cineworld
CINEMAS

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CINEWORLD GROUP plc

Cineworld Group Plc (''Cineworld or ''the Group'') is pleased to announce its half-yearly financial report for the 26 weeks ended 26 June 2008.

HIGHLIGHTS

Financial
- Group revenue up 0.9% to £137.0m (2007: £135.7m);
- EBITDA[1] at £21.5m (2007: £21.7m)[2];
- Operating profit up 19.5% to £14.1m (2007: £11.8m)[2];
- Operating cash flow before changes in working capital and provisions at £21.5m (2007: £19.8m);
- Net debt reduced to £125.4m from £129.6m in June 2007;
- Reported EPS: 4.2p on basic earnings;
- Proposed interim dividend of 3.2p per share (2007: 3.0p per share).

Operational
- Box office receipts up 1.0% at £89.6m (2007: £88.7m);
- Average ticket price per admission up 6.1% to £4.34 (2007: £4.09);
- Average retail spend per person up 5.4% to £1.73 (2007: £1.64);
- Market share remained firm throughout the half year period at 23.6% (2007: 23.9%) (source: EDI Neilsen);
- Admissions down 4.8% at 20.6m (2007: 21.7m) reflecting a lower number of blockbuster films than the previous year;
- New 12 screen cinema opened at High Wycombe in March 2008;
- Formation of joint venture with Odeon Cinemas Limited to drive screen advertising revenue;
- Strong start to the second half of 2008.

Commenting on these results, Tony Bloom, Chairman of Cineworld Group plc, said:

"This is a solid set of results, particularly when viewed against a backdrop of far fewer blockbuster films in the period and an increasingly challenging consumer environment. We believe these interims provide further evidence of the resilience of our business model and are a reflection of the strength of our business proposition in delivering real value for money for our customers combined with a quality cinematic experience.

We are successfully delivering our strategy for growth. Our investment plans to update our existing estate and roll out new cinemas across the UK are progressing and in March we were pleased to open a new 12 screen cinema in High Wycombe. The second half has started very well for the Group and we have some exciting new releases ahead of us in the remainder of the year and beyond. This, combined with the opportunity presented by our recently formed screen advertising joint venture, Digital Cinema Media ("DCM"), means we look forward with confidence to the future.''

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[1] 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.

[2] Restated for June 2007 – see note 2.

CHIEF EXECUTIVE OFFICER'S REVIEW

These interim results indicate solid financial progress with box office up 1% on the same period last year and Group revenues up 0.9% for the same period. This is despite admissions being 4.8% lower than the same period last year, driven largely by a relative absence of blockbuster films released in the period.

We achieved these results through a specific focus on the cost and mix of our offering. On the film side, the product mix was geared more to adult films which was a major factor in our average ticket price per admission improving to £4.34 (2007:£4.09). The change of both coffee and alcohol suppliers, more Ben & Jerry's kiosks installed, plus the upgrading of several of our retail areas resulted in our average retail spend per person rising to £1.73 (2007: £1.64).

These figures provide strong evidence that our business model is resilient in the face of a consumer downturn. The enduring appeal of film continues to be even more pronounced in times of economic uncertainty and we feel confident that the strong line up of films in the second half will drive admissions, particularly in the fourth quarter, when *James Bond: Quantum of Solace, Madagascar 2 and High School Musical 3* hit our screens.

Box office receipts for the UK & Ireland market (as reported by EDI) were flat year on year at £424m for the six month period ended June 2008. Within this context, it is encouraging that we increased our own box office on the same period last year.

Cineworld's market share for the UK and Ireland remained firm at 23.6% over the six month period. This is marginally down on the same period in 2007, driven largely by the timing of cinema openings relative to our competitors. Some of this movement in market share was distorted by the Irish market due to the increasing strength of the Euro against Sterling (EDI box office is reported in Sterling), though the Irish market has seen some strong performances on local orientated product such as *In Bruges*, *U2-3D* and *PS I Love You*. Looking at the UK market in isolation, Cineworld's market share is flat year on year at 25.3%.

The film highlights of the first half came late in the period with the June releases of *Indiana Jones and the Kingdom of the Crystal Skull* and *Sex and the City*, for which box office takings are approaching £40m and £26m respectively. The latter is especially noteworthy as it played to a majority female and adult audience, which presented opportunities for different targeted advertising and retail initiatives, such as women's beauty products. The only other blockbuster in the period was *I Am Legend,* which was released at the end of 2007 and ran through the first quarter of 2008. This film grossed £22m box office takings in the period for the UK as a whole.

Cineworld takes pride in offering its customers the broadest selection of films in the market and non-blockbuster, mid-range films can prove important contributors to box office. *Iron Man* fell into this category and is an addition to the list of successful characters from the DC and Marvel comic books. We believe *Iron Man's* success could encourage the release of a sequel and anticipate the introduction of new comic book characters to the big screen. Other films in the period which helped drive box office included *Step Up 2: The Streets, Sweeney Todd, The Spiderwick Chronicles, Cloverfield, National Treasure: Book of Secrets, Jumper* and *The Incredible Hulk.*

Bollywood is a key part of our offering, and we are pleased to have 61% (2007: 56%) market share in this genre. Similar to Hollywood, the number of blockbuster Bollywood movies on release in the first six months of 2008 was significantly lower than the same period in 2007. Notwithstanding this fact, we maintained our leading position in the UK Bollywood market in the first half with contributions from titles such as *Race, Jodhaa Akhbar and U, Me, Aur Hum.*

The Group continues to excel in the market at bringing high quality but less mainstream film products to a wider audience, as illustrated by our box office market share achieved in films such as *The Orphanage* (30%), *Mongol* (35%) and *Son Of Rambow* (27%). There is no doubt that the success of these films is due to our marketing and programming strategy, supported by the Unlimited card, which continues to deliver strong market shares for lesser known films.

The growth in our Unlimited card holder base, which is up 17% on the prior year with 190,000 subscribers attracts both serious filmgoers and value based customers. This initiative enables us to show a wider range of films than our competitors with significant growth in market share amongst smaller, less mainstream releases. Our very successful M4J Kids Club ("Movies for Juniors") continues to draw in large numbers of customers, peaking this year at 22,308 admissions on one single Saturday morning with the films: *Mr Magorium's Wonder Emporium, Enchanted* and *The Golden Compass* while introducing the concept of going to the movies once a week for the younger customers.

The increase in average retail spend per customer of 5.5% against the same period last year was achieved through a combination of new branded products and more effective promotional and sales activities to drive volume, for example the Frozen Fanta product tie-in. In the face of cost pressures on some products, notably in confectionery, ice cream, popcorn and oil, we have managed to maintain overall margins through improving operational efficiency. Encouragingly our longer term contracts have provided some cost protection for certain product areas.

In retail we successfully rolled out the Coffee Republic brand of freshly ground bean to cup coffee into all our retail stands and bars, thereby offering our customers a new and branded quality coffee product. We also appointed Carlsberg as our supplier for all draft beer and packaged alcohol and spirits across our estate.

We are very pleased to report the successful formation of Digital Cinema Media Limited ("DCM"), a 50:50 joint venture business, in association with Odeon Cinemas Limited. We received competition approval shortly after the half year end and the acquisition of the assets of Carlton Screen Advertising by DCM was completed on 10 July 2008. An experienced interim management structure is in place and the business is now operational and trading. We are already experiencing a high number of enquiries and see encouraging potential to expand DCM's third party customer base. In addition we believe the formation of DCM represents a positive step towards increasing control over the future of this revenue stream.

We continue to grow our estate through selective new openings, expansions and acquisitions. I am pleased to report that in March 2008 we opened a 12-screen cinema in High Wycombe. Today, our estate stands at 74 cinemas and 770 screens. Looking ahead we are opening a new five-screen cinema at Haverhill in the fourth quarter and expect to open a further seven cinemas over the next three years.

FINANCIAL PERFORMANCE

	26 week period ended 26 June 2008	26 week period ended 28 June 2007	52 week period ended 27 December 2007
Admissions	20.6m	21.7m	45.0m
	£m	£m	£m
Box office	89.6	88.7	185.7
Retail	35.6	35.5	75.4
Other	11.8	11.5	24.2
Total revenue	137.0	135.7	285.3
EBITDA*	21.5	21.7	52.0
EBITDA after transaction and reorganisation costs and profit on disposal of cinema sites	21.5	27.8	57.5
Operating profit **	14.1	11.8	30.4

* EBITDA is defined on page 1
** June 2007 restated (see note 2)

Revenues

Total revenue was £137.0m, a rise of 0.9% on the prior period (2007: £135.7m). In light of the product and the overall maintenance of market share described above, we have enjoyed solid trade during the first half and box office was 1.0% higher at £89.6m (2007: £88.7m).

Our subscription business, the Unlimited card, continues to expand in line with our stated strategy and we currently have in excess of 190,000 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. The introduction of the Coffee Republic brand of freshly ground coffee has been successful and we expect this to continue going forward.

Other revenues, which include screen advertising, ticket bookings, sponsorships, games and other machines, were up 2.6% to £11.8m (2007: £11.5m). Despite the contract negotiations with Carlton Screen Advertising during the first half of the year, we are pleased to report that screen advertising revenues were only marginally impacted at 0.4% below 2007.

EBITDA and Operating profit

EBITDA was marginally lower at £21.5m (2007: £21.7m), whilst operating profit was £14.1m (2007: £11.8m (restated)). No rates rebates were received in 2008 whereas the first six months of 2007 included rates rebates of £1.4m relating to prior years. There were no disposals made during the period (2007: £8.0m).

Financing costs

The interest expense of £5.8m in the first half of 2008 (2007: £13.8m) relates to interest on the post-IPO financing arrangements on debt, whilst in the previous year, it was a combination of both pre and post IPO debt and bond financing. Also included in the first half 2007 costs was the write-off of £1.0m financing fees previously capitalised in the pre-IPO debt financing.

Taxation

The overall tax charge of £2.8m consists of a current tax charge of £2.0m and a deferred tax charge of £0.8m. The corporation tax charge is based on a forecast effective tax rate for the 2008 full year of 23%.

Earnings

Overall profit before tax was £8.7m against a loss before tax in 2007 of £1.1m (restated, see note 2). Basic earnings per share amounted to 4.2p and adjusted pro-forma earnings per share was 4.6p. Using the total number of shares in issue of 141.7m, the basic earnings per share and adjusted pro-forma earnings per share for 2007 would be 11.1p and 4.4p respectively. 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. Total cash inflow from operations before changes in working capital was £21.5m (2007: £19.8m) and reflects the healthy conversion rate of our profits into cash flow. The cash inflow from the increase in working capital is due to a lower level of creditors at the beginning of the year due to lower trading levels at the end of 2007.

Capital expenditure has been weighted towards the first half of the year in 2008, with capex for the first six months amounting to £6.8m. Of this, £3.7m represented replacement and refurbishment expenditure and £3.1m was the cost of opening the new twelve-screen cinema at High Wycombe in March 2008. We are making good progress with our capital expenditure programme with various refurbishments completed at 10 sites. The capital expenditure run-rate in the second half of the year is expected to slow significantly relative to the first half.

DIVIDENDS

The Board is declaring an interim dividend of 3.2p per share, reflecting the Board's confident outlook as well as the solid performance in the first half of the year. The dividend will be paid on 3 October 2008 to ordinary shareholders on the register at the close of business on 5 September 2008.

CURRENT TRADING AND OUTLOOK

Since the half-year end, attendances have been strong, driven by the strong carryover of the June blockbuster releases of *Indiana Jones and the Crystal Skull* and *Sex and the City*. In addition, *Mamma Mia* and *The Dark Knight* are proving very popular with audiences and the former is providing similar marketing opportunities to *Sex and the City*.

The second half of the year sees some exciting releases, such as *James Bond: Quantum of Solace*, *High School Musical 3, Madagascar 2* and a remake of *The Day the Earth Stood Still,* whilst our two main Bollywood offerings will be *Chandni Chowk To China and Rab Ne Banadi Jodi.* This strong film line up, in conjunction with our solid first half performance, underpins our increased confidence in the outlook for the full year. Whilst we acknowledge the year on year comparables with Q3 2007 will be challenging, we believe the fourth quarter will more than compensate for this.

-Ends-

Stephen Wiener
Chief Executive Officer
21 August 2008

CONSOLIDATED INCOME STATEMENT

for the period ended 26 June 2008

	Note	26 week period ended 26 June 2008 (unaudited) £m	26 week period ended 28 June 2007 (unaudited) restated* £m	52 week period ended 27 December 2007** £m
Revenue		137.0	135.7	285.3
Cost of sales		(105.5)	(108.5)	(220.6)
Gross profit		31.5	27.2	64.7
Other operating income		0.3	8.3	8.3
Administrative expenses		(17.7)	(23.7)	(42.6)
Operating profit		14.1	11.8	30.4
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		21.5	21.7	52.0
- Depreciation and amortisation		(6.8)	(9.8)	(18.3)
- Adjustments to goodwill and fixed asset impairment charges		-	(5.5)	(7.7)
- Onerous leases and other non-recurring or non-cash property charges		(0.6)	(0.7)	(1.1)
- Profit on disposal of cinema sites		-	8.0	8.1
- Transaction and reorganisation costs		-	(1.9)	(2.6)
Financial income	5	0.4	0.9	2.6
Financial expenses	5	(5.8)	(13.8)	(20.6)
Net financing costs		(5.4)	(12.9)	(18.0)
Profit /(loss) before tax		8.7	(1.1)	12.4
Taxation	4	(2.8)	16.9	13.3
Profit for the period attributable to equity holders of the Company		5.9	15.8	25.7
Basic and diluted earnings per share		4.2p	23.2p	24.5p

* See note 2

**The figures are extracted from the audited financial statements for the year ended 27 December 2007

CONSOLIDATED BALANCE SHEET

at 26 June 2008

	Note	26 June 2008 (unaudited)		28 June 2007 (unaudited) restated*		27 December 2007 **	
		£m	£m	£m	£m	£m	£m
Non-current assets							
Property, plant and equipment			108.0		110.8		110.9
Goodwill			216.1		218.3		216.1
Other intangible assets			0.8		1.4		0.8
Other receivables			0.9		0.9		0.9
Deferred tax assets			18.5		22.6		19.8
Total non-current assets			344.3		354.0		348.5
Current assets							
Inventories		1.4		1.4		1.5	
Other financial assets		1.3		2.0		-	
Trade and other receivables		21.4		19.5		17.8	
Cash and cash equivalents		3.7		8.8		10.4	
Total current assets			27.8		31.7		29.7
Total assets			372.1		385.7		378.2
Current liabilities							
Interest-bearing loans, borrowings and other financial liabilities		(9.5)		(6.5)		(9.2)	
Trade and other payables		(39.5)		(44.4)		(40.2)	
Current taxes payable		(3.8)		(0.4)		(1.8)	
Provisions		(2.5)		(2.9)		(1.5)	
							378.2
Total current liabilities			(55.3)		(54.2)		(52.7)
Non-current liabilities							
Interest-bearing loans, borrowings and other financial liabilities		(120.9)		(133.9)		(125.6)	
Trade and other payables		(49.4)		(44.8)		(48.0)	
Employee benefits		(1.8)		(4.6)		(2.4)	
Provisions		(11.0)		(14.2)		(13.4)	
Deferred tax liabilities		(3.3)		(4.4)		(3.5)	
Total non-current liabilities			(186.4)		(201.9)		(192.9)
Total liabilities			(241.7)		(256.1)		(245.6)
Net assets			130.4		129.6		132.6
Equity attributable to equity holders of the Company							
Share capital	*9*		1.4		1.4		1.4
Share premium	*9*		171.4		173.0		171.4
Translation reserve	*9*		0.4		0.4		0.4
Hedging reserve	*9*		0.9		1.4		(0.2)
Retained deficit	*9*		(43.7)		(46.6)		(40.4)
Total equity			130.4		129.6		132.6

*see note 2

** The figures are extracted from the audited financial statements for the year ended 27 December 2007

CONSOLIDATED CASH FLOW STATEMENT

for the period ended 26 June 2008

	26 week period ended 26 June 2008 (unaudited)	26 week period ended 28 June 2007 (unaudited) restated*	52 week period ended 27 December 2007 **
	£m	£m	£m
Cash flow from operating activities			
Profit for the period	5.9	15.8	25.7
Adjustments for:			
Financial income	(0.4)	(0.9)	(2.6)
Financial expense	5.8	13.8	20.6
Taxation charge/(credit)	2.8	(16.9)	(13.3)
Operating profit	14.1	11.8	30.4
Depreciation and amortisation	6.8	9.8	18.3
Adjustments to goodwill and fixed asset impairment charges	-	5.5	7.7
Non-cash property charges	0.6	0.7	1.1
Profit on disposal of cinema sites	-	(8.0)	(8.1)
Operating cash flow before changes in working capital and provisions	21.5	19.8	49.4
(Increase)/decrease in trade and other receivables	(2.4)	(1.1)	0.2
Decrease in inventories	0.1	0.2	0.1
Increase/(decrease) in trade and other payables	2.3	(6.4)	(12.4)
(Decrease) in provisions and employee benefits	(2.1)	(0.9)	(2.8)
Cash generated from operations	19.4	11.6	34.5
Tax paid	-	-	(0.2)
Net cash flows from operating activities	19.4	11.6	34.3
Cash flows from investing activities			
Proceeds from the disposal of cinema sites	-	12.2	12.3
Interest received	0.4	0.6	1.2
Acquisition of property, plant and equipment	(6.8)	(3.4)	(9.9)
Surplus of pension contributions over current service cost	(0.8)	(0.2)	(1.8)
Net cash flows from investing activities	(7.2)	9.2	1.8
Cash flows from financing activities			
Proceeds from new loan	-	135.0	135.0
Share issue proceeds	-	104.3	104.3
Dividends paid to shareholders	(9.2)	-	(4.3)
Interest paid	(4.9)	(7.0)	(10.2)
Repayment of bank loans	(4.5)	(208.0)	(214.0)
Repayment of bonds	-	(54.3)	(54.3)
Payment of finance lease liabilities	(0.3)	(0.5)	(0.5)
Share issuance costs	-	(7.8)	(7.8)
Debt issuance costs	-	(1.4)	(1.6)
Net cash from financing activities	(18.9)	(39.7)	(53.4)
Net (decrease) in cash and cash equivalents	(6.7)	(18.9)	(17.3)
Cash and cash equivalents at start of period	10.4	27.7	27.7
Cash and cash equivalents at end of period	3.7	8.8	10.4

*see note 2

**The figures are extracted from the audited financial statements for the year ended 27 December 2007

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the period ended 26 June 2008

	26 week period ended 26 June 2008 (unaudited) £m	26 week period ended 28 June 2007 (unaudited) restated* £m	52 week period ended 27 December 2007** £m
Actuarial gains and losses on defined benefit pension schemes	-	-	0.7
Movement in fair value of cash-flow hedge	1.5	2.0	(0.2)
Tax recognised on income and expenses recognised directly in equity	(0.4)	(0.6)	(0.2)
Net income recognised directly in equity	1.1	1.4	0.3
Profit for the period	5.9	15.8	25.7
Total recognised income and expense for the period Attributable to equity holders of the company	7.0	17.2	26.0
Impact of prior year adjustment on retained deficit at 29 December 2006			(4.9)

*see note 2

**The figures are extracted from the audited financial statements for the year ended 27 December 2007

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements 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 27 December 2007.

The comparative figures for the financial year ended 27 December 2007 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 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	Shorter of the useful economic life and the 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.

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.

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.

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

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 cash flow statement.

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 screen advertising, games and other machines is recognised in the period to which it relates. When revenue from the Unlimited card is received annually in advance it is recognised on a straight line basis over the year.

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.

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.

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

In December 2007, the Directors undertook a review of the Group's accounting treatment with respect to operating leases and 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 payable. A prior period adjustment was recorded and disclosed in the 27 December 2007 financial statements. A prior period adjustment has been recorded in these financial statements to reflect the effect of this adjustment at 28 June 2007.

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 the 26 weeks ended 26 June 2007 and the retained deficit at 28 December 2006 is set out below:

Prior period adjustment	26 weeks ended 28 June 2007 (as originally reported)	Impact of prior period adjustment	26 weeks ended 28 June 2007(as restated)
	£m	£m	£m
Goodwill	204.3	14.0	218.3
Current trade and other payables	(45.1)	0.7	(44.4)
Non-current trade and other payables	(19.0)	(25.8)	(44.8)
Retained deficit at 28 December 2006	(42.7)	(3.9)	(46.6)
Net assets	133.5	(3.9)	129.6
Cost of sales	(102.3)	(6.2)	(108.5)
Operating profit	18.0	(6.2)	11.8
Profit/ (loss) before tax	5.1	(6.2)	(1.1)
Tax credit	9.7	7.2	16.9
Profit after tax	14.8	1.0	15.8

	28 June 2007	28 December 2006
	£m	£m
Retained deficit at end of period (as originally reported)	(42.7)	(59.2)
Impact of prior period adjustment	(3.9)	(4.9)
Retained deficit at end of period (as restated)	(46.6)	(64.1)

Basic and diluted loss per share for the 26 weeks ended 28 June 2007 as originally reported was 21.7p and is 23.2p as restated. The net deferred tax asset increased by £7.2m as at 28 June 2007 as a deferred tax asset was recognised in respect of the accrual arising from the adjustment. As a result an adjustment to goodwill of £5.5m was recorded, being the amount of the tax asset that would have existed at the time of the acquisitions in 2004.

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. Taxation

The taxation charge has been calculated by reference to the expected effective corporation tax rates for the full financial year to end on 25 December 2008 applied against the profit before tax for the period ended 26 June 2008. The underlying effective full year current corporation tax charge is 23% (2007: 8%) for the year.

Recognised in the income statement

	26 week period ended 26 June 2008 (unaudited) £m	26 week period ended 28 June 2007 (unaudited) restated* £m	52 week period ended 27 December 2007** £m
Current year tax expense	2.0	0.4	1.8
Deferred tax charge/ (credit)	0.8	(17.3)	(15.1)
Total tax charge/(credit) in the income statement	2.8	(16.9)	(13.3)

*see note 2
**The figures are extracted from the audited financial statements for the year ended 27 December 2007

The deferred tax credit in the prior year is due to the recognition of a deferred tax asset partially 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.

5. Finance income and expense

	26 week period ended 26 June 2008 (unaudited) £m	26 week period ended 28 June 2007 (unaudited) £m	52 week period ended 27 December 2007* £m
Interest income	0.4	0.6	1.2
Net gain on interest rate swap	-	0.3	0.3
Return on defined benefit pension plan assets	-	-	1.1
Financial income	0.4	0.9	2.6
Interest expense on bank loans and overdrafts	4.7	7.3	12.3
Interest accrued on deep discount bonds	-	4.2	4.2
Write off of financing fees on redemption of loans	-	1.0	1.0
Amortisation of financing costs	0.3	0.3	0.5
Unwind of discount on onerous lease	0.5	0.3	0.8
Finance cost for defined benefit pension scheme	0.1	0.1	1.3
Other financial costs	0.2	0.6	0.5
Financial expense	5.8	13.8	20.6

*The figures are extracted from the audited financial statements for the year ended 27 December 2007

6. Earnings per share

Basic earnings, adjusted earnings and diluted 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 pro-forma 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, other one-off income or expense and in the prior periods applying a pro-forma interest charge on the new debt structure, and the actual tax charge/(credit) and subtracting a tax charge calculated at 29%/30% of adjusted earnings for the period. No pro-forma adjustments are made in the current period as the new debt structure has been in place since the start of the period and the tax rate is similar to the group's effective tax rate.

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

	26 week period ended 26 June 2008	26 week period ended 28 June 2007 (restated)*	52 week period ended 27 December 2007**
	£m	£m	£m
Profit for the period attributable to ordinary shareholders	5.9	15.8	25.7
Adjustments:			
Adjustments to goodwill and amortisation of intangible assets	-	7.1	9.8
Share based payments	-	0.4	0.5
Transaction and reorganisation costs	-	1.9	2.6
Profit on disposal of cinema sites	-	(8.0)	(8.1)
Impact of straight lining operating leases	0.6	0.7	1.1
Adjusted earnings	6.5	17.9	31.6
Net financing costs	n/a	12.9	18.0
Normalised interest	n/a	(4.9)	(10.2)
Less tax charge/(credit)	n/a	(16.9)	(13.3)
Adjusted pro-forma profit before tax	6.5	9.0	26.1
Less tax at 30%	n/a	(2.7)	(7.8)
Adjusted pro-forma profit after tax	6.5	6.3	18.3

	Number of shares	Number of shares	Number of shares
	M	M	M
Weighted average number of shares in issue	141.7	68.1	104.9
Basic and adjusted earnings per share denominator	141.7	68.1	104.9
Dilutive options		-	-
Diluted earnings per share denominator	141.7	68.1	104.9
Number of shares in issue at period end	141.7	141.7	141.7

	Pence	Pence	Pence
Basic and diluted earnings per share	4.2	23.2	24.5
Adjusted earnings per share	4.6	26.3	30.1
Adjusted pro-forma earnings per share	4.6	9.3	17.4
Adjusted pro-forma basic and diluted earnings per share using number of shares in issue at period end	4.6	4.4	12.9

*see note 2
**The figures are extracted from the audited financial statements for the year ended 27 December 2007

7. Dividends

The Directors have declared an interim dividend of 3.2 p per share, amounting to £4.3m, which will be paid on 3 October 2008 to ordinary shareholders on the register at the close of business on 5 September 2008. 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	Bank loans	Finance leases	Interest rate swap	Net debt
	£m	£m	£m	£m	£m
Balance at 27 December 2007 *	10.4	(127.7)	(6.9)	(0.2)	(124.4)
Cash flows	(6.7)	4.5	(0.2)	-	(2.4)
Non cash movement	-	(0.3)	0.2	1.5	1.4
Balance at 26 June 2008	3.7	(123.5)	(6.9)	1.3	(125.4)

*The figures are extracted from the audited financial statements for the year ended 27 December 2007

9. Capital and reserves

Reconciliation of movements in equity for the six months ended 26 June 2008

	Issued capital	Share premium	Translation reserve	Hedging reserve	Retained deficit	Total
	£m	£m	£m	£m	£m	£m
Balance at 27 December 2007*	1.4	171.4	0.4	(0.2)	(40.4)	132.6
Profit for the period	-	-	-	-	5.9	5.9
Movement in fair value of cash-flow hedge	-	-	-	1.5	-	1.5
Deferred tax on swap revaluation	-	-	-	(0.4)	-	(0.4)
Dividends paid in period	-	-	-	-	(9.2)	(9.2)
Balance at 26 June 2008	1.4	171.4	0.4	0.9	(43.7)	130.4

*The figures are extracted from the audited financial statements for the year ended 27 December 2007

10. Subsequent events

Subsequent to the interim balance sheet date Digital Cinema Media Limited ("DCM"), a 50:50 joint venture business owned by Cineworld and Odeon, completed the purchase of assets (substantially employees, computer system, leasehold office and existing contracts) from Carlton Screen Media Limited for £0.5m on 10 July 2008. The Group, through one of its subsidiaries, Cineworld Holdings Limited, has given a parent guarantee to facilitate the acquisition of banking facilities for DCM.

11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. There have been no material changes in the related party transactions described in the last annual report.

12. Principal risks and uncertainties

A review of the risks and uncertainties relating to our business was included in our annual report on pages 22 and 23 (see www.cineworldplc.com). Having reviewed the principal risks and uncertainties the Board is of the view that there have not been any changes to the fundamental nature of these risks since the previous report.

INDEPENDENT REVIEW REPORT TO CINEWORLD PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 June 2008 which comprises the Consolidated income statement, Consolidated balance sheet, Consolidated cash flow statement, Consolidated statement of recognised income and expense and the related explanatory notes. We have read the other information contained in the half-yearly 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly 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 half-yearly 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 half-yearly 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 half-yearly financial report for the 26 weeks ended 26 June 2008 is not prepared, in all material respects, in accordance with the Statement *Half-Yearly Financial Reports* as issued by the UK Accounting Standards Board and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
21 August 2008

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT

We 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 six months of the financial year and their impact on the condensed interim financial statements; and a description of the principal risks and uncertainties for the remaining six months 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 six months 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.

By order of the Board	By order of the Board
Stephen Wiener	Richard Jones
Director	Director
21 August 2008	21 August 2008

Half-Yearly Financial Report

The half-yearly financial report as set out above can be found on **www.cineworldplc.com.** Copies will be sent to shareholders in due course.