

Cambridge Holdings Limited

Directors' report and financial
statements

Registered number 1716167

31 March 2005



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Directors' report

The directors present their annual report and the audited financial statements for the 15 month period ended 31 March 2005.

Principal activities

The company acts as a holding company for a group of companies whose activities are the distribution of motion picture films. There are no significant changes in activities during the year.

Results and dividends

The company's results for the 15 month period ended 31 March 2005 are set out in detail on page 4. The directors do not recommend the payment of a dividend (*year ended 31 December 2003: £nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

BC Yell

W Jones (resigned 20 April 2005)

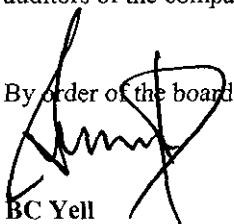
S Hendry (appointed 20 April 2005)

None of the directors who held office at 31 March 2005 had any interest in the shares of the company or any group company throughout the period then ended.

No rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the 15 month period ended 31 March 2005.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

BC Yell
Secretary

5 Kew Road
Richmond
Surrey
TW9 2PR

18/7/

2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Report of the independent auditors to the members of Cambridge Holdings Limited

We have audited the financial statements on pages 4 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of the loss of the company for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

18 July 2005

Company profit and loss account

	<i>Note</i>	15 month period ended 31 March 2005 £000	Year ended 31 December 2003 £000
Turnover		-	-
Gross profit		-	-
Write-off of amounts owed by group undertakings	7	-	(6,931)
Loss on ordinary activities before taxation	2	-	(6,931)
Tax on loss on ordinary activities	5	-	-
Loss for the period		-	(6,931)
Retained losses brought forward		(47,397)	(40,466)
Retained losses carried forward		(47,397)	(47,397)

There are no gains or losses in either the current or prior period other than those included in the profit and loss account.

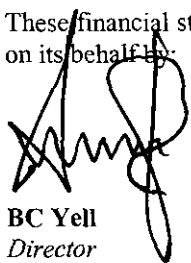
There is no difference between the reported profit and loss in the profit and loss account and that on a historical basis.

All of the above results are derived from continuing activities.

Company balance sheet

	Note	31 March 2005		31 December 2003	
		£000	£000	£000	£000
Investments	6		84,995		84,995
Current assets					
Debtors	7	21,614		21,361	
Creditors: amounts falling due within one year	8	(141,062)		(140,809)	
Net current liabilities			(119,448)		(119,448)
Net liabilities			(34,453)		(34,453)
Capital and reserves					
Called up share capital	9		11,528		11,528
Share premium account	10		1,416		1,416
Profit and loss account	10		(47,397)		(47,397)
Equity shareholder's deficit	11		(34,453)		(34,453)

These financial statements were approved by the board of directors on 18th July 2005 and were signed on its behalf by


BC Yell
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed asset investments, in accordance with applicable accounting standards.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard ("FRS") 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Metro-Goldwyn Meyer Inc. ("MGM"), the company has taken advantage of the exemption contained in FRS 8 for entities where more than 90% of the voting rights are contained within the group and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of MGM, within which this company is included, can be obtained from the address given in note 12.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £34,453,000, which the directors believe to be appropriate for the following reasons.

The company is dependent for its working capital on funds provided to it by MGM, the company's immediate and ultimate parent company. MGM has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes (continued)

1 Accounting policies (continued)

Investments

Investments are stated at cost or valuation less amounts written off in recognition of any permanent diminution in value.

Taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Loss on ordinary activities before taxation

The cost of the audit for the 15 month period ended 31 March 2005 has been borne by a subsidiary undertaking.

3 Directors' emoluments

None of the directors received emoluments during the year (*year ended 31 December 2003: £nil*) in respect of their services to the company.

4 Employees

The group had no employees at any time during the period (*year ended 31 December 2003: nil*).

Notes (continued)

5 Tax on loss on ordinary activities

	15 month period ended 31 March 2005 £000	Year ended 31 December 2003 £000
Corporation tax	-	-

Factors affecting the tax charge for the current period

The following reconciliation explains the difference between the current tax charge of £nil (*year ended 31 December 2003: £nil*) for the period and the expected tax charge by applying the standard rate of corporation tax in the UK of 30% (*31 December 2003: 30%*):

	15 month period ended 31 March 2005 £000	Year ended 31 December 2003 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	-	(6,931)
Current tax at 30% (<i>31 December 2003: 30%</i>)	-	(2,079)
<i>Effects of:</i>		
Non-deductible charges	-	2,079
Total current tax charge (see above)	-	-

Notes (continued)

6 Investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	100,971
Provisions	
At beginning and end of year	(15,976)
Net book value	
At 31 March 2005 and 31 December 2003	84,995

Name of company	Country of registration	Proportion of ordinary shares held	Net assets/ (liabilities) £'000	Profit/(loss) for the year £'000	Nature of business
Directly held:					
Cannon Screen Entertainment (Holdings) Limited	England	100%	(20,350)	-	Holding company
United Artists Screen Entertainment Limited	England	100%	103,895	(30)	Inactive
Cannon Film Finance Limited	England	100%	15,391	77	Exploitation of Film Rights
Held by subsidiary:					
Cannon Nextflow Limited	England	100%	118,256	-	Inactive

7 Debtors: due within one year

	31 March 2005 £000	31 December 2003 £000
Amounts owed by group undertakings	21,614	21,361

In 1995, as part of a larger group reorganisation, an agreement was entered into between the company and MGM whereby MGM undertook to subscribe £6,930,625 for shares in the company on demand by the company. Effective 2003 the company waived its right to demand MGM to subscribe for such shares. Accordingly the amount which was previously recorded as a debtor balance was written off during 2003.

Notes (continued)

8 Creditors: amounts falling due within one year

	31 March 2005 £000	31 December 2003 £000
Amounts owed to group undertakings	141,062	140,809

9 Share capital

	Authorised		Allotted, called up and fully paid	
	31 March 2005 £000	31 December 2003 £000	31 March 2005 £000	31 December 2003 £000
Equity: Ordinary shares of £1 each	12,000	12,000	11,528	11,528

10 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At 31 December 2003 and 31 March 2005	1,416	(47,397)

11 Reconciliation of movements in equity shareholder's deficit

	15 month period ended 31 March 2005 £000	Year ended 31 December 2003 £000
Opening shareholder's deficit	(34,453)	(27,522)
Loss for the financial year	-	(6,931)
Closing shareholder's deficit	(34,453)	(34,453)

Notes *(continued)*

12 Ultimate parent company

The company's parent company and ultimate holding company is Metro-Goldwyn-Mayer Inc. ("MGM"), a company incorporated in the United States of America. The largest and smallest group in which the results of the company are consolidated is that headed by MGM. The consolidated accounts of MGM are available from the Chief Financial Officer, Metro-Goldwyn-Mayer Inc, 2500 Broadway Street, Santa Monica, California 90404 USA.

Effective 8 April 2005 MGM was acquired by a consortium comprising of Sony Corporation of America, Providence Equity Partners, Texas Pacific Group, Comcast Corporation and DLJ Merchant Banking Partners resulting in a new ultimate parent company for the company.

13 Change in financial year end

During the period the company changed its period end to 31 March.