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CINEWORLD GROUP plc

Cineworld Group plc ("Cineworld" or "the Group") is pleased to announce its maiden results as a public company for the 52 weeks ended 27 December 2007.

HIGHLIGHTS

Financial

- Group revenue up 2.4% to £285.3m (2006: £278.5m) and up 7.8% on a continuing basis (2006: £264.6m)[1];
- EBITDA[2] up 13.0% to £52.0m (2006: £46.0m) on a continuing basis[1];
- Operating profit increased to £30.4m (2006: £18.7m);
- Profit on ordinary activities before tax increased to £12.4m (2006: loss of £7.7m)
- Operating cash flow before changes in working capital and provisions increased to £49.4m (2006: £42.9m);
- Net debt reduced to £124.4m following IPO in May 2007 and debt refinancing (2006: £314.2m);
- Reported EPS[3]: 24.5p on basic earnings, 17.4p on adjusted pro-forma earnings;
- EPS based on shares at end of period: 18.1p on basic earnings, 15.7p on adjusted pro-forma earnings[4];
- Total proposed dividend in respect of 2007 of 9.5p per share.

Operational

- Successful IPO on the main market of the London Stock Exchange raising £120.0m (before expenses) for the Group and selling shareholders;
- Market share increased to 23.7% (2006: 23.5%) (source: EDI Neilsen);
- Admissions up 4.9% at 45.0m on a continuing basis (2006: 42.9m)[1];
- Box office up 7.7% at £185.7m on a continuing basis (2006: £172.4m)[1];
- Average ticket price per admission up to £4.12 (2006: £4.02 on a continuing basis)[1];
- Average retail spend per person up to £1.67 (2006: £1.62 on a continuing basis)[1];
- Expansion plans on track with Didcot cinema opened on 3 May 2007 and High Wycombe opened on 14 March 2008;
- Contract signed with REAL-D to bring 3D digital screens to Cineworld's estate;
- Formation of Digital Cinema Media ("DCM") in March 2008, a 50:50 joint venture with Odeon to provide screen advertising for both parties.

Commenting on these results, Stephen Wiener, Chief Executive Officer of Cineworld Group plc, said:

"It has been a transformational year for Cineworld. We listed our shares on the main market of the London Stock Exchange in May 2007 raising £120m before expenses for the Group and selling shareholders. We are very encouraged by the performance of the Group over the year. We remain focused on delivering our strategy, as stated at the time of the IPO, with increased revenues and profitability and continue on schedule with our investment plans for new cinema rollouts and refurbishment of our existing estate.

"The new year for Cineworld has started well and attendances have been strong. This has been driven by the success of a number of blockbusters and is testament to the resilient nature of our business model and the enduring appeal of film. Overall, we anticipate an increase in revenue for 2008 as a whole.

"Looking forward, the ongoing initiatives to improve and expand our estate, coupled with an exciting film release schedule of proven franchises mean we are confident we can deliver ongoing value for our shareholders."

[1] Continuing basis excludes sites disposed during 2006, see the financial performance section
[2] EBITDA is defined as per the financial performance section of the Chief Financial Officer's review
[3] Based on weighted average number of shares in the period of 104.9m. See note 4 for calculation
[4] Shares in issue at 27 December 2007 are 141.7m and using the 2007 effective tax rate of 14.5%

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Chief Executive Officer's review of operations

As founder of Cineworld, I am very proud of the business we have built over the last decade. Today the Group stands at 74 cinemas, with a total of 770 screens, including five out of the eight highest grossing cinemas in the United Kingdom and Ireland. When we came to market in May 2007, we set out a clear strategy for growth, and I am delighted our inaugural preliminary announcement of annual results as a public company indicates good progress on a number fronts.

KEY PERFORMANCE INDICATORS

Box office revenue increased 7.7% to £185.7m (2006: £172.4m) on a continuing basis and 2.4% on an actual basis (2006: £181.3m) representing a box office market share of 23.7%, up from 23.5% in 2006. Admissions were up 4.9% on last year and the average ticket price per admission increased by 2.5% to £4.12 (2006: £4.02). In addition, we increased retail spend per person by 3.1% from £1.62 last year to £1.67. These robust performance indicators are testament to the Group's unparalleled customer offer of quality multiplex cinemas with the appropriate mix of film and retail offering.

FILM ANALYSIS

2007 was a good year for film. Particular highlights included Harry Potter 5, Pirates of the Caribbean 3, Shrek The Third and The Simpsons Movie, which all contributed significantly to admissions across our estate. In addition Spiderman 3, Ratatouille, Transformers and The Golden Compass all performed well, appealing to the family audience, and further driving sales across our retail franchise. The UK film industry also turned in good performances and Mr Bean's Holiday and Hot Fuzz were the ninth and tenth highest grossing films in the UK in 2007, respectively. Other strong performing UK films included Miss Potter and The Last King of Scotland, in which the lead actor won an Oscar for best actor.

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 remain the biggest exhibitor of Bollywood films in the UK and highlights in the period included Namastey London, Namesake and Om Shanti. We were also pleased to secure limited exclusivity over the release of the Tamil film, Sivaji, which drew a new audience to our cinema franchise and we feel well placed to capitalise on the exciting opportunities this presents.

In addition, we showcased a series of other successful foreign language films, which have contributed favourably to our full year results. The most notable releases were The Lives of Others (2007 Oscar Winner in the foreign language category from Germany), the French films Tell No One and La Vie En Rose and The Curse of the Golden Flower from Hong Kong.

RETAIL

Our retail initiatives over the year have improved our customer proposition and increased retail spend per customer. We have expanded our product offering and now offer Fanta Frozen at almost all our cinemas. In addition, we have rolled out Ben & Jerry's kiosks to a total of 25 locations. Other product developments included new contracts with Carlsberg for the supply of all alcohol at our cinemas and we are pleased to be in final negotiations for the supply of branded coffee across our estate. Our retail strategy over the year was focussed on promotional activity and this will be enhanced in 2008 with increased emphasis on operational support through expansion of promotions programmes and ongoing training.

DIGITAL

Cineworld has the largest digital estate of any cinema operator in the UK with 74 digital projectors. All new cinemas are built in anticipation of digital being the standard format of delivering movie content in the future and almost every multiplex has digital capability. In October 2007 we announced a deal with Real-D, the world leader in 3-D technology, to bring 3-D to certain cinemas across the estate, with the potential to roll out to as many as 100 screens in the future. This deal coincided with the release of the 3-D version of Beowulf, which launched in the UK on 16 November 2007 and performed extremely well. The film industry thrives on technological developments, which can present potential alternative revenue streams to the Group and we are well placed to capitalise on these initiatives.

UNLIMITED CARD

Our subscription service, Unlimited, goes from strength to strength and currently stands at over 185,000 subscribers. This offers a compelling value proposition to our customers whilst bringing the financial benefits of regular service subscription income to the Group. In addition, it encourages repeat visits to our cinemas enabling us to introduce a wider range of films to our customers, and also helps to attract more serious film-goers.

NEW OPENINGS

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. This is a five-screen cinema, with digital facilities, and is performing ahead of expectations.

Our national expansion plans remain a key strategic priority for the Group as we seek to deliver growth for our shareholders. In March 2008 we opened a new twelve-screen cinema in High Wycombe and towards the end of the year a new five-screen cinema is scheduled to open at Haverhill, Suffolk. We have also signed a contract on Witney, Oxon, which is currently scheduled to open in 2009.

DIGITAL CINEMA MEDIA

In December 2007, as we came to the year end, we were approached by Carlton Screen Advertising ("CSA") with a proposal materially to amend the terms of our advertising contract. The uncertainty surrounding negotiations was resolved in March 2008 when we were pleased to announce the formation of Digital Cinema Media ("DCM"), a 50:50 joint venture in association with Odeon Cinemas Limited ("Odeon") to address cinema advertising. Subject to further negotiations, the joint venture has agreed in principle to acquire some assets of CSA for £0.5m. Although this joint venture is subject to competition approval, we are very excited by the prospects this brings to the Group.

CURRENT TRADING

Cineworld has started the current year well and attendances have been strong. This has been driven by the success of a number of films including I am Legend and The Golden Compass and given the more difficult economy is testament to the resilient nature of our business model and the enduring appeal of film.

We are increasing the use of our digital facilities by showing live, via satellite, the New York Metropolitan Opera performances and we are one of the few cinema chains in the UK to show the recently released U2 concert in 3-D, which premiered at our Dublin cinema. We have also undertaken a successful new initiative for the Group: a live theatre production of Brief Encounter. This has received very good reviews and has been playing to full houses in the main auditorium of our Haymarket cinema. We are co-producers of the play and own rights in all English-speaking countries around the world.

Looking forward, the ongoing initiatives we are implementing to improve our offer, expand our estate and enhance our advertising proposition, coupled with a 2008 film release schedule of proven franchises such as The Chronicles of Narnia, Batman, The Mummy, Harry Potter, Star Trek, James Bond and a new instalment of Indiana Jones, underpins our confidence in delivering further growth for our shareholders.

Steven Wiener

Chief Executive Officer

17 March 2008

Chief Financial Officer’s review

FINANCIAL PERFORMANCE

	52 week period ended 27 December 2007	52 week period ended 28 December 2006	
	Total	**Total*** **	**Continuing***
Admissions	**45.0m**	45.2m	42.9m
	£m	£m	£m
Box office	**185.7**	181.3	172.4
Retail	**75.4**	73.3	69.4
Other	**24.2**	23.9	22.8
Total revenue	**285.3**	278.5	264.6
EBITDA**	**52.0**	48.6	46.0
EBITDA after transaction and reorganisation costs and profit on disposal of cinema sites	**57.5**	48.0	42.6
Operating profit	**30.4**	18.7	15.1
Financial income	**2.6**	14.4	
Financial expenses	**(20.6)**	(40.8)	
Net financing costs	**(18.0)**	(26.4)	
Profit/(loss) on ordinary activities before tax	**12.4**	(7.7)	
Tax on profit/(loss) on ordinary activities	**13.3**	-	
Profit/(loss) for the period attributable to equity holders of the Company	**25.7**	(7.7)	

*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 and non-cash property charges, transaction and reorganisation costs and profit on disposal of cinema sites.
*** Restated, see note 2 to the accounts.

Revenues

Total revenue was £285.3m, a rise of 2.4% on the prior period (2006: £278.5m) and on a continuing basis was up 7.8% (2006: £264.6m), against weaker than usual comparatives due to last year’s World Cup and the hot weather in the UK.

As a result of strong product and the increase in market share to 23.7% (2006: 23.5%), we have enjoyed very buoyant trade during the year and box office was 7.7% higher at £185.7m on a continuing basis (2006: £172.4m).

Our subscription business, the Unlimited card, continues to expand in line with our stated strategy and we currently have in excess of 185,000 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 year were in line with expectations given the level of business and were up 8.6% at £75.4m on a continuing basis (2006: £69.4m) with the high grossing blockbuster films providing a strong spending customer base. A number of film tie-in retail promotions were developed for the summer period and a total of 25 Ben & Jerry's outlets have now been opened, and Fanta Frozen was rolled out across the majority of sites.

Other revenues, principally from screen advertising, ticket bookings, sponsorships and games, were up 6.1% to £24.2m (2006: £22.8m) on a continuing basis.

EBITDA and operating profit

EBITDA on a continuing basis was up 13.0% to £52.0m against 2006 figures of £46.0m and operating profit increased to £30.4m (2006: £18.7m total, £15.1m on a continuing basis). Included in the results for the year were rates rebates received of £1.6m relating to prior years (2006: £1.3m). Transaction and reorganisation costs of £2.6m were incurred during the period, relating mainly to costs in connection with the IPO. The profit on disposal of £8.1m in the first half of the year related to the sale and leaseback of on our Swindon and Southampton cinemas. The Group has reviewed its accounting treatment with respect to operating leases. The impact of this change in treatment (which is all non-cash) is disclosed in note 2 to the financial statements.

Earnings

Overall profit on ordinary activities before tax was £12.4m against a loss of £7.7m in 2006. Basic earnings per share amounted to 24.5p and adjusted pro-forma earnings per share were 17.4p based on a weighted average number of shares over the period of 104.9m. Based on the total number of shares in issue at the end of the period of 141.7m, the basic earnings per share was 18.1p and adjusted earnings per share (using the 2007 effective tax rate of 14.5%) was 15.7p. There were no share dilutions at the end of the period.

Financing costs

The interest expense in the year relates to interest on the pre-IPO financing arrangements on debt and bonds and to interest on post-IPO debt. Also included 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 year would be approximately £10.2m.

Taxation

The overall tax credit of £13.3m results from 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. A tax asset has also been recognised for other temporary differences forecast to reverse in future periods. There is a £1.8m corporation tax charge for the year, giving an effective tax rate of 14.5% for the year.

Cashflow and balance sheet

The Group continued to be cash generative at the operating level during the year. Total cash inflow from operations before changes in working capital and provisions increased to £49.4m (2006: £42.9m). 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 year amounted to £9.9m, of which £4.8m represented replacement and refurbishment expenditure, £2.1m being the cost of opening the new five-screen cinema at Didcot on 3 May 2007 and expenditure of £3.0m on the new twelve-cinema at High Wycombe. 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 deleveraging of the business, the combination of which now allows us more flexibility to meet future business challenges and opportunities.

Dividends

The Board continues to apply a dividend policy reflecting the long-term earnings and cash flow potential of Cineworld. In line with the above policy, the Directors recommend payment of a final dividend in respect of the year to 27 December 2007 of 6.5p per share, which taken together with the interim dividend of 3.0p per share paid in October 2007, gives a total dividend in respect of 2007 of 9.5p per share. Subject to shareholder approval, the final dividend will be paid on 18 June 2008 to shareholders on the register on 23 May 2008.

Richard Jones

Chief Financial Officer

17 March 2008

Consolidated income statement

for the period ended 27 December 2007

	Note	**52 week period ended 27 December 2007 £m**	52 week period ended 28 December 2006 (restated*) £m
Revenue		**285.3**	278.5
Cost of sales		**(220.6)**	(213.1)
Gross profit		**64.7**	65.4
Other operating income		**8.3**	3.1
Administrative expenses		**(42.6)**	(49.8)
Operating profit		**30.4**	18.7
Analysed between:			
Operating profit before depreciation and amortisation, impairment charges, onerous lease and other non-recurring, or non-cash property charges and transaction and reorganisation costs and profit on disposal of cinema sites		**52.0**	48.6
- Depreciation and amortisation		**(18.3)**	(23.0)
- Adjustments to goodwill and fixed asset impairment charges		**(7.7)**	(2.2)
- Onerous leases and other non-recurring or non-cash property charges		**(1.1)**	(4.1)
- Profit on disposal of cinema sites		**8.1**	2.8
- Transaction and reorganisation costs		**(2.6)**	(3.4)
Financial income	*5*	**2.6**	14.4
Financial expenses	*5*	**(20.6)**	(40.8)
Net financing costs		**(18.0)**	(26.4)
Profit/(loss) on ordinary activities before tax		**12.4**	(7.7)
Tax on profit/(loss) on ordinary activities	*6*	**13.3**	-
Profit/(loss) for the period attributable to equity holders of the Company		**25.7**	(7.7)
Basic and diluted earnings/(loss) per share		**24.5p**	(22.3)p

* See note 2

Consolidated balance sheet
at 27 December 2007

	Note	27 December 2007 £	27 December 2007 £m	28 December 2006 (restated*) £m	28 December 2006 (restated*) £m
Non current assets					
Property, plant and equipment			**110.9**		119.9
Goodwill			**216.1**		223.8
Intangible assets			**0.8**		3.0
Other receivables			**0.9**		0.9
Deferred tax assets			**19.8**		5.3
Total non-current assets			**348.5**		352.9
Current assets					
Inventories		**1.5**		1.6	
Trade and other receivables		**17.8**		18.1	
Cash and cash equivalents		**10.4**		27.7	
Total current assets			**29.7**		47.4
Total assets			**378.2**		400.3
Current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	*8*	**(9.2)**		(1.0)	
Trade and other payables		**(40.2)**		(51.0)	
Current taxes payable		**(1.8)**		-	
Provisions		**(1.5)**		(2.1)	
Total current liabilities			**(52.7)**		(54.1)
Non-current liabilities					
Interest-bearing loans, borrowings and other financial liabilities	*8*	**(125.6)**		(340.9)	
Trade and other payables		**(48.0)**		(44.3)	
Employee benefits		**(2.4)**		(4.6)	
Provisions		**(13.4)**		(16.2)	
Deferred tax liabilities		**(3.5)**		(3.9)	
Total non-current liabilities			**(192.9)**		(409.9)
Total liabilities			**(245.6)**		(464.0)
Net assets/(liabilities)			**132.6**		(63.7)
Equity attributable to equity holders of the Company					
Share capital	*9*		**1.4**		-
Share premium	*9*		**171.4**		-
Translation reserves	*9*		**0.4**		0.4
Hedging reserves	*9*		**(0.2)**		-
Retained deficit	*9*		**(40.4)**		(64.1)
Total equity			**132.6**		(63.7)

* See note 2

Consolidated cash flow statement
for the period ended 27 December 2007

	Note	**52 week period ended 27 December 2007 £m**	52 week period ended 28 December 2006 (restated*) £m
Cash flow from operating activities			
Profit/(loss) for the period		**25.7**	(7.7)
Adjustments for:			
Financial income		**(2.6)**	(14.4)
Financial expense		**20.6**	40.8
Taxation		**(13.3)**	-
Operating profit		**30.4**	18.7
Depreciation and amortisation		**26.0**	23.0
Impairment charges		**-**	2.2
Non-cash property charges		**1.1**	1.8
Profit on disposal of cinema sites and refurbishment items		**(8.1)**	(2.8)
Operating cash flow before changes in working capital and provisions		**49.4**	42.9
Decrease/(increase) in trade and other receivables		**0.2**	(0.7)
Decrease/(increase) in inventories		**0.1**	(0.1)
Decrease in trade and other payables		**(12.4)**	(2.3)
Decrease in provisions and employee benefit obligations		**(2.8)**	(0.5)
Cash generated from operations		**34.5**	39.3
Tax paid		**(0.2)**	-
Net cash flows from operating activities		**34.3**	39.3
Cash flows from investing activities			
Proceeds from the disposal of cinema sites		**12.3**	25.1
Interest received		**1.2**	0.6
Acquisition of property, plant and equipment		**(9.9)**	(6.4)
Surplus of pension contributions over current service cost		**(1.8)**	(0.4)
Net cash flows from investing activities		**1.8**	18.9
Cash flows from financing activities			
Share issue proceeds		**104.3**	-
Proceeds from new loan	*8*	**135.0**	226.0
Dividends paid to shareholders	*9*	**(4.3)**	-
Interest paid		**(10.2)**	(18.8)
Repayment of bank loans	*8*	**(214.0)**	(253.0)
Repayment of subordinated bonds	*8*	**(54.3)**	-
Share issuance costs		**(7.8)**	-
Payment of finance lease liabilities	*8*	**(0.5)**	(0.5)
Debt issuance costs		**(1.6)**	(3.8)
Net cash from financing activities		**(53.4)**	(50.1)
Net increase/(decrease) in cash and cash equivalents		**(17.3)**	8.1
Cash and cash equivalents at start of period		**27.7**	19.6
Cash and cash equivalents at end of period		**10.4**	27.7

*See note 2

Consolidated statement of recognised income and expense
for the period ended 27 December 2007

	Note	**52 week period ended 27 December 2007 £m**	52 week period ended 28 December 2006 (restated*) £m
Actuarial gains on defined benefit pension schemes		**0.7**	2.7
Tax recognised on income and expenses recognised directly in equity		**(0.2)**	(0.7)
Movement in fair value of cash-flow hedge		**(0.2)**	-
Net income recognised directly in equity		**0.3**	2.0
Profit/(loss) for the period (as originally reported)		**25.7**	(7.7)
Total recognised income and expense for the period attributable to equity holders of the company		**26.0**	(5.7)
Impact of prior year adjustment on retained earnings at 29 December 2006	2	**(4.9)**	-

* See note 2

Notes to the consolidated financial statements

1. Basis of preparation

This 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, and are not the Company's statutory accounts.

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.

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.

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. 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 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. At the date of the transaction the assets and the associated finance lease liabilities on the Group's balance sheet are stated at the lower of fair value of the leased assets and the present value of the minimum lease payments.

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

Taxation

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

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

Deferred tax is 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 Prior year adjustment

The Directors have undertaken a review of the Group's accounting treatment with respect to operating leases and have concluded that, where the Group as lessee has entered into rental agreements with guaranteed minimum uplifts, it is appropriate to recognise the total minimum lease payments, including the uplifts, on a straight line basis over the period of the operating lease. In prior years, the uplifts were recognised as an expense only when paid. A prior period adjustment has been recorded to reflect this adjustment.

As a number of the operating leases that contain minimum uplifts were acquired in prior periods in business combinations, the recognition, by prior year adjustment, of the minimum lease payment on a straight line basis has resulted in an additional accrual being recognised at the date of the business combination. This has resulted in an increase to goodwill arising on those business combinations as at 30 December 2005 and 28 December 2006 of £19.5m. The impact on the previously reported results for 2006, the opening balance sheet at 29 December 2005 and the balance sheet at 28 December 2006 is set out below:

Prior period adjustment	2006 (as originally reported) £m	Impact of prior period adjustment £m	2006 (as restated) £m
Goodwill	204.3	19.5	223.8
Current trade and other payables	(51.5)	0.5	(51.0)
Non-current trade and other payables	(19.4)	(24.9)	(44.3)
Retained deficit	(59.2)	(4.9)	(64.1)
Net liabilities	**(58.8)**	**(4.9)**	**(63.7)**
Cost of sales	(211.3)	(1.8)	(213.1)
Operating profit	20.5	(1.8)	18.7
Profit before and after tax	**(5.9)**	**(1.8)**	**(7.7)**

Prior period adjustments (continued)	2006 £m	2005 £m
Retained deficit at end of period (as originally reported)	(59.2)	(55.3)
Impact of prior period adjustment	(4.9)	(3.1)
Retained deficit at end of period (as restated)	(64.1)	(58.4)

Basic and diluted loss per share as originally reported was 17.1p and is 22.3p as restated. There was no impact on current or deferred tax as recovery of the resulting deferred tax asset was not probable in the prior period. The net tax asset increased by £7.5m as at 27 December 2007 (2006: £nil).

3. 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.

4. 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 and other one-off income or expense remaining. Adjusted pro-forma earnings/(loss) per share is calculated by applying a pro-forma interest charge on the new debt structure, and a tax charge at 30%, to the adjusted profit/(loss).

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.

	52 week period ended 27 December 2007 £m	52 week period ended 28 December 2006 (restated*) £m
Profit/(loss) for the period attributable to ordinary shareholders	**25.7**	(7.7)
Adjustments :		
Amortisation of intangible assets	**9.8**	3.1
Share based payments	**0.5**	0.9
Transaction and reorganisation costs	**2.6**	3.4
Profit on disposal	**(8.1)**	(2.8)
Impact of straight lining operating leases	**1.1**	1.8
Adjusted earnings	**31.6**	(1.3)
Add back net financing costs (see note 5)	**18.0**	-
Less normalised interest	**(10.2)**	-
Less tax credit	**(13.3)**	-
Adjusted pro-forma profit/(loss) before tax	**26.1**	(1.3)
Less tax at 30%	**(7.8)**	0.4
Adjusted pro-forma profit/(loss) after tax	**18.3**	(0.9)

	52 week period ended 27 December 2007 Number of shares (m)	52 week period ended 28 December 2006 (restated*) Number of shares (m)
Weighted average number of shares in issue	**104.9**	34.6
Basic and adjusted earnings/(loss) per share denominator	**104.9**	34.6
Dilutive options	**-**	-
Diluted earnings/(loss) per share denominator	**104.9**	34.6
	Pence	Pence
Basic and diluted earnings/(loss)per share	**24.5**	(22.3)
Adjusted basic and diluted earnings/(loss) per share	**30.1**	(3.8)
Adjusted pro-forma basic and diluted earnings/(loss) per share	**17.4**	(2.6)

* See note 2

5. Finance income and expense

	52 week period ended 27 December 2007 £m	52 week period ended 28 December 2006 £m
Net gain on remeasurement of interest rate swap to fair value	**0.3**	12.8
Interest income	**1.2**	0.6
Expected return on defined benefit pension plan assets	**1.1**	1.0
Financial income	**2.6**	14.4
Interest expense on bank loans and overdrafts	**12.3**	18.4
Interest accrued on deep discount bonds	**4.2**	11.6
Write off of financing fees on redemption of loans	**1.0**	3.1
Amortisation of financing costs	**0.5**	3.7
Unwind of discount on onerous lease provision	**0.8**	0.6
Finance cost for defined benefit pension scheme	**1.3**	1.3
Recognition of expense relating to cash settled shares	**-**	0.9
Other financial costs	**0.5**	1.2
Financial expense	**20.6**	40.8
Net financing costs	**18.0**	26.4

Amortisation of financing costs in 2006 includes £2.0m of accelerated amortisation as a result of revising the amortisation period due to planned refinancing

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

6. Taxation

Recognised in the income statement

	52 week period ended 27 December 2007 £m	52 week period ended 28 December 2006 (restated*) £m
Current tax expense		
Current year	**1.8**	-
Deferred tax expense		
Origination and reversal of temporary differences	**(15.1)**	4.6
Benefit of tax losses recognised	**-**	(4.6)
Total tax credit in income statement	**(13.3)**	-

During the period there was a deferred tax credit of £0.2m (2006: credit of £0.8m) recognised directly in equity.

Factors that may affect future tax charges

As at 27 December 2007 the Group had the potential tax assets relating to the following:

- other non-trading and capital losses of approximately £36.8m (2006 : £36.8m)
- other temporary differences of £nil (2006: £36.8m)

No deferred tax asset has been recognised in respect of non-trading and capital losses as the Group has no expectation that it will be able to use its other losses in the foreseeable future except against a capital gain on future property disposals.

The net tax benefit of utilising any of the above losses is expected to amount to approximately 28% of the losses utilised.

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

* See note 2

7. Dividends

An interim dividend of 3p per share, amounting to £4.3m, was paid on 26 October 2007 to ordinary shareholders on the register at the close of business on 28 September 2007. The Directors propose a final dividend of 6.5p per share, taking the total dividend for the year to 9.5p per share, payable on 18 June 2008 to ordinary shareholders on the register at the close of business on 23 May 2008.

8. Other 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.

	27 December 2007 £m	28 December 2006 £m
Non-current liabilities		
Deep discounted bonds	**-**	126.6
10% interest bearing unsecured bonds	**-**	1.2
Secured bank loans, less issue costs of debt to be amortised	**119.2**	206.7
Liabilities under finance leases	**6.4**	6.4
	125.6	340.9
Current liabilities		
Interest rate swaps	**0.2**	0.3
Liabilities under finance leases	**0.5**	0.5
Secured bank loans, less issue costs of debt to be amortised	**8.5**	0.2
	9.2	1.0

At 27 December 2007, the Group had the following borrowings:

On 26 April 2007 the bank loans in existence at 28 December 2006 were refinanced with a new loan of £165m of which £135m was drawn down for a term of 5 years and interest charged at 1.35% above LIBOR. The balance of the loan at 27 December 2007 was £129m.

At 28 December 2006, the Group had the following borrowings:

Deep discounted bonds

The bonds were zero coupon and unsecured and bear an effective interest rate of 10% per annum which is payable on redemption of the bonds. The amounts redeemable were: £152.8m on 7 October 2014 (book value on 28 December 2006: £105.7m) and £103.9m on 1 December 2014 (book value £116.2m). The bonds were measured at amortised cost.

Subject to having given no less than 30 days and not more than 60 days notice in writing to the bondholders the Group may, at any time, with the consent of the bondholders having the majority of the bonds, redeem the whole or any part of the bonds.

10% interest bearing unsecured bonds

The 10% interest bearing unsecured bonds have a redemption date of 7 October 2014. Interest is payable on repayment or redemption of the bonds.

On IPO the deep discounted bonds and interest bearing bonds were either repaid or converted to equity.

Group's assets and undertakings.

Secured bank loans (2006)

On 22 June 2006 the bank loans were refinanced on new terms, comprising:

Term A: £45m drawn down at 28 December 2006, repayable over the term to 22 June 2013 at 2.25% above LIBOR.

Term B: £81.5m drawn down at 28 December 2006, repayable in full on 22 June 2014 at 2.5% above LIBOR.

Term C: £81.5m drawn down at 28 December 2006, repayable in full on 22 June 2015 at 3.0% above LIBOR.

Term D: undrawn, repayable in full on 22 December 2016 at 2.75% above LIBOR.

The bank loans are secured by fixed and floating charges on the assets of the Group. On 25 August 2006 the loans were syndicated.

As at 28 December 2006, the Group had drawn down a total of £208m on the available £246m facility.

Analysis of net debt

	Cash at bank and in hand	**Bank loans**	**Deep discounted bonds**	**Finance leases**	**Interest rate swap**	**Net debt**
	£m	£m	£m	£m	£m	£m
At 29 December 2005	19.6	(230.9)	(116.2)	(6.1)	(13.1)	(346.7)
Cash flows	8.1	30.8	-	0.5	-	39.4
Non cash movement	-	(6.8)	(11.6)	(1.3)	12.8	(6.9)
At 28 December 2006	27.7	(206.9)	(127.8)	(6.9)	(0.3)	(314.2)
Cash flows	(17.3)	79.0	54.3	0.5	-	116.5
Non cash movement	-	0.2	73.5	(0.5)	0.1	73.3
At 27 December 2007	**10.4**	**(127.7)**	**-**	**(6.9)**	**(0.2)**	**(124.4)**

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

9. Capital and reserves

Reconciliation of movement in capital and reserves

52 weeks ended 28 December 2006 and 52 weeks ended 27 December 2007:

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained deficit £m	Total £m
At 29 December 2005 (restated*)	-	-	0.4	-	(58.4)	(58.0)
Loss for the period (restated*)	-	-	-	-	(7.7)	(7.7)
Actuarial gain on defined benefit pension scheme	-	-	-	-	2.7	2.7
Tax recognised on income and expenses recognised directly in equity	-	-	-	-	(0.7)	(0.7)
At 28 December 2006 (restated*)	-	-	0.4	-	(64.1)	(63.7)
Profit for the period	-	-	-	-	25.7	25.7
Actuarial gain on defined benefit pension scheme	-	-	-	-	0.7	0.7
Tax recognised on income and expenses recognised directly in equity	-	-	-	-	(0.2)	(0.2)
Dividends paid for period	-	-	-	-	(4.3)	(4.3)
Shares issued, net of related costs	0.6	93.5	-	-	-	94.1
Bonds converted to shares	0.5	77.9	-	-	-	78.4
Bonus share issue	0.3	-	-	-	-	0.3
Reversal of accrual relating to cash settled shares	-	-	-	-	1.8	1.8
Movement in fair value of cash flow hedge	-	-	-	(0.2)	-	(0.2)
At 27 December 2007	**1.4**	**171.4**	**0.4**	**(0.2)**	**(40.4)**	**132.6**

* See note 2

Share Premium is stated net of capitalised transaction costs in association with the IPO.

Share capital

	27 December 2007 £m	28 December 2006 £m
Cineworld Group plc		
Authorised		
200,000,000 ordinary shares of £0.01 each (2006: 173,515 ordinary shares of £0.01 each)	**2.0**	-
Nil redeemable preference shares of £1 each (2006: 48,272 redeemable preference shares of £1 each)	**-**	-
Allotted, called up and fully paid		
141,721,509 ordinary shares of £0.01 each (2006: 172,815 ordinary shares of £0.01 each)	**1.4**	-
Nil redeemable preference shares of £1 each (2006: 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 to the London Stock Exchange on 2 May 2007, the Company made the following share issues:

61,381,075 shares in connection with the Global offer.

45,777,434 shares in connection with the conversion of outstanding bonds.

34,390,185 bonus shares on the existing shares.

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

Translation reserve

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

Hedging reserve

The hedging reserve comprises the liability in relation to the interest rate swap entered into to hedge against variable interest payments on £67.5m of the new debt taken out on 2 May 2007. As hedge accounting has been adopted the gains/losses are recorded through equity until such time as the swap matures, when they are recycled to the income statement.

Dividends

An interim dividend of 3p per share was paid on 26 October 2007 to ordinary shareholders (2006: £nil). The Board has proposed a final dividend of 6.5p per share payable on 18 June 2008.