

# CINEWORLD GROUP PLC

**INTERIM REPORT 2009**  
**FOR THE 27 WEEKS ENDED 2 JULY 2009**

# CINEWORLD IS ONE OF THE LARGEST UK CINEMA OPERATORS WITH 775 SCREENS OVER 75 SITES IN THE UK AND IRELAND.

## CONTENTS

Highlights	1
Chief Executive Officer's Review	2
Condensed Consolidated Statement of Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Interim Statement of Changes on Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Interim Condensed Consolidated Financial Statements	10
Independent Review Report to Cineworld Group Plc	15
Responsibility Statement of the Directors' in Respect of The Interim Report	16
Shareholder Information	17

# HIGHLIGHTS



## FINANCIAL

- Group revenue up 18.2% to £161.9m, 13.8% on a pro-rated 26 week basis (2008: £137.0m);
- EBITDA\* up 12.1% to £24.1m (2008: £21.5m);
- Operating profit up 12.8% to £15.9m (2008: £14.1m);
- Cash generated from operations £19.4m (2008: £19.4m);
- Net debt reduced to £121.4m from £125.4m in June 2008;
- Reported EPS: 7.3p on basic earnings (2007: 4.2p);
- Proforma adjusted EPS of 6.0p (2008: 4.6p);
- Interim dividend of 3.2p per share (2008: 3.2p per share).



## OPERATIONAL

- Box office receipts up 24.3% at £111.4m, 19.8% on a pro-rated 26 week basis (2008: £89.6m);
- Average ticket price per admission up 5.8% to £4.59 (2008: £4.34);
- Average retail spend per person broadly firm at £1.71 (2008: £1.73);
- Market share remained constant throughout the period at 23.6% (2008: 23.6%) (source: EDI Nielsen);
- Admissions up 18.0% at 24.3m, 12.6% on a pro-rated 26 week basis (2008: 20.6m);
- Strong start to the second half of 2009.



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

# CHIEF EXECUTIVE OFFICER'S REVIEW



Cineworld has enjoyed very healthy trading in the first half of 2009. Compared with the same period last year, admissions were up 18.0% and box office up 24.3%. In addition, total Group revenues were up 18.2% and box office in the UK/Ireland market grew 22.5%.

Cineworld continues to offer its customers a compelling proposition with the lowest average ticket price of any of the major UK cinema groups. The high level of attendances and box office revenues at the Group are due in part to its value offering, but also thanks to a larger number of strong performing films than in the same period last year. The leading film was undoubtedly "Slumdog Millionaire", which exceeded industry expectations to gross over £31m nationally and win eight Oscars. There were several other films which fared well in the period including "Star Trek", "X-Men", "Angels and Demons", "Fast & Furious", "Marley and Me", "Night at the Museum 2", "Terminator: Salvation" and "Transformers 2".

The Group's investment in both digital and 3D is already bearing fruit and our performance on 3D films in the period has been excellent. 3D has proved a popular format, representing nearly half of the £20.0m taken at the UK/Ireland box office for "Monsters vs Aliens" and 75% of box office for "Coraline". Overall in the first half, five major films were released in 3D, generating 6% of the UK/Ireland box office (£28m).

Our strategy is still to offer our customers the broadest range of films available. The Group continued to excel in smaller, less mainstream titles where we succeeded in finding a wider commercial audience. Cineworld was the primary exhibitor in the UK for diverse titles such as "Che", "Vicky, Cristina, Barcelona", "Let the Right One In" and "Synechdoche, New York".

Cineworld is the UK market leader in showing Bollywood films and a factor holding back performance so far in 2009 was the Bollywood strike in India which delayed the international release of product for the majority of the first half. This strike has led to the UK's revenues from Bollywood in 2009 year to date being almost 60% down against last year. The situation was resolved in June and we expect Cineworld's revenues from Bollywood to recover to more normal levels in the second half of the year.

Cineworld's market share for the UK and Ireland remained broadly constant at 23.6% over the six month period and against the same period last year. We consider this a good result in light of the timing of our new cinema openings relative to those of our competitors and the distortion from the Irish market (where Cineworld has only one cinema) due to the continued strength of the Euro against Sterling (EDI box office is reported in Sterling).

The Group's average ticket price rose to £4.59 (2008: £4.34) which was in part aided by the premium pricing on 3D performances and by a larger adult audience mix in the period.

Encouragingly, since we have been investing more heavily in our marketing functions and promotional activity, the audience profile has seen a marked change from that of last year with more mid week business, especially in conjunction with our 'Bargain Tuesdays' and 'Orange Wednesdays' promotions. The two days combined now contribute over 25% of weekly admissions, up from 22% in 2008 and illustrates that customers are seeking greater value in the current economic climate.

Total retail revenue was 16.6% higher than last year, driven by higher admissions in the first half. However with the move towards value based pricing in mid week, where retail business is traditionally lower yielding, we have experienced a marginal impact on the overall average retail spend per person which is broadly firm at £1.71 (2008: £1.73). Whilst we are watching consumer behaviour closely, the transferring of trade from the weekend to weekdays helps to relieve pressure in our cinemas during the peak weekend trading periods.

Our joint venture screen advertising business, Digital Cinema Media (DCM) experienced challenging trading conditions in common with the wider advertising industry. Whilst this has inevitably affected revenues in our cinema screen advertising business, we are starting to see a degree of stabilisation in demand. We believe this is due to the fact that cinema is still seen as a premium and highly effective form of advertising in terms of the captive audience that cinema brings and the high level of recall delivered by the medium. We have seen interest from a broader range of advertisers than previously and this should increase as business confidence improves.

We continue to grow our estate through selective new openings and expansions. Today, our estate stands at 75 cinemas and 775 screens and we are on schedule to open a new ten-screen cinema in Aberdeen and a five-screen cinema in Witney in the second half of the year. Looking further ahead, we will continue the roll out of new cinemas, although as reported previously, the timing of these openings will be dependent on the progress of new retail and leisure developments which in turn have been impacted by the recent financial and economic uncertainties.

The growth in our Unlimited card holder base continues and is up 18% on the prior year with 225,000 subscribers at 2 July 2009. This has been aided by steady progress in our partnership with Pru Health, which promotes the Unlimited membership to the Pru's customer base as part of its Vitality programme. We are also delighted with results from our partnership with Tesco, where our cinema tickets are offered as part of Tesco's Clubcard programme. Separately our successful Saturday morning Movies for Juniors Kids Club ("M4J") continues to draw in large numbers of customers and we have begun limited trials to expand the format to Sunday mornings.

## FINANCIAL PERFORMANCE

	26 week pro-rated	27 week period ended	26 week period ended	52 week period ended
	2 July 2009**	2 July 2009	26 June 2008	25 December 2008
Admissions	23.3m	24.3m	20.6m	45.1m
	£m	£m	£m	£m
Box office	107.3	111.4	89.6	197.5
Retail	40.0	41.5	35.6	77.0
Other	8.7	9.0	11.8	24.4
Total revenue	156.0	161.9	137.0	298.9
EBITDA*	n/a	24.1	21.5	53.0
Operating profit	n/a	15.9	14.1	38.1

\* EBITDA is defined on page 1.

\*\* 27 week results to 2 July 2009 pro-rated over 26 weeks.

## Revenue

Total revenue was £161.9m, a rise of 18.2% on the prior period (2008: £137.0m). On a pro-rated 26 week basis the increase was 13.8%. As a result of the strong film product which has driven higher admissions and through the achievement of higher prices, we have enjoyed very good trade during the first half. This has translated into box office being up 24.3% against last year at £111.4m, equating to 19.8% on a pro-rated basis.

Our subscription business, the Unlimited card, continues to expand in line with our stated strategy and has been aided through our tie in with Pru Health. We currently have in excess of 225,000 subscribers at the end of the period. The benefits of this initiative are twofold: first, it provides the Group with a constant stream of box office revenue throughout the year and second, it ensures repeat visits as our customers take advantage of the benefits on offer to them with this scheme as well as providing value for money.

Retail sales also benefitted from the higher admissions and for the first half of the year were 16.6% higher than in the previous year at £41.5m and 12.4% higher on a pro-rated basis. Through continual improvements in our retail offer and in the final conversions of our remaining ice cream offers to Ben and Jerry's, we aim to maintain the good retail performance for the rest of the year despite the challenging consumer environment.

Other revenue, which includes screen advertising, ticket booking income, screen hires, sponsorships and games machine income, was down 23.7% to £9m against 2008 of £11.8m (down 26.3% on a pro-rated basis). This reflects the more challenging conditions in the wider advertising industry whilst the previous year also benefitted from two months' worth of revenue from the old Carlton Screen Advertising minimum guarantee. As a result screen advertising revenues were 33.8% down on the previous year though there are signs of stabilisation in advertising bookings and interest from new advertisers. The non-screen advertising revenues were 19.3% higher than the previous year, reflecting the increased trade in the period.

## EBITDA and Operating profit

EBITDA was higher at £24.1m (2008: £21.5m), whilst operating profit was £15.9m (2008: £14.1m). Administrative expenses were up by £2.5m. This reflects the depreciation charge from higher capital expenditure on digital projectors and general cost increases particularly employment costs.

## Financing costs

The interest expense of £4.1m in the first half of 2009 (2008: £5.8m) has fallen due to a reducing loan balance and lower interest rates.

## Taxation

The overall tax charge of £1.3m consists of a current tax charge of £2.6m, a tax provision release of £2.0m, a deferred tax charge of £1.2m and an additional deferred tax asset recognised relating to capital allowances of £0.5m. The tax provision release is due to the agreement with HMRC of prior year tax returns. The corporation tax charge is based on a forecast effective tax rate for the 2009 full year of 33%, reflecting a proportion of disallowable expenditure.

## Earnings

Overall profit before tax was higher at £11.6m against 2008 of £8.7m. Basic earnings per share advanced to 7.3p (2008: 4.2p) or 6.0p on an adjusted pro-forma earnings per share basis (2008: 4.6p). There were no share dilutions at the end of the period.

## Cash flow and balance sheet

The Group continued to be cash generative at the operating level during the first half. Cash generated from operations was £19.4m (2008: £19.4m) and reflects the healthy conversion rate of our profits into cash flow. The cash outflow from the reduced working capital is due to a lower level of creditors in June 2009 than in the previous year for normal trading reasons.

Capital cash expenditure for the first six months was £7.9m and was higher than the equivalent period last year due to the additional 74 new digital projectors acquired earlier in the year which cost £4.2m including installation. Other capital expenditure included £3.1m of replacement and refurbishments and £0.6m spent so far this year on the new cinemas at Aberdeen and Witney.

The employee benefits liability of £4.0m relates to the Group's defined benefit pension scheme. The deficit has increased since the end of 2008 mainly due to the higher inflation assumptions included in the actuarial valuation which increased the value of the liabilities and by the wider economic conditions affecting investment values.

## DIVIDENDS

The Board is declaring an interim dividend of 3.2p per share (2008: 3.2p), reflecting the solid performance in the first half of the year. The dividend will be paid on 2 October 2009 to ordinary shareholders on the register at the close of business on 4 September 2009.

## CURRENT TRADING AND OUTLOOK

The second half has started well for the Group. "Transformers 2", released on 19 June, continued strongly into July, whilst "Bruno" and "Harry Potter", released in the second half, have attracted sizeable audiences as expected. The first 3D film of the second half was "Ice Age 3" in respect of which we achieved a market share of 33%. With the Bollywood strike being resolved, we expect a solid supply of new releases for the remainder of the year which will further support our overall performance.

The second half of the year promises an exciting line up of releases, such as "GI Joe", "Fame", "2012", "The Twilight: New Moon" and "St Trinian's 2". There are also a number of other 3D films due for release including "Up 3D", "Toy Story in 3D", "Christmas Carol" and "Avatar".

This strong film line up, in conjunction with our solid first half performance, underpins our confidence in performing in line with market expectations for the year.

## RISKS AND UNCERTAINTIES

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an established, structured approach to risk management, which includes continuously assessing and monitoring the key risks and uncertainties of the business. The key risks are identified as follows:

- Availability of film content
- Poor film scheduling
- Digital conversion
- Alternative media
- Advancement of technology
- Film piracy
- Screen advertising revenue
- UK and global economic cycles
- Availability of capital
- New competitors
- Loss of key management
- Failure of IT
- Governance regulations and actions
- Terrorism

A description of these risks and the actions taken by the Group to mitigate them are set out on pages 8 to 9 of the Group's Annual Report for 2008, a copy of which is available from our website [www.cineworldplc.com](http://www.cineworldplc.com). Despite the current uncertainty in the economic environment, these risks and uncertainties and the factors which mitigate them, have not significantly changed in the period since the Annual Report was published and are not expected to change materially in the remainder of the year.

## RELATED PARTY TRANSACTIONS

Details of related party transactions described in the annual report for the 27 weeks to 2 July 2009 are set out in note 11 of the interim financial statements.

**Stephen Wiener**  
**Chief Executive Officer**  
**20 August 2009**

### Cautionary note concerning forward looking statements

Certain statements in the Chief Executive Officer's review are forward looking and so involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. Various factors could cause actual results, developments or performance of the Group to differ materially from those expressed or implied by these forward looking statements. The forward looking statements reflect knowledge and information available at the date of preparation of this report and the Group accepts no obligation to update these forward looking statements. Nothing in this report should be construed as a profit forecast.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 2 July 2009

	Note	27 week period ended 2 July 2009 (unaudited) £m	26 week period ended 26 June 2008 (unaudited) £m	52 week period ended 25 December 2008 (audited) £m
<b>Revenue</b>		<b>161.9</b>	137.0	298.9
Cost of sales		(126.3)	(105.5)	(224.6)
<b>Gross profit</b>		<b>35.6</b>	31.5	74.3
Other operating income		0.5	0.3	0.6
Administrative expenses		(20.2)	(17.7)	(36.8)
<b>Operating profit</b>		<b>15.9</b>	14.1	38.1
Analysed between:				
Operating profit before depreciation and amortisation, impairment charges, onerous lease and other non-recurring property charges and transaction and reorganisation costs and profit on disposal of cinema sites				
		<b>24.1</b>	21.5	53.0
– Depreciation and amortisation		(7.8)	(6.8)	(14.0)
– Onerous leases and other non-recurring or non-cash property charges		(0.4)	(0.6)	(1.1)
– Transaction and reorganisation costs		-	-	0.2
Financial income	5	0.1	0.4	1.9
Financial expenses	5	(4.1)	(5.8)	(12.5)
<b>Net financing costs</b>		<b>(4.0)</b>	(5.4)	(10.6)
Share of profit of jointly controlled entity using equity accounting method, net of tax		(0.3)	-	0.1
<b>Profit before tax</b>		<b>11.6</b>	8.7	27.6
Taxation	4	(1.3)	(2.8)	(7.4)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>10.3</b>	5.9	20.2
<b>Other comprehensive income</b>				
Foreign exchange translation (loss)/gain		(0.7)	-	1.7
Actuarial losses on defined benefit pension schemes		(2.1)	-	(1.5)
Movement in fair value of cash flow hedge		0.1	1.5	(4.0)
Income tax on other comprehensive income		0.6	(0.4)	1.5
<b>Other comprehensive income for the period, net of income tax</b>		<b>(2.1)</b>	1.1	(2.3)
<b>Total comprehensive income for the period attributable to equity holders of the company</b>		<b>8.2</b>	7.0	17.9
Basic and diluted earnings per share		7.3p	4.2p	14.3p



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 2 July 2009

	2 July 2009 (unaudited)		26 June 2008 (unaudited)		25 December 2008 (audited)	
	£m	£m	£m	£m	£m	£m
<b>Non-current assets</b>						
Property, plant and equipment		112.6		108.0		112.6
Goodwill		216.1		216.1		216.1
Other intangible assets		0.7		0.8		0.7
Investment in equity-accounted investee		0.7		-		1.0
Other receivables		1.4		0.9		0.9
Deferred tax assets		18.5		18.5		18.6
<b>Total non-current assets</b>		<b>350.0</b>		<b>344.3</b>		<b>349.9</b>
<b>Current assets</b>						
Inventories	2.0		1.4		1.7	
Other financial assets	-		1.3		-	
Trade and other receivables	21.9		21.4		21.9	
Cash and cash equivalents	4.3		3.7		12.8	
<b>Total current assets</b>		<b>28.2</b>		<b>27.8</b>		<b>36.4</b>
<b>Total assets</b>		<b>378.2</b>		<b>372.1</b>		<b>386.3</b>
<b>Current liabilities</b>						
Interest bearing loans, borrowings and other financial liabilities	(10.8)		(9.5)		(10.6)	
Trade and other payables	(41.9)		(39.5)		(46.4)	
Current taxes payable	(5.3)		(3.8)		(5.3)	
Provisions	(2.1)		(2.5)		(2.1)	
<b>Total current liabilities</b>		<b>(60.1)</b>		<b>(55.3)</b>		<b>(64.4)</b>
<b>Non-current liabilities</b>						
Interest bearing loans, borrowings and other financial liabilities	(114.9)		(120.9)		(119.6)	
Trade and other payables	(51.2)		(49.4)		(50.5)	
Employee benefits	(4.0)		(1.8)		(2.6)	
Provisions	(9.7)		(11.0)		(10.4)	
Deferred tax liabilities	(1.9)		(3.3)		(1.9)	
<b>Total non-current liabilities</b>		<b>(181.7)</b>		<b>(186.4)</b>		<b>(185.0)</b>
<b>Total liabilities</b>		<b>(241.8)</b>		<b>(241.7)</b>		<b>(249.4)</b>
<b>Net assets</b>		<b>136.4</b>		<b>130.4</b>		<b>136.9</b>
<b>Equity attributable to equity holders of the Company</b>						
Share capital	1.4		1.4		1.4	
Share premium	171.4		171.4		171.4	
Translation reserve	1.4		0.4		2.1	
Hedging reserve	(4.1)		0.9		(4.2)	
Retained deficit	(33.7)		(43.7)		(33.8)	
<b>Total equity</b>		<b>136.4</b>		<b>130.4</b>		<b>136.9</b>

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the period ended 2 July 2009

	Issued capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained deficit £m	Total £m
<b>Balance at 27 December 2007</b>	<b>1.4</b>	<b>171.4</b>	<b>0.4</b>	<b>(0.2)</b>	<b>(40.4)</b>	<b>132.6</b>
Profit for the period	–	–	–	–	5.9	5.9
<b>Other comprehensive income</b>						
Movement in fair value of cash flow hedge	–	–	–	1.5	–	1.5
Deferred tax on swap revaluation	–	–	–	–	(0.4)	(0.4)
<b>Contributions by and distributions to owners</b>						
Dividends paid in period	–	–	–	–	(9.2)	(9.2)
<b>Balance at 26 June 2008</b>	<b>1.4</b>	<b>171.4</b>	<b>0.4</b>	<b>1.3</b>	<b>(44.1)</b>	<b>130.4</b>
<b>Balance at 27 December 2007</b>	<b>1.4</b>	<b>171.4</b>	<b>0.4</b>	<b>(0.2)</b>	<b>(40.4)</b>	<b>132.6</b>
Profit for the period	–	–	–	–	20.2	20.2
<b>Other comprehensive income</b>						
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
<b>Contributions by and distributions to owners</b>						
Dividends paid in period	–	–	–	–	(13.7)	(13.7)
Movements due to share-based compensation	–	–	–	–	0.1	0.1
<b>Balance at 25 December 2008</b>	<b>1.4</b>	<b>171.4</b>	<b>2.1</b>	<b>(4.2)</b>	<b>(33.8)</b>	<b>136.9</b>
Profit for the period	–	–	–	–	10.3	10.3
<b>Other comprehensive income</b>						
Movement in fair value of cash-flow hedge	–	–	–	0.1	–	0.1
Retranslation of foreign currency denominated subsidiaries	–	–	(0.7)	–	–	(0.7)
Actuarial loss on defined benefit scheme	–	–	–	–	(2.1)	(2.1)
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	0.6	0.6
<b>Contributions by and distributions to owners</b>						
Dividends paid in period	–	–	–	–	(8.9)	(8.9)
Movements due to share-based compensation	–	–	–	–	0.2	0.2
<b>Balance at 2 July 2009</b>	<b>1.4</b>	<b>171.4</b>	<b>1.4</b>	<b>(4.1)</b>	<b>(33.7)</b>	<b>136.4</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 2 July 2009

	27 week period ended 2 July 2009 (unaudited) £m	26 week period ended 26 June 2008 (unaudited) £m	52 week period ended 25 December 2008 (audited) £m
<b>Cash flow from operating activities</b>			
Profit for the period	10.3	5.9	20.2
Adjustments for:			
Financial income	(0.1)	(0.4)	(1.9)
Financial expense	4.1	5.8	12.5
Taxation charge	1.3	2.8	7.4
Share of loss/(profit) of equity-accounted investee	0.3	-	(0.1)
<b>Operating profit</b>	<b>15.9</b>	<b>14.1</b>	<b>38.1</b>
Depreciation and amortisation	7.8	6.8	14.0
Non-cash property charges	0.4	0.6	1.1
	<b>24.1</b>	<b>21.5</b>	<b>53.2</b>
Increase in trade and other receivables	(1.4)	(2.4)	(3.3)
(Increase)/decrease in inventories	(0.3)	0.1	(0.2)
(Decrease)/increase in trade and other payables	(1.7)	2.3	3.3
Decrease in provisions and employee benefits	(1.3)	(2.1)	(3.0)
<b>Cash generated from operations</b>	<b>19.4</b>	<b>19.4</b>	<b>50.0</b>
Tax paid	(0.6)	-	(2.8)
<b>Net cash flows from operating activities</b>	<b>18.8</b>	<b>19.4</b>	<b>47.2</b>
<b>Cash flows from investing activities</b>			
Interest received	0.1	0.4	0.7
Acquisition of property, plant and equipment	(7.9)	(6.8)	(10.9)
Surplus of pension contributions over current service cost	(0.8)	(0.8)	(1.6)
Investment in jointly controlled entity	-	-	(0.3)
<b>Net cash flows from investing activities</b>	<b>(8.6)</b>	<b>(7.2)</b>	<b>(12.1)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	(8.9)	(9.2)	(13.7)
Interest paid	(5.1)	(4.9)	(9.4)
Repayment of bank loans	(4.5)	(4.5)	(9.0)
Payment of finance lease liabilities	(0.2)	(0.3)	(0.5)
Loan to jointly controlled entity	-	-	(0.5)
<b>Net cash from financing activities</b>	<b>(18.7)</b>	<b>(18.9)</b>	<b>(33.1)</b>
Net (decrease)/increase in cash and cash equivalents	(8.4)	(6.7)	2.0
Effect of exchange rate fluctuations on cash held	(0.1)	-	0.4
Cash and cash equivalents at start of period	12.8	10.4	10.4
Cash and cash equivalents at end of period	4.3	3.7	12.8

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

### Reporting entity

Cineworld Group plc (the "Company") is a company domiciled in the UK. The condensed consolidated interim financial statements of the Company as at and for the 27 weeks ended 2 July 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in jointly controlled entities.

The consolidated financial statements of the Group as at and for the period ended 25 December 2008 are available upon request from the Company's registered office at Power Road Studios, 114 Power Road, Chiswick W4 5PY.

### Statement of compliance

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 weeks ended 25 December 2008.

The comparative figures for the financial year ended 25 December 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions, and remains satisfied with the Group's funding and liquidity position. On the basis of its forecasts, both base case and stressed, and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

### Significant accounting policies

These condensed consolidated interim financial statements are unaudited and, except as described below, have been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the 52 weeks ended 25 December 2008.

The following standards are effective for the first time in the current financial period and have been adopted by the Group with no significant impact on its consolidated results or financial position although there are some differences in presentation of the condensed consolidated interim financial statements:

### IAS 1(revised) Presentation of financial statements

The Group has presented both a consolidated statement of comprehensive income and a consolidated statement of changes in equity as financial statements.

The consolidated statement of comprehensive income effectively replaces the consolidated income statement and consolidated statement of recognised income and expense (SORIE). As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, where as all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects there is no impact on profit per share.

This represents a change from the requirement to present only one financial statement: a SORIE or a statement of changes in equity.

### **IFRS 2 Share based payment**

The definition of vesting conditions in IFRS 2 has been amended to clarify that vesting conditions are limited to service conditions and performance conditions. Conditions other than service or performance conditions are considered non-vesting conditions. This has had no material impact on the Group's results.

### **IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction**

This interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. The interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. This has had no material impact on the Group's results.

### **IFRS 8 Operating segments**

As of 26 December 2008, the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

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.

### **IAS 23 (revised) Borrowing costs**

The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The interpretation no longer allows the option to expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This has had no material impact on the Group's results.

## **2. SEASONALITY AND CYCLICALITY**

Revenues are impacted by the underlying economic conditions and the seasonality of film releases. Other than this, there is no significant seasonality or cyclicalities affecting the interim results of the Group.

## **3. OPERATING SEGMENTS**

Determination and presentation of operating segments.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

continued

## 4. TAXATION

The taxation charge has been calculated by reference to the expected effective corporation tax rates for the full financial year to end on 31 December 2009 applied against the profit before tax for the period ended 2 July 2009.

Recognised in the income statement

	27 week period ended 2 July 2009 (unaudited) £m	26 week period ended 26 June 2008 (unaudited) £m	52 week period ended 25 December 2008 (audited) £m
<b>Current year tax expense</b>			
Current year	2.6	2.0	6.4
Adjustments in respect of prior years	(2.0)	–	(0.1)
<b>Total current year tax expense</b>	<b>0.6</b>	<b>2.0</b>	<b>6.3</b>
<b>Deferred tax charge</b>			
Current year	1.2	0.8	1.1
Adjustments in respect of prior years	(0.5)	–	–
<b>Total deferred tax expense</b>	<b>0.7</b>	<b>0.8</b>	<b>1.1</b>
<b>Total tax charge in the income statement</b>	<b>1.3</b>	<b>2.8</b>	<b>7.4</b>
Effective tax rate	11%	32%	27%
Current year effective tax rate	33%	32%	27%

During the period the Group agreed the treatment of certain prior period items with HMRC, and as a result, released current tax provisions of £2.0m. In addition it identified £0.5m of additional unclaimed capital allowances available for use against future taxable profits and has recognised an additional asset in this respect. Excluding the impact of prior period items, the effective tax rate is 33%. This is higher than the statutory rate of 28% due to the existence of permanently disallowable depreciation and other expenditure.

## 5. FINANCE INCOME AND EXPENSE

	27 week period ended 2 July 2009 (unaudited) £m	26 week period ended 26 June 2008 (unaudited) £m	52 week period ended 25 December 2008 (audited) £m
Interest income	0.1	0.4	0.7
Return on defined benefit pension plan assets	–	–	1.2
<b>Financial income</b>	<b>0.1</b>	<b>0.4</b>	<b>1.9</b>
Interest expense on bank loans and overdrafts	3.0	4.7	8.8
Amortisation of financing costs	0.2	0.3	0.4
Unwind of discount on onerous lease	0.5	0.5	0.6
Finance cost for defined benefit pension scheme	0.1	0.1	1.5
Other financial costs	0.3	0.2	1.2
<b>Financial expense</b>	<b>4.1</b>	<b>5.8</b>	<b>12.5</b>

## 6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of non-vested ordinary shares held by the employee ownership trust. Adjusted earnings per share is calculated in the same way except that the profit for the period attributable to ordinary shareholders is adjusted by adding back the amortisation of intangible assets, the cost of share-based payments and other one-off income or expense. Adjusted pro-forma 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 any non-vested ordinary shares held by the employee share ownership trust and after adjusting for the effects of dilutive options, which in 2008 and 2009 was £nil.

	27 week period ended 2 July 2009 (unaudited) £m	26 week period ended 26 June 2008 (unaudited) £m	52 week period ended 25 December 2008 (audited) £m
Profit for the period attributable to ordinary shareholders	10.3	5.9	20.2
Adjustments:			
Amortisation of intangible assets	0.1	–	0.1
Share based payments	0.2	–	0.1
Transaction and reorganisation costs	–	–	(0.2)
Impact of straight lining operating leases	0.4	0.6	1.4
Adjusted earnings	11.0	6.5	21.6
Add back tax charge	1.3	n/a	7.4
Adjusted pro-forma profit before tax	12.3	6.5	29.0
Less estimated impact of 27th week in the period	(0.5)	–	–
Less tax at 28%	(3.3)	n/a	(8.3)
Adjusted pro-forma profit after tax	8.5	6.5	20.7
	Number of shares m	Number of shares m	Number of shares m
Weighted average number of shares in issue	141.7	141.7	141.7
Basic and adjusted earnings per share denominator	141.7	141.7	141.7
Dilutive options	–	–	–
Diluted earnings per share denominator	141.7	141.7	141.7
	Pence	Pence	Pence
Basic and diluted earnings per share	7.3	4.2	14.3
Adjusted earnings per share	7.8	4.6	15.2
Adjusted pro-forma earnings per share	6.0	4.6	14.6

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

continued

## 7. DIVIDENDS

The Directors have declared an interim dividend of 3.2p per share, amounting to £4.5m, which will be paid on 2 October 2009 to ordinary shareholders on the register at the close of business on 4 September 2009. In accordance with IAS 10, this will be recognised in the reserves of the Group when the dividend is paid.

## 8. ANALYSIS OF NET DEBT

	Cash at bank and in hand £m	Bank loans £m	Finance leases £m	Interest rate swap £m	Net debt £m
Balance at 25 December 2008	12.8	(119.1)	(6.9)	(4.2)	(117.4)
Cash flows	(8.4)	4.5	0.2	–	(3.7)
Non cash movement	–	(0.1)	(0.2)	0.1	(0.2)
Effect of movement in foreign exchange rates	(0.1)	–	–	–	(0.1)
Balance at 2 July 2009	4.3	(114.7)	(6.9)	(4.1)	(121.4)

## 9. PROPERTY, PLANT AND EQUIPMENT

During the 27 weeks to 2 July 2009, the Group acquired assets with a cost of £8.3m (26 weeks to 26 June 2008: £5.9m; 52 weeks ended 25 December 2008: £13.6m)

## 10. CAPITAL COMMITMENTS

Capital commitments at the end of the financial period for which no provision has been made were £3.7m for the 27 weeks to 2 July 2009 and £4.0m to 25 December 2008.

## 11. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Total compensation for the Directors during the 27 weeks to 2 July 2009 was £1,257,000 (26 weeks to 26 June 2008: £1,123,000; 52 weeks ended 25 December 2008: £1,830,000).

Digital Cinema Media (DCM) is a joint venture between the Group and Odeon Cinemas Holdings Limited set up on 10 July 2008. Revenue received from DCM in the 27 weeks ended 2 July 2009 totalled £6,107,000 (52 weeks to 25 December 2008: £7,361,000) and as at the period end £3,772,000 was due from DCM in respect of trade receivables (52 weeks to 25 December 2008: £2,161,000). In addition the Group has a working capital loan outstanding from DCM of £0.5m (52 weeks to 25 December 2008: £0.5m). The Group has guaranteed £3m 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.



# INDEPENDENT REVIEW REPORT TO CINEWORLD GROUP PLC

## INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the 27 weeks ended 2 July 2009 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## DIRECTORS' RESPONSIBILITIES

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 27 weeks ended 2 July 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

### **M Summerfield**

For and on behalf of KPMG Audit Plc  
Chartered Accountants  
8 Salisbury Square  
London EC4Y 8BB  
20 August 2009

# RESPONSIBILITY STATEMENT OF THE DIRECTORS' IN RESPECT OF THE INTERIM REPORT

The Directors confirm that to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

The Chief Executive Officer's Review and the condensed set of financial statements include a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 27 weeks of the financial period and their impact on the condensed interim financial statements; and a description of the principal risks and uncertainties for the remaining 27 weeks of the financial period; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 27 weeks of the current financial period and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors of Cineworld Group plc are listed in the Cineworld Annual Report 2008.

By order of the Board

**Stephen Wiener**  
Director  
20 August 2009

**Richard Jones**  
Director  
20 August 2009

## Half-yearly Financial Report

This half-yearly financial report was posted to shareholders on 15 September 2009 and made available from the same date at the Company's registered office. It can also be found on [www.cineworldplc.com](http://www.cineworldplc.com)

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[www.cineworldplc.com](http://www.cineworldplc.com)

## COMPANY NUMBER

Registered Number: 5212407

## PLACE OF INCORPORATION

England and Wales

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