Cineworld Group plc

Interim Report 2007

For the 26 weeks ended 28 June 2007

cineworld CINEMAS

Financial Highlights

Group revenue up 11.2% to £135.7m on a continuing basis (2006: £122.0m)[1]

EBITDA[2] up 24.7% to £21.7m (2006: £17.4m on a continuing basis)[1]

Operating profit increased to £18.0m (2006: £3.7m)

Operating cash flow before changes in working capital and provisions increased to £19.8m (2006: £15.9m)

Net debt reduced to £129.6m following IPO in May 2007 and debt refinancing (2006: £330.0m)

Reported EPS[3]: 21.7p on basic earnings, 9.2p on adjusted pro-forma earnings (EPS based on shares at end of period: 10.4p on basic earnings, 4.4p on adjusted pro-forma earnings)[4]

Proposed interim dividend of 3p per share.

Operational Highlights

Successful IPO on the main market of the London Stock Exchange raising £120.0m (before expenses) for the Group and selling shareholders

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Market share increased to 23.9% (2006: 23.4%) (source: EDI Neilsen)

Box office up 12.0% at £88.7m on a continuing basis (2006: £79.2m)[1]

Admissions up 8% at 21.7m on a continuing basis (2006: 20.1m)[1]

Average ticket price per admission up 3.5% to £4.09 (2006: £3.95 on a continuing basis)[1]

Average retail spend per person up 3.1% to £1.64 (2006: £1.59 on a continuing basis)[1]

New cinema opened in Didcot on 3 May 2007 and performing ahead of expectations.

[1] Continuing basis excludes sites disposed during 2006, see the financial performance section
[2] EBITDA is defined in the financial performance section
[3] Based on weighted average number of shares in the period of 68.1m. See note 5 for calculation
[4] Based on 141.7m shares in issue at 28 June 2007

Chief Executive's Statement

The first half of 2007 was transformational for the Group. We listed our shares on the main market of the London Stock Exchange in May, raising £120m before expenses for the Group and selling shareholders.

At this time we set out a clear strategy for growth and I am delighted our maiden interim results indicate robust progress across all fronts.

Revenue* £135.7m +11.2%	EBITDA* £21.7m +24.7%
Operating Profit* £18.0m +387%	Operating Cash Flow* £19.8m +25%

* Continuing operations

Market share grew to 23.9% from 23.4% in the same period last year and box office increased 12% to £88.7m (2006: £79.2m) on a continuing basis. Admissions were up 8% on the same period last year and the average ticket price per admission increased by 3.5% to £4.09 (2006: £3.95). In addition, we drove retail spend per person by 3.1% from £1.59 to £1.64 in the same period. These results are testament to Cineworld's customer proposition with a national franchise of quality mulitplex cinemas and a compelling mix of film and retail offering.

The new financial period started well with a carryover of strong films from the 2006 Christmas trading period, which continued well into the first half. These included A Night At The Museum and Casino Royale – the latter, though released in mid November 2006, continued to play through to February of this year and was the top performing film released in 2006 in the UK, grossing £54m in total. The period's blockbuster sequels have all performed well, commencing with Spiderman 3 in early May, followed by Pirates of the Caribbean 3 in June, Ocean's Thirteen, Fantastic Four and Shrek The Third, with the latter contributing three days' box office for the period.

In addition to Hollywood-based blockbuster successes, the UK film industry turned in good performances, Mr Bean's Holiday and Hot Fuzz were the third and fourth highest grossing films in the UK to June 2007, respectively. We should also note the contribution of other films to our overall box office which, whilst not blockbusters, have nonetheless been significant drivers of box office takings. The most notable of these was 300, which was the sixth highest grossing film in the UK over the period. Other films include Charlotte's Web, The Pursuit of Happyness, Music And Lyrics, 28 Weeks Later and Zodiac. Rocky Balboa and Die Hard 4.0 were big success stories too and should give the film studios confidence to resurrect further titles.

A key element of our strategy is our commitment to offering customers the broadest range of films available. To this end we are delighted to have maintained our strong presence and interest in other, less mainstream markets. We have been able to achieve a more constant and regular offering of Bollywood films in the first half of the year than in previous years and a series of successful foreign language films have contributed favourably to our results. The most notable releases were The Lives of Others (2007 Oscar Winner in the foreign language category from Germany) and the French films Tell No One and La Vie En Rose. The release of the Tamil film Sivaji, over which we had limited exclusivity, has opened up further exciting possibilities in this new and growing market.

Our proposition is to offer our customers the most enjoyable cinematic experience in the country. Almost all of our multiplex cinemas have a digital projection facility and as the film industry thrives on technological developments, we feel well placed to capitalise on these initiatives. Moreover, our retail and marketing initiatives, including the Unlimited card and enhancements to the product offering such as Ben and Jerrys and Fanta Frozen, have helped us to maintain footfall whilst increasing retail spend per customer.

At the time of the IPO, we stated our ambition to grow the estate through selective new openings, expansions and acquisitions. I am delighted to report that in May 2007 we opened our first new cinema as a public company in Didcot, Oxfordshire, which is performing ahead of expectations.

Chief Executive's Statement Continued

FINANCIAL PERFORMANCE

	26 week period 28 June 2007	26 week period ended 29 June 2006		52 week period ended 28 December 2006	
	Total	Total	Continuing*	Total	Continuing*
Admissions	21.7m	21.5m	20.1m	45.2m	42.9m
	£m	£m	£m	£m	£m
Box Office	88.7	84.6	79.2	181.3	172.4
Retail	35.5	34.2	31.9	73.3	69.4
Other	11.5	11.6	10.9	23.9	22.8
Total revenue	135.7	130.4	122.0	278.5	264.6
EBITDA**	21.7	19.2	17.4	48.6	46.0
EBITDA after transaction and reorganisation costs and profit on disposal of cinema sites	27.8	15.5	14.1	48.0	42.6
Operating profit	18.0	3.7	2.9	20.5	15.1

*Continuing operations basis excludes the results of cinemas sold during 2006 - namely Swindon (Greenbridge Park), Bishop's Stortford, Sunderland, Birmingham (Great Park, Rubery), Ealing, Wigan (Robin Way) and Slough (Queensmere Centre).

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

Revenues

Total revenue was £135.7m, a rise of 4.1% on the prior period (2006: £130.4m). Revenue on a continuing basis was up 11.2% (2006: £122.0m), against weaker than usual comparatives due to last year's World Cup and the very hot weather in the UK.

As a result of strong product and the increase in market share described above, we have enjoyed very buoyant trade during the first half and box office was 12.0% higher at £88.7m on a continuing basis (2006: £79.2m).

Our subscription business, the Unlimited pass, continues to expand in line with our stated strategy and we currently have in excess of 160,000 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.

Retail sales for the first half of the year were in line with expectations given the level of business and were up 11.3% at £35.5m on a continuing basis (2006: £31.9m) with the high grossing blockbuster films of May and June providing a strong spending customer base. A number of film tie-in retail promotions were developed for the summer period and in the first half, a further twelve Ben & Jerrys outlets were opened, and Fanta Frozen was rolled out across the majority of sites.

Other revenues from screen advertising, ticket bookings, sponsorships, games and other machines etc, were up 5.5% to £11.5m (2006: £10.9m) on a continuing basis.

EBITDA and Operating profit

EBITDA on a continuing basis was up 24.7% to £21.7m against 2006 figures of £17.4m and operating profit increased to £18.0m (2006: £3.7m total, £2.9m on a continuing basis). Included in the results for the first six months of 2007 were rates rebates received of £1.4m relating to prior years (2006: £0.3m), of which approximately £1.0m relates to the financial year 2006 (£0.5m to the first half) and £0.4m to 2005. Transaction and reorganisation costs of £1.9m were incurred during the period, relating mainly to costs in connection with the IPO. The profit on disposal of £8.0 million in the first half results relates to the sale and leaseback transactions on our Swindon and Southampton cinemas.

Financing costs

The interest expense in the first half relates to interest on the pre-IPO financing arrangements on debt and bonds and to interest on post-IPO debt. Also included in the first half costs was the write-off of £1.0m financing fees previously capitalised in the pre-IPO debt financing. On a pro-forma basis, assuming the post-IPO debt structure had been in place from 29 December 2006, net financing costs for the first half would be approximately £4.8m.

Taxation

The overall tax credit of £9.7m is due to the recognition of a deferred tax asset on the basis that the unclaimed capital allowances, being the difference between the tax written down value of the capital allowance and the net book value of the underlying assets, are now forecast to be utilised against future profits. There is a £0.4m corporation tax charge for the first half of the year, which is based on a forecast effective tax rate for the 2007 full year of 8.0%.

Earnings

Overall profit before tax was £5.1m against a loss of £6.0m in 2006.

Basic earnings per share amounted to 21.7p and adjusted pro-forma earnings per share were 9.2p based on a weighted average number of shares over the period of 68.1m, whereas the total number of shares in issue at the end of the period was 141.7m, which would otherwise give a basic earnings per share of 10.4p and adjusted earnings per share of 4.4p. There were no share dilutions at the end of the period.

CASHFLOW AND BALANCE SHEET

The Group continued to be cash generative at the operating level during the first half. Total cash inflow from operations before changes in working capital increasing to £19.8m (2006: £15.9m). This reflects the healthy conversion rate of our profits into cash flow. The cash outflow from the reduction in working capital is due to payment of creditors, normally at its highest level at the end of December, reflecting the highest trading period in the year.

Capital expenditure for the first six months amounted to £3.4m, of which £2.8m represented replacement and refurbishment expenditure and £0.6m being the cost of opening the new five screen cinema at Didcot on 3 May 2007. We are making good progress with our capital expenditure programme with various refurbishments completed at ten sites.

The radical change from a net liability to a net asset position is the result of the share issue and de-leveraging of the business, the combination of which now allows us more flexibility to meet future business challenges and opportunities.

DIVIDENDS

The Board is declaring an interim dividend of 3 pence per share, reflecting the Board's confident outlook as well as the strong performance in the first half of the year. The dividend will be paid on 26 October 2007 to ordinary shareholders on the register at the close of business on 28 September 2007.

CURRENT TRADING AND OUTLOOK

Since the half-year end, attendances levels continue to be strong, driven by the success of a number of summer blockbusters. This, in combination with our strong first half performance, underpins our increased confidence in the outlook for the year – although noting that year on year figures will reflect the strong closing months of 2006.

Looking forward to 2008, the ongoing initiatives to improve and expand our estate, coupled with a film release schedule that includes blockbuster franchises such as James Bond, Harry Potter, Batman and Chronicles of Narnia, make us confident in our continuing ability to grow the business and create value for our shareholders.

Stephen Wiener
Chief Executive Officer

20th September 2007

Consolidated Income Statement

for the period ended 28 June 2007	26 week period ended 28 June 2007 (unaudited) £m	26 week period ended 29 June 2006 (unaudited) £m	52 week period ended 28 December 2006 (audited) £m
Revenue	135.7	130.4	278.5
Cost of sales	(102.3)	(101.0)	(211.3)
Gross profit	33.4	29.4	67.2
Other operating income	8.3	1.2	3.1
Administrative expenses	(23.7)	(26.9)	(49.8)
Operating profit	18.0	3.7	20.5
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	21.7	19.2	48.6
- Depreciation and amortisation	(9.8)	(11.8)	(23.0)
- Goodwill and impairment charges	-	-	(2.2)
- Onerous leases and other non-recurring property charges	-	-	(2.3)
- Profit/(loss) on disposal of cinema sites	8.0	(0.4)	2.8
- Transaction and reorganisation costs	(1.9)	(3.3)	(3.4)
Financial income	0.9	11.2	14.4
Financial expenses	(13.8)	(20.9)	(40.8)
Net financing costs	(12.9)	(9.7)	(26.4)
Profit/(loss) before tax	5.1	(6.0)	(5.9)
Taxation	9.7	-	-
Profit/(loss) for the period attributable to equity holders of the Company	14.8	(6.0)	(5.9)
Basic and diluted earnings/(loss) per share	21.7p	(17.4)p	(17.1)p

Consolidated Balance Sheet

as at 28 June 2007	28 June 2007 (unaudited) £m	29 June 2006 (unaudited) £m	28 December 2006 (audited) £m
NON-CURRENT ASSETS			
Property, plant and equipment	110.8	128.5	119.9
Goodwill	204.3	204.3	204.3
Other intangible assets	1.4	4.5	3.0
Other receivables	0.9	0.9	0.9
Deferred tax assets	15.4	8.4	5.3
Total non-current assets	332.8	346.6	333.4
CURRENT ASSETS			
Inventories	1.4	1.6	1.6
Other financial assets	2.0	-	-
Trade and other receivables	19.5	17.6	18.1
Cash and cash equivalents	8.8	5.3	27.7
Assets classified as held for sale	-	13.5	-
Total current assets	31.7	38.0	47.4
Total assets	364.5	384.6	380.8
Current liabilities			
Interest-bearing loans, borrowings and other financial liabilities	(6.5)	(2.2)	(1.0)
Trade and other payables	(45.1)	(60.7)	(51.5)
Current taxes payable	(0.4)	-	-
Provisions	(2.9)	(2.4)	(2.1)
Total current liabilities	(54.9)	(65.3)	(54.6)
NON-CURRENT LIABILITIES			
Interest-bearing loans, borrowings and other financial liabilities	(133.9)	(333.1)	(340.9)
Trade and other payables	(19.0)	(19.2)	(19.4)
Employee benefits	(4.6)	(5.9)	(4.6)
Provisions	(14.2)	(14.9)	(16.2)
Deferred tax liabilities	(4.4)	(6.7)	(3.9)
Total non-current liabilities	(176.1)	(379.8)	(385.0)
Total liabilities	(231.0)	(445.1)	(439.6)
Net assets/(liabilities)	133.5	(60.5)	(58.8)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	1.4	-	-
Share premium	173.0	-	-
Translation reserve	0.4	0.4	0.4
Hedging reserve	1.4	-	-
Retained deficit	(42.7)	(60.9)	(59.2)
Total equity	133.5	(60.5)	(58.8)

Consolidated Cash Flow Statement

for the period ended 28 June 2007	26 week period ended 28 June 2007 (unaudited) £m	26 week period ended 29 June 2006 (unaudited) £m	52 week period ended 28 December 2006 (audited) £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period	5.1	(6.0)	(5.9)
Adjustments for:			
Financial income	(0.9)	(11.2)	(14.4)
Financial expense	13.8	20.9	40.8
Taxation	-	-	-
Operating profit	18.0	3.7	20.5
Depreciation and amortisation	9.8	11.8	23.0
Impairment charges	-	-	2.2
Profit on disposal of cinema sites	(8.0)	0.4	(2.8)
Operating cash flow before changes in working capital and provisions	19.8	15.9	42.9
(Increase) in trade and other receivables	(1.1)	(2.6)	(0.7)
Decrease/(increase) in inventories	0.2	-	(0.1)
(Decrease) in trade and other payables	(6.4)	(8.2)	(2.3)
(Decrease) in provisions and employee benefits	(0.9)	(1.1)	(0.5)
Cash generated from operations	11.6	4.0	39.3
Tax paid	-	-	-
Net cash flows from operating activities	11.6	4.0	39.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the disposal of cinema sites	12.2	8.0	25.1
Interest received	0.6	0.3	0.6
Acquisition of property, plant and equipment	(3.4)	(4.1)	(6.4)
Surplus of pension contributions over current service cost	(0.2)	(0.2)	(0.4)
Net cash flows from investing activities	9.2	4.0	18.9
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new loan	135.0	226.0	226.0
Share issue proceeds	104.3	-	-
Interest paid	(7.0)	(9.7)	(18.8)
Repayment of bank loans	(208.0)	(235.0)	(253.0)
Repayment of bonds	(54.3)	-	-
Payment of finance lease liabilities	(0.5)	(0.2)	(0.5)
Share issuance costs	(7.8)	-	-
Debt issuance costs	(1.4)	(3.4)	(3.8)
Net cash from financing activities	(39.7)	(22.3)	(50.1)
Net (decrease)/increase in cash and cash equivalents	(18.9)	(14.3)	8.1
Cash and cash equivalents at start of period	27.7	19.6	19.6
Cash and cash equivalents at end of period	8.8	5.3	27.7

Consolidated Statement of Recognised Income and Expense

for the period ended 28 June 2007	26 week period ended 28 June 2007 (unaudited) £m	26 week period ended 29 June 2006 (unaudited) £m	52 week period ended 28 December 2006 (audited) £m
Foreign exchange translation gain	-	-	-
Actuarial gains and losses on defined benefit pension schemes	-	0.6	2.7
Tax recognised on income and expenses recognised directly in equity	(0.6)	(0.2)	(0.7)
Movement in fair value of cash-flow hedge	2.0	-	-
Net income/(expense) recognised directly in equity	1.4	0.4	2.0
Profit/(loss) for the period	14.8	(6.0)	(5.9)
Total recognised income and expense for the period attributable to equity holders of the company	16.2	(5.6)	(3.9)

Notes to the Interim Consolidated Financial Statements

1 BASIS OF PREPARATION

This interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the 52 week period ended 28 December 2006.

The comparative figures for the 52 week period ended 28 December 2006 are not the Company's statutory accounts for that financial period. 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 group's key accounting policies are as follows:

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. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Basis of consolidation

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.

Derivative financial instruments and hedging

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.

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 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.
Lease payments are accounted for as described below.

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

• Freehold buildings and long leasehold properties	30 years or life of lease if shorter
• Leasehold improvements	life of lease
• Plant and equipment	5 to 10 years
• Fixtures and fittings	4 to 10 years

No depreciation is provided on freehold land, 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.

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 identifiable assets, liabilities and contingent liabilities 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.

Negative goodwill arising on an acquisition is recognised immediately in the income statement.

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 tested annually 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
• Customer relationships	3 years

Trade and other receivables

Trade and other receivables are recorded at fair value less amortised cost, using the effective interest rate method, less impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the 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.

Notes to the Interim Consolidated Financial Statements Continued

1 BASIS OF PREPARATION CONTINUED

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.

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.

Revenue
Revenue represents the total amount receivable for services rendered or goods sold, excluding sales related taxes and intra group transactions. Revenue is recognised in the income statement at the point of sale for ticket and refreshment sales. Income from other related activities is recognised in the period to which they relate.

Expenses
Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

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 re-measurement 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.

Taxation
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets 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.

2 SEGMENTAL INFORMATION

Geographic sector analysis

Revenue by destination and by origin from countries other than the UK in all financial periods was not material.
Business sector analysis
The Group has operated in one business sector in all financial periods, being cinema operations.

3 TAXATION

The taxation charge has been calculated by reference to the expected effective corporation tax rates for the full financial year to end on 27 December 2007 applied against the profit before tax for the period ended 28 June 2007. The underlying effective full year corporation tax charge is 8% (2006: nil%) for the year.

Recognised in the income statement

	26 week period ended 28 June 2007 (unaudited) £m	26 week period ended 29 June 2006 (unaudited) £m	52 week period ended 28 December 2006 (audited) £m
Current tax expense			
Current year	0.4	-	-
Deferred tax (credit)	(10.1)	-	-
Origination and reversal of temporary differences	-	-	4.6
Benefit of tax losses recognised	-	-	(4.6)
Total tax (credit) in income statement	(9.7)	-	-

The deferred tax credit is due to the recognition of a deferred tax asset principally relating to unclaimed capital allowances, being the excess of the tax written down value of the capital allowance over the net book value of the underlying assets, which are forecast to be utilised against future profits.

Following the IPO in May 2007, the Group's debt was refinanced. The lower interest payments forecast from May 2007 and beyond mean that it is now likely that these unclaimed capital allowances will be utilised.

Notes to the Interim Consolidated Financial Statements Continued

4 FINANCE INCOME AND EXPENSE

	26 week period ended 28 June 2007 (unaudited) £m	26 week period ended 29 June 2006 (unaudited) £m	52 week period ended 28 December 2006 (audited) £m
Interest income	0.6	0.3	0.6
Net gain on swap	0.3	10.9	12.8
Return on defined benefit pension plan assets	-	-	1.0
Financial income	0.9	11.2	14.4
Interest expense on bank loans and overdrafts	7.3	9.3	18.4
Interest accrued on deep discount bonds	4.2	5.7	11.6
Write off of financing fees on redemption of loans	1.0	3.3	3.1
Amortisation of financing costs	0.3	0.9	3.7
Unwind of discount on onerous lease	0.3	0.3	0.6
Finance cost for defined benefit pension scheme	0.1	0.2	1.3
Recognition of expense relating to cash settled shares	-	0.2	0.9
Other financial costs	0.6	1.0	1.2
Financial expense	13.8	20.9	40.8

5 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss), adjusted earnings/(loss) and diluted earnings/(loss) per share.

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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/(loss) 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, applying a pro-forma interest charge on the new debt structure, other one-off income or expense and the actual tax charge/(credit) and subtracting a tax charge calculated at 30% of normalised earnings for the period.

Diluted earnings/(loss) 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.

	26 week period ended 28 June 2007 (unaudited) £m	26 week period ended 29 June 2006 (unaudited) £m	52 week period ended 28 December 2006 (audited) £m
Profit/(loss) for the period attributable to ordinary shareholders	14.8	(6.0)	(5.9)
Adjustments:			
Amortisation of intangible assets	1.6	1.5	3.1
Share based payments	0.4	0.4	0.9
Transaction and reorganisation costs	1.9	3.3	3.4
Profit on disposal	(8.0)	0.4	(2.8)
Adjusted earnings	10.7	(0.4)	(1.3)
Normalised interest	8.0	-	-
Less tax credit	(9.7)	-	-
Adjusted pro-forma profit/(loss) before tax	9.0	(0.4)	(1.3)
Less tax at 30%	(2.7)	0.1	0.4
Adjusted pro-forma profit/(loss) after tax	6.3	(0.3)	(0.9)

Notes to the Interim Consolidated Financial Statements Continued

	Number of shares million	Number of shares million	Number of shares million
Weighted average number of shares in issue	68.1	34.6	34.6
Basic and adjusted earnings/(loss) per share denominator	68.1	34.6	34.6
Dilutive options	-	-	-
Diluted earnings/(loss) per share denominator	68.1	34.6	34.6
	Pence	Pence	Pence
Basic and diluted earnings/(loss) per share	21.7	(17.4)	(17.1)
Adjusted basic and diluted earnings/(loss) per share	15.7	(1.2)	(3.8)
Adjusted pro-forma basic and diluted earnings/(loss) per share	9.2	(0.8)	(2.6)

6 DIVIDENDS

The Directors have declared an interim dividend of 3 pence per share, amounting to £4.3 million, which will be paid on 26 October 2007 to ordinary shareholders on the register at the close of business on 28 September 2007. In accordance with IAS 10, this will be recognised in the reserves of the group when the dividend is paid.

7 OTHER INTEREST BEARING LOANS AND BORROWINGS AND OTHER FINANCIAL LIABILITIES

	28 June 2007 (unaudited) £m	29 June 2006 (unaudited) £m	28 December 2006 (audited) £m
Non-current liabilities			
Deep discounted bonds	-	120.7	126.6
10% interest bearing unsecured bonds	-	1.1	1.2
Secured bank loans less issue costs	127.5	204.9	206.7
Liabilities under finance leases	6.4	6.4	6.4
	133.9	333.1	340.9
Current liabilities			
Interest rate swap	-	-	0.3
Liabilities under finance leases	0.5	0.5	0.5
Secured bank loans less issue costs	6.0	1.7	0.2
	6.5	2.2	1.0

On 26 April 2007 the bank loans were refinanced with a new loan of £135 million for a term of 5 years and interest charged at 1.35% above LIBOR. £6 million is repayable on 31 December 2007, followed by repayments of £4.5 million every half year thereafter to 31December 2011, with the balance then to be fully repaid.

The deep discounted bonds and unsecured bonds were repaid through £54 million cash from the proceeds of the Global offer and the balance converted to shares on admission.

Analysis of net debt

	Cash at bank and in hand £m	Bank loans £m	Deep discount bonds £m	Finance leases £m	Interest rate swap £m	Net debt £m
Balance at 28 December 2006	27.7	(206.9)	(127.8)	(6.9)	(0.3)	(314.2)
Cash flows	(18.9)	73.4	54.3	-	-	108.8
Non cash movement	-	-	73.5	-	2.3	75.8
Balance at 28 June 2007	8.8	(133.5)	-	(6.9)	2.0	129.6

8 CAPITAL AND RESERVES

Reconciliation of movements in equity for the six months ended 28 June 2007

	Issued capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained deficit £m	Total £m
Balance at 29 December 2006	-	-	0.4	-	(59.2)	(58.8)
Profit for the period	-	-	-	-	14.8	14.8
Shares issued, net of related costs	0.6	95.1	-	-	-	95.7
Bonds converted to shares	0.5	77.9	-	-	-	78.4
Bonus share issue	0.3	-	-	-	-	0.3
Share based payments	-	-	-	-	1.7	1.7
Movement in fair value of cash-flow hedge	-	-	-	2.0	-	2.0
Deferred tax on swap revaluation	-	-	-	(0.6)	-	(0.6)
Balance at 28 June 2007	1.4	173.0	0.4	1.4	(42.7)	133.5

Notes to the Interim Consolidated Financial Statements Continued

8 CAPITAL AND RESERVES CONTINUED

Share capital
Cineworld Group plc

	28 June 2007 (unaudited) £m	29 June 2006 (unaudited) £m	28 December 2006 (audited) £m
Authorised			
173,515 ordinary shares of £0.01 each	-	-	-
200,000,000 ordinary shares of £0.01 each	2.0	-	-
48,272 redeemable preference shares of £1 each	-	-	-
Allotted, called up and fully paid			
172,815 ordinary shares of £0.01 each	-	-	-
141,721,509 ordinary shares of £0.01 each	1.4	-	-
48,272 redeemable preference shares of £1 each	-	-	-

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

On admission on 2 May 2007, the Company made the following share issues:
61,381,075 shares in connection with the Global offer
45,777,434 shares in connection with the conversion of outstanding bonds
34,390,185 bonus shares on the existing shares

The redeemable shares were redeemed and cancelled from the Company's authorised share capital on 2 May 2007.

Independent Review Report to Cineworld Group Plc

Introduction

We have been engaged by the company to review the financial statements and the financial information for the twenty-six week period ended 28 June 2007 which comprises the Consolidated income statement, Consolidated balance sheet, Consolidated cash flow statement, Consolidated statement of recognised income and expense and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information

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 Listing Rules of the Financial Services Authority. 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 report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the twenty-six week period ended 28 June 2007.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
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20 September 2007

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