17.0m (2008: £15.5m).

14 Trade and Other Receivables

Current	31 December 2009 £m	25 December 2008 £m
Trade receivables	**1.2**	2.2
Other receivables	**0.3**	0.7
Loan to jointly controlled entity	**–**	0.5
Prepayments and accrued income	**18.4**	18.5
	19.9	21.9

Non-current	31 December 2009 £m	25 December 2008 £m
Land lease premiums	**0.9**	0.9
Loan to jointly controlled entity	**0.5**	–
	1.4	0.9

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.

	31 December 2009 £m	25 December 2008 £m
Non-current liabilities		
Interest rate swaps	**1.3**	2.7
Secured bank loans, less issue costs of debt to be amortised	**101.7**	110.5
Liabilities under finance leases	**6.3**	6.4
	109.3	119.6
Current liabilities		
Interest rate swaps	**2.6**	1.5
Secured bank loans, less issue costs of debt to be amortised	**8.7**	8.6
Liabilities under finance leases	**0.6**	0.5
	11.9	10.6

The terms and conditions of outstanding loans were as follows:

				31 December 2009		25 December 2008	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	GBP	LIBOR + 0.95%	2012	**111.0**	**110.4**	120.0	119.1
Finance lease liability	GBP	7.2%	2029	**6.9**	**6.9**	6.9	6.9
Total interest bearing liabilities				**117.9**	**117.3**	126.9	126.0

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% (2008: 0.95%) 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 2009 was £111m. 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 continued

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15 Interest-Bearing Loans and Borrowings and Other Financial Liabilities continued

Finance lease liabilities

The maturity of obligations under finance leases is as follows:

	31 December 2009 £m	25 December 2008 £m
Within one year	**0.6**	0.5
Between one and two years	**0.6**	0.5
In the second to fifth years	**1.7**	1.7
Over five years	**10.4**	11.1
	13.3	13.8
Less future finance charges	**(6.4)**	(6.9)
	6.9	6.9

Analysis of net debt

	Cash at bank and in hand £m	Bank loans £m	Finance leases £m	Interest rate swap £m	Net debt £m
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)
Cash flows	4.1	9.0	0.5	–	13.6
Non-cash movement	–	(0.3)	(0.5)	0.3	(0.5)
At 31 December 2009	**16.9**	**(110.4)**	**(6.9)**	**(3.9)**	**(104.3)**

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

16 Trade and other payables

	31 December 2009 £m	25 December 2008 £m
Current		
Trade payables	**21.8**	23.2
Other payables	**4.7**	3.9
Accruals and deferred income	**20.0**	19.3
	46.5	46.4

	31 December 2009 £m	25 December 2008 £m
Non-current		
Accruals and deferred income	**53.5**	50.5

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 £1.6m during 2009 (2008: £1.7m).

The latest actuarial valuation of the MGM Pension Scheme took place on 5 April 2009 albeit still in draft form. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the scheme for IAS 19 are stated further below.

The scheme closed to new accrual during the year and the remaining active members became deferred on 31 May 2009. Full details have been given to the relevant members.

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 31 December 2009. Total contributions for the 52 weeks ended 25 December 2008 and 31 December 2009 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.

The net deficit in the pension scheme is:

	31 December 2009 £m	25 December 2008 £m
MGM Pension Scheme	**(0.7)**	(2.6)
Adelphi-Carlton Limited Contributory Pension	**–**	–
Net deficit	**(0.7)**	(2.6)

MGM Pension Scheme

	31 December 2009 £m	25 December 2008 £m
Present value of funded defined benefit obligations	**(26.6)**	(24.4)
Fair value of plan assets	**25.9**	21.8
Deficit in scheme	**(0.7)**	(2.6)

Movements in present value of defined benefit obligation:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
At beginning of period	**(24.4)**	(26.6)
Current service cost	**–**	(0.1)
Interest cost	**(1.5)**	(1.5)
Contributions by scheme participants	**(0.1)**	(0.1)
Actuarial (loss)/gain	**(1.7)**	2.9
Benefits paid	**1.1**	1.0
At end of period	**(26.6)**	(24.4)

Notes to the Consolidated Financial Statements continued
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17 Employee Benefits continued

Movements in fair value of plan assets:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
At start of period	**21.8**	24.2
Expected return on plan assets	**1.0**	1.2
Actuarial gains/(losses)	**2.5**	(4.4)
Contributions by employer	**1.6**	1.7
Contributions by members	**0.1**	0.1
Benefits paid	**(1.1)**	(1.0)
At end of period	**25.9**	21.8

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

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Current service cost	**–**	(0.1)
Interest on defined benefit pension plan obligation	**(1.5)**	(1.5)
Expected return on defined benefit pension plan assets	**1.0**	1.2
Total	**(0.5)**	(0.4)

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

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Administrative expenses	**–**	(0.1)
Financial expenses	**(1.5)**	(1.5)
Financial income	**1.0**	1.2
Total	**(0.5)**	(0.4)

Actuarial gains/(losses) recognised in the consolidated statement of comprehensive income:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Actuarial gains/(losses) recognised in the period	**0.8**	(1.5)
Cumulative amount at start of period	**0.5**	2.0
Cumulative amount at end of period	**1.3**	0.5

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 31 December 2009	53 week period ended 31 December 2009 £m	Long-term rate of return expected at 25 December 2008	52 week period ended 25 December 2008 £m
Equities	**8.00%**	**11.6**	7.50%	10.2
Fixed interest bonds	**4.50%**	**–**	4.00%	3.6
Index linked bonds	**4.25%**	**5.1**	3.75%	7.8
Corporate bonds	**5.50%**	**8.0**	–	–
Other	**1.00%**	**1.2**	2.50%	0.2
		25.9		21.8

Cineworld Cinemas Ltd 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.

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Expected return on scheme assets	**1.0**	1.2
Actuarial gain/(loss)	**2.5**	(4.4)
Actual return on plan assets	**3.5**	(3.2)

Principal actuarial assumptions (expressed as weighted averages):

	53 week period ended 31 December 2009 %	52 week period ended 25 December 2008 %
Inflation	3.9	2.9
Rate of general long-term increase in salaries	4.9	3.9
Rate of increase to pensions in payment	2.7–4.0	2.3–3.6
Discount rate for scheme liabilities	5.7	6.3

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 21.0 years if they are male and for a further 23.8 years if they are female. For a member who retires in 2019 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 24.4 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

	53 week period ended 31 December 2009 £m	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	**(26.6)**	(24.4)	(26.6)	(26.4)	(28.2)
Fair value of plan assets	**25.9**	21.8	24.2	21.8	20.9
Deficit	**(0.7)**	(2.6)	(2.4)	(4.6)	(7.3)

17 Employee Benefits continued

Experience adjustments

	53 week period ended 31 December 2009 £m	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 gain/(loss) on plan assets	**2.5**	(4.4)	0.3	0.3	1.9
Experience gain/(loss) on plan liabilities	**2.7**	–	–	0.1	(0.1)

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

Adelphi-Carlton Limited Contributory Pension

	31 December 2009 £m	25 December 2008 £m
Present value of funded defined benefit obligations	**(1.2)**	(1.3)
Fair value of plan assets	**1.9**	1.9
Surplus in scheme	**0.7**	0.6
Irrecoverable surplus	**(0.7)**	(0.6)
	–	–

Movements in present value of defined benefit obligation:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
At beginning of period	**(1.3)**	(1.0)
Interest	**–**	(0.1)
Benefits paid	**0.1**	0.1
Exchange rate movement	**–**	(0.3)
At end of period	**(1.2)**	(1.3)

Movements in fair value of plan assets:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
At start of period	**1.9**	1.7
Expected return on plan assets	**0.1**	0.1
Actuarial gain/(loss)	**0.1**	(0.4)
Benefits paid	**(0.1)**	(0.1)
Exchange rate adjustments	**(0.1)**	0.6
At end of period	**1.9**	1.9

17 Employee Benefits continued

Expense recognised in the consolidated statement of comprehensive income:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Expected return on defined benefit pension plan assets	–	–
Total	**–**	–

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

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Financial income	–	–
	–	–

Actuarial gains recognised directly in the consolidated statement of comprehensive income:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £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	53 week period ended 31 December 2009 £m	Expected rate of return	52 week period ended 25 December 2008 £m
Equities	**7.00%**	**0.4**	7.70%	0.4
Property	**6.50%**	**–**	6.00%	0.1
Corporate bonds	**4.10%**	**1.4**	5.00%	1.4
Other	**3.10%**	**0.1**	3.00%	–
		1.9		1.9

Actual return on plan assets:

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Expected return on scheme assets	**0.1**	0.1
Actuarial gain/(loss)	**0.1**	(0.4)
Actual return on plan assets	**0.2**	(0.3)

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17 Employee Benefits continued

Principal actuarial assumptions (expressed as weighted averages):

	53 week period ended 31 December 2009 %	52 week period ended 25 December 2008 %
Inflation rate	**2.00**	1.75
Discount rate	**5.00**	5.00
Expected rate of return on plan assets	**4.76**	5.54
Rate of pension increases in payment	**3.00**	3.00
Rate of pension increases in deferment	**2.00**	1.75
Material demographic assumptions	**110% PNFA00 and 110% PNMA00 with 1.25% pa future mortality improvements**	110% PNFA00 and 110% PNMA00 with 1.25% pa future mortality improvements

History of Plans

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

Balance Sheet

	53 week period ended 31 December 2009 £m	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	**(1.2)**	(1.3)	(1.0)	(1.0)	(1.1)
Fair value of plan assets	**1.9**	1.9	1.7	1.7	1.7
Surplus	**0.7**	0.6	0.7	0.7	0.6
Irrecoverable surplus	**(0.7)**	(0.6)	(0.7)	(0.7)	(0.6)
	–	–	–	–	–

Experience Adjustments

	53 week period ended 31 December 2009 £m	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 gain/(loss) on plan assets	**0.1**	(0.4)	–	–	0.2
Experience gain/(loss) on plan liabilities	**–**	–	–	–	–

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 £0.4m (2008: £0.3m).

Share-Based Payments

Employee Sharesave Scheme – Period Ended 25 December 2008

A grant was made under the Sharesave Scheme in 2008. Options 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.

17 Employee Benefits continued

Employee Sharesave Scheme – Period Ended 31 December 2009

A charge of £62,000 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") – Period Ended 25 December 2008

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%.

EPS for the 2008 grants was defined as the normalised undiluted EPS excluding any differed tax charge relating to tax assets in existence on listing and exceptional items.

On 20 March 2008 awards were granted over 401,000 shares under the PSP. 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.

The Cineworld Group Performance Share Plan ("PSP") – Period Ended 31 December 2009

Further grants were made under the PSP scheme on 26 March 2009. Under these grants, awards over 242,186 shares were made with the same conditions as the 2008 grant, but with reference to the financial years 25 December 2008 to 30 December 2011. Further awards over 137,451 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

EPS for the 2009 grant was defined as adjusted pro forma diluted EPS as calculated in Note 5 to the financial statements.

A charge of £387,000 was recorded in the income statement in respect of both the 2008 and 2009 PSP schemes.

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

	Weighted average exercise price 2009 Equity-settled	**Number of options 2009 Equity-settled**	Weighted average exercise price 2008 Equity-settled	Number of options 2008 Equity-settled
Outstanding at the beginning of the year	**0.67**	**1,085,819**	1.63	348,168
Exercised during the year	**–**		–	–
Granted during the year	**–**	**379,637**	0.54	960,011
Lapsed during the year	**1.27**	**(86,570)**	1.63	(222,360)
Outstanding at the end of the year	**0.44**	**1,378,886**	0.67	1,085,819
Exercisable at the end of the year	**–**	**–**	–	–

The average share price during 2009 was £1.40 (2008: £1.18).

Assumptions relating to grants of share options in 2007 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	26 October 2007	2.00	1.63	53	3.25	6.5	0.61	0.60

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17 Employee Benefits continued
From the 2007 issue, 81,497 were outstanding at 31 December 2009. The number of share options that lapsed from this issue in 2009 was 45,216.

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	53	3.25	6.5	0.61	0.29
PSP	20 March 2008	1.30	Nil	53	3.0	6.5	0.61	1.07

Assumptions relating to grants of share options in 2009 were:

Scheme name	Date of grant	Share price at grant (£)	Exercise price (£)	Expected volatility (%)	Expected life (years)	Dividend yield (%)	Risk free rate (%)	Fair value (£)
PSP	26 March 2009	1.28	Nil	53	3.0	6.5	0.61	1.05

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

	53 week period ended 31 December 2009 £m	52 week period ended 25 December 2008 £m
Equity-settled share-based payment expense	**0.4**	0.1
Share-based payments expenses	**0.4**	0.1

18 Provisions

	Property provisions £m
Balance at 25 December 2008	12.5
Non-current	10.4
Current	2.1
Total	12.5
Balance at 25 December 2008	12.5
Provisions made (released) during the period	(0.5)
Effect of change in discount rate during the period	1.2
Utilised against rent during the period	(2.5)
Utilised against interest during the period	1.1
Balance at 31 December 2009	**11.8**
Non-current	10.6
Current	1.2
Total	11.8

18 Provisions continued

Property provisions relate to onerous leases, dilapidations and other property liabilities. The majority of the property provision relates to onerous leases being 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. This is between two and 30 years (see further analysis below). The discount rate used in the period was 10.1%.

	31 December 2009	25 December 2008
Expected timing for utilisation of property provisions		
Analysed as:		
Within one year	**1.2**	2.1
Between one and two years	**1.5**	1.2
In the second to fifth years	**2.9**	3.3
Over five years	**6.2**	5.9
	11.8	12.5

19 Capital and Reserves

Share Capital

	31 December 2009 £m	25 December 2008 £m
Cineworld Group plc		
Authorised		
250,000,000 ordinary shares of £0.01 each	**2.5**	2.0
Allotted, called up and fully paid		
141,721,509 ordinary shares of £0.01 each	**1.4**	1.4

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 £57.8m (2008: £62.5m) of the total £111.0m (2008: £120.0m) 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:

	2009 £m	2008 £m
Interim	**4.5**	4.5
Final (for the preceding period)	**9.0**	9.2
	13.5	13.7

An interim dividend of 3.2p per share was paid on 2 October 2009 to ordinary shareholders (2008: 3.2p). The Board has proposed a final dividend of 6.8p per share, which will result in total cash payable of £9.6m on 7 July 2010 (2008: final dividend £9.0m). In accordance with IAS 10 this had not been recognised as a liability at 31 December 2009.

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.

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 £1.2m (2008: £2.2m) due 50% (2008: 78.6%) are within credit terms. A further 24% outside credit terms cleared after 2009 period end and before signing of the financial statements. The bad debt provision as at 2009 is £0.1m (2008: £nil), with a bad debt expense in the period of £0.1m. (2008: credit of £0.3m as a provision for doubtful debts made in 2007 was released). 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, including interest payments calculated using interest rates in force at each balance sheet date, so will not always reconcile with the amounts disclosed on the balance sheet.

31 December 2009

	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	110.4	(114.8)	(5.4)	(5.3)	(10.6)	(93.5)	–
Finance lease liabilities	6.9	(13.3)	(0.3)	(0.3)	(0.6)	(1.7)	(10.4)
Trade and other payables	21.8	(21.8)	(21.8)	–	–	–	–
Derivative financial liabilities							
Interest rate swaps used for hedging	3.9	(6.0)	(1.3)	(1.3)	(2.6)	(0.8)	–
	143.0	**(155.9)**	**(28.8)**	**(6.9)**	**(13.8)**	**(96.0)**	**(10.4)**

20 Financial Instruments continued

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.

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	(133.3)	(6.7)	(6.7)	(13.1)	(106.8)	–
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	(175.6)	(30.8)	(7.8)	(15.1)	(110.8)	(11.1)

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.

2009

	Carrying amount £m	**Expected cash flows £m**	**6 months or less £m**	**6–12 months £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**
Interest rate swaps:							
Liabilities	**(3.9)**	**(3.9)**	**(1.3)**	**(1.3)**	**(1.1)**	**(0.2)**	**–**

2008

	Carrying amount £m	Expected cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2–5 years £m	More than 5 years £m
Interest rate swaps:							
Liabilities	(4.2)	(4.2)	(0.7)	(0.8)	(1.5)	(1.2)	–

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 2009 by approximately £107,000 (2008: £205,000.) A 10% increase/(decrease) in the value of €1 against sterling would increase/decrease equity in 2009 by approximately £139,000 (2008: £375,000).

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.

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20 Financial Instruments continued

At the period end the Group had one interest rate swap which hedged 52.1% (2008: 51.9%) of the Group's variable rate secured bank debt. As a result, there is no impact on the income statement relating to the hedged bank debt as a result of any changes in interest rates.

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

	Carrying amount	
	2009	2008
Fixed rate instruments		
Financial liabilities (interest rate swap)	**(3.9)**	(4.2)
Financial liabilities (secured bank loans – hedged portion)	**(57.8)**	(62.3)
	(61.7)	(66.5)
Variable rate instruments		
Financial liabilities (secured bank loans – unhedged portion)	**(53.2)**	(57.7)

£57.8m (2008: £62.3m) 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 was adopted from the year ended 27 December 2007 on the swap taken out in May 2007.

A change of 100 basis points in interest rates would have increased equity by £1.1m or decreased equity by £1.1m (2008: increase £1.8m, decrease £1.8m) and would have increased or decreased profit or loss by £nil (2008: £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 2008.

	Profit or loss		Equity	
Effect in GBP thousands	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2009				
Variable rate instruments	**(1,191)**	**1,191**	**(1,191)**	**1,191**
Interest rate swap	**595**	**(595)**	**595**	**(595)**
Cash flow sensitivity (net)	**(596)**	**596**	**(596)**	**596**
25 December 2008				
Variable rate instruments	(1,287)	1,287	(1,287)	1,287
Interest rate swap	643	(643)	643	(643)
Cash flow sensitivity (net)	(644)	644	(644)	644

20 Financial Instruments continued

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 31 December 2009 £m	**Fair value 31 December 2009 £m**	Carrying amount 25 December 2008 £m	Fair value 25 December 2008 £m
Cash and cash equivalents	**(16.9)**	**(16.9)**	(12.8)	(12.8)
Secured bank loans	**110.4**	**106.5**	119.1	120.0
Finance lease liabilities	**6.9**	**6.9**	6.9	6.9
Interest rate swaps	**3.9**	**3.9**	4.2	4.2
	104.3	**100.4**	117.4	118.3

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 31 December 2009 and 25 December 2008. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
31 December 2009				
Derivative financial instruments	–	3.9	–	3.9

There have been no transfers between levels in 2009. No other financial instruments are held at fair value.

Capital Management

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent company, being £205.1m. The Board of Directors constantly monitor the ongoing capital requirements of the business and have reviewed the current gearing ratio, being the ratio of bank debt to equity and consider it appropriate for the Group's current circumstances. In addition the Group has a £30m revolver, which has not been drawn down. 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. The Group's target dividend payout ratio is 60% of underlying net income.

Notes to the Consolidated Financial Statements continued
(Forming Part of the Financial Statements)

21 Operating Leases
Non-cancellable operating lease rentals commitments are as follows:

	Land and buildings £m	Other £m	31 December 2009 £m	Land and buildings £m	Other £m	25 December 2008 £m
Less than one year	**45.0**	**0.4**	**45.4**	41.8	0.4	42.2
Between one and five years	**181.3**	**1.3**	**182.6**	169.7	1.8	171.5
More than five years	**593.8**	**–**	**593.8**	587.4	–	587.4
	820.1	**1.7**	**821.8**	798.9	2.2	801.1

22 Statement of Cash Flows
The Group has represented its cash flow statement during the period, to better represent the nature of the cash flows. The effect of this is to include the surplus of pension contributions over the current service cost within cash generated from operations, and to include the investment in jointly controlled entity within investing activities. The comparative period has been represented. The impact is to reduce cash generated from operations in the prior period by £1.6m with a corresponding increase in investing activities and to reduce cash flows from investing activities by £0.5m with a corresponding increase in cash flows from financing activities. The overall net increase in cash and cash equivalents in the comparative period is unaffected.

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

	31 December 2009 £m	25 December 2008 £m
Contracted	**2.9**	4.0

Additional capital commitments of £3.2m were made between the end of the financial period and the approval of the Financial Statements on 11 March 2010

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

	Salary and fees including bonus £'000	Compensation for loss of office £'000	Pension contributions £'000	Total £'000
53 weeks ended 31 December 2009				
Total compensation for key management Personnel (including the Directors)	**1,841**	**–**	**147**	**1,988**

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

During 2009, M Tooth, L Guffey and A Roux served as Directors appointed by Blackstone, a major shareholder. Their Directors' fees of £33,000, £29,700 and £3,300 respectively (2008: £30,250, £30,250 and £nil) are payable to Blackstone. L Guffey resigned in November 2009 and A Roux was appointed in his place.

Share-based compensation benefit charges for key management personnel (including Directors) was £0.2m in 2009 (2008: £0.1m).

Other related party transactions
Digital Cinema Media ("DCM") is a joint venture between the Group and Odeon Cinemas Holdings Limited set up on 10 July 2008. Revenue receivable from DCM in the 53 week period ending 31 December 2009 totalled £11.3m (2008: £7.4m) and as at 31 December 2009 £1.2m (2008: £2.2m) was due from DCM in respect of receivables. In addition the Group has a working capital loan outstanding from DCM of £0.5m (2008: £0.5m). The Group has guaranteed £2.75m 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.

Company Balance Sheet
at 31 December 2009

	Note	31 December 2009 £.000	31 December 2009 £.000	25 December 2008 £.000	25 December 2008 £.000
Fixed assets					
Investments	27		**131,798**		131,349
Current assets					
Debtors	28	**105,667**		93,667	
Cash at bank		**5,003**		3,006	
		110,670		96,673	
Creditors: amount falling due within one year	29	**(54,211)**		(37,514)	
Net current assets			**56,459**		59,159
Net assets			**188,257**		190,508
Capital and reserves					
Called up share capital	30		**1,417**		1,417
Share premium account	30		**171,354**		171,354
Profit and loss account	30		**15,486**		17,737
Shareholders' funds – equity			**188,257**		190,508

These financial statements were approved by the Board of Directors on 11 March 2010 and were signed on its behalf by:

Stephen Wiener
Director

Richard Jones
Director

Company Reconciliation of Movements in Shareholders' Funds
for the Period Ended 31 December 2009

	Note	53 week period ended 31 December 2009 £'000	52 week period ended 25 December 2008 £'000
Profit for the period		**10,763**	20,052
Dividends paid during the year	30	**(13,463)**	(13,747)
Equity instruments granted	30	**449**	101
Net (decrease)/increase in shareholders' funds		**(2,251)**	6,406
Opening shareholders' funds		**190,508**	184,102
Closing shareholders' funds		**188,257**	190,508

Notes to the Company Financial Statements

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

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

Information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive and Chief Financial Officers' Review and the Risks and Uncertainties section on pages 8 to 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive and Chief Financial Officers' Report on pages 8 to 15. 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.

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 £111m term loan plus £30m revolver which matures in 2012. The current economic conditions create uncertainty particularly over: (a) the level of demand for the Group's products; and (b) the availability of bank finance in the foreseeable future.

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. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including compliance with the bank facility covenants.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Under Section 408 of the Companies Act 2006 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 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.

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.

25 Accounting Policies continued

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 are debited directly to equity.

26 Staff Number and Costs

The Company has no employees, however it bears total Non-Executive Directors fees of £300,000 (2008: £278,000). See pages 34 to 38 for details of Directors emoluments.

27 Fixed Asset Investments

Company	Share in Group undertaking £000
Balance at 25 December 2008	131,349
Additions	449
Balance at 31 December 2009	**131,798**
Net book value	
At 25 December 2008	131,349
At 31 December 2009	**131,798**

For details of £449,000 addition to investment see Note 30.

27 Fixed Asset Investments continued

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

28 Debtors

	31 December 2009 £'000	25 December 2008 £'000
Amounts due from subsidiary undertakings	**105,667**	93,667
	105,667	93,667

29 Creditors: Amount Falling Due Within One Year

	31 December 2009 £'000	25 December 2008 £'000
Amounts due to subsidiary undertakings	**(54,174)**	(37,296)
Corporation tax payable	**(37)**	(218)
	(54,211)	(37,514)

Notes to the Company Financial Statements continued

30 Share Capital and Reserves

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 25 December 2008	1,417	171,354	17,737	190,508
Profit for the period	–	–	10,763	10,763
Dividends paid during the year	–	–	(13,463)	(13,463)
Equity instruments granted	–	–	449	449
At 31 December 2009	**1,417**	**171,354**	**15,486**	**188,257**

Share premium is stated net of share issue costs.

Equity instruments granted of £449,000 represents the fair value of share options granted to employees of subsidiary undertakings. There is a corresponding increase in investments, see Note 27.

This element of the profit and loss reserve is not distributable.

31 Share-Based Payments

See Note 17 of the Group financial statements.

Shareholder Information

Directors

Anthony Bloom	(Non-Executive Director and Chairman)
Stephen Wiener	(Chief Executive Officer)
Richard Jones	(Chief Financial Officer)
David Maloney	(Non-Executive Director and Senior Independent Director)
Thomas McGrath	(Non-Executive Director)
Alan Roux	(Non-Executive Director)
Matthew Tooth	(Non-Executive Director)
Peter Williams	(Non-Executive Director)

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England and Wales

Company Number
Registered Number: 5212407

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Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

Auditors
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Final Dividend – 2009

Announcement	11 March 2010
Ex dividend	9 June 2010
Record date	11 June 2010
Payment date	7 July 2010

Joint Brokers
JP Morgan Cazenove Ltd
20 Moorgate
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Evolution Securities Limited
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London EC2V 7AN

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Notes

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