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Village Roadshow Theatres Europe Limited

Report and Financial Statements

30 June 2002

Registered No: 3131926

Directors

P E Foo
C J Gallaher
C M Aubrey
S C Kappen
P F Garner

Secretary

P S Leggo
S L Driscoll
C Bleasdale

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office

Haydon House
14 Haydon Place
Guildford
Surrey
GU1 4LL

Directors' report

The directors present their report and financial statements for the year ended 30 June 2002.

Results and dividends

The company made a loss for the year, after tax, of £1,180,343 (2001 - loss of £2,858,472).

The directors do not recommend the payment of a dividend for the year.

Principal activity and review of the business

The principal activity of the company was consultancy services to the cinema business. The company ceased trading during 2002 and now acts as a holding company.

With a sale date effective 13 May 2003, the company's subsidiaries, Village Roadshow Exhibition UK Limited and Village Roadshow Cinemas UK Limited, sold their interests in various cinema operating assets and liabilities.

Directors and their interests

The directors who served during the year ended 30 June 2002 were as follows:

P E Foo	
C J Gallaher	
C M Aubrey	(appointed 28 June 2002)
S C Kappen	(appointed 28 June 2002)
P F Garner	(appointed 28 June 2002)
G W Burke	(resigned 28 June 2002)
G Livery	(resigned 28 June 2002)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

In accordance with section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 6 July 1998. Accordingly, Ernst & Young LLP will be deemed to be reappointed as auditors.

On behalf of the board

C M Aubrey
Director

29 June 2004

Statement of directors' responsibilities in respect of the financial statements

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 of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Village Roadshow Theatres Europe Limited

We have audited the company's financial statements for the year ended 30 June 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 company'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 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

29 June 2004

Profit and loss account

for the year ended 30 June 2002

	Notes	*2002* £	*2001* £
Turnover	3	205,499	485,382
Cost of sales		(607,366)	(2,402,059)
Gross loss		(401,867)	(1,916,677)
Administrative expenses		(593,045)	(944,122)
Operating loss	4	(994,912)	(2,860,799)
Interest receivable	6	448,575	461,836
Interest payable and similar charges	7	(634,006)	(459,509)
		(185,431)	2,327
Loss on ordinary activities before taxation		(1,180,343)	(2,858,472)
Tax on loss on ordinary activities	8	–	–
Loss retained for the financial year	16	(1,180,343)	(2,858,472)

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss attributable to shareholders of £1,180,343 for the year ended 30 June 2002 and loss of £2,858,472 for the year ended 30 June 2001.

Balance sheet

at 30 June 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	9	–	51,902
Investments	10	4	4
		4	51,906
Current assets			
Work in progress		642	642
Debtors - due within one year	11	723,948	16,303,366
- due after more than one year	12	14,675,754	–
Cash at bank and in hand		36,536	80,519
		15,436,880	16,384,527
Creditors: amounts falling due within one year	13	(1,521,069)	(19,610,329)
Net current assets/(liabilities)		13,915,811	(3,225,802)
Total assets less current liabilities		13,915,815	(3,173,896)
Creditors: amounts falling due after more than one year	14	(18,270,054)	–
		(4,354,239)	(3,173,896)
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account	16	(4,354,241)	(3,173,898)
Equity shareholders' funds	16	(4,354,239)	(3,173,896)

C M Aubrey
Director

29 June 2004

Notes to the financial statements

at 30 June 2002

1. Fundamental accounting concept

The financial statements have been prepared on a going concern basis on the assumption that both the parent and ultimate parent undertakings will continue to provide adequate financial support to enable the company to meet its liabilities as and when they fall due. The directors have no reason to believe that this financial support will not continue in the future, and consider it appropriate to adopt a going concern basis. The financial statements do not contain any adjustments that would be necessary should this basis not be appropriate.

2. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidated financial statements

The company is exempt from the requirement to prepare group financial statements by virtue of section 248 of the Companies Act 1985. The financial statements therefore present information about the company as an individual undertaking and not about its group.

Statement of cash flows

A statement of cash flows has not been prepared as the company is a wholly owned subsidiary of another company whose consolidated financial statements, in which the company is included, are publicly available.

Associates

Entities in which the company holds a participating interest and over whose operating and financial policies the company exercises a significant influence are treated as associates.

The company's share of the results of non-incorporated ventures is recognised when received.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Computer and office equipment	-	over 2 to 4 years
Fixtures and fittings	-	over 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes cost of direct expenses plus labour incurred on various cinema sites.

Notes to the financial statements

at 30 June 2002

2. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Investments

Investments are stated at cost, less provisions for any impairment in value.

The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with group or related undertakings as it is a wholly owned subsidiary of another company whose consolidated financial statements, in which the company is included, are publicly available.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

3. Turnover

Turnover represents the amounts derived from the provision of consultancy services which fall within the company's ordinary continuing activities, stated net of value added tax. An analysis of turnover by geographical segment has not been given as the directors believe it would be seriously prejudicial to the interests of the company.

Notes to the financial statements

at 30 June 2002

4. Operating loss

This is stated after charging:

	2002	2001
	£	£
Directors' emoluments	–	–
Depreciation of owned fixed assets	51,902	87,745
Loss on disposal of fixed assets	1,765	–
Auditors' remuneration	5,000	5,000

5. Staff costs

	2002	2001
	£	£
Wages and salaries	573,584	1,760,363
Social security costs	25,780	141,971
Other pension costs	–	5,554
	599,364	1,907,888

Wages and salaries includes redundancy costs of £308,796 paid during the year (2001 - £333,675).

The average monthly number of employees during the year, excluding directors, was as follows:

	2002	2001
	No.	No.
Finance, administration and consultants	4	14

6. Interest receivable

	2002	2001
	£	£
Bank interest	–	13,256
Loan interest - group undertakings	448,575	448,580
	448,575	461,836

7. Interest payable and similar charges

	2002	2001
	£	£
Bank interest	27	242
Loan interest - group undertakings	336,000	358,488
- associated undertakings	297,979	100,779
	634,006	459,509

Notes to the financial statements

at 30 June 2002

8. Taxation

Due to current year losses, there is no liability to UK corporation tax for the year (2001 - £nil).

(a) Analysis of charge in year:

	2002	*2001*
	£	*£*
Current tax		
UK corporation tax on the loss for the year	–	–
Total current tax (note 8(b))	–	–
Deferred tax		
Origination and reversal of timing differences	–	–
Total deferred tax	–	–
Total tax charge for year	–	–

(b) Factors affecting current tax charge for the year:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001 - 30%). A reconciliation of the current tax charge for the year to the tax on loss at the standard rate is set out below:

	2002	*2001*
	£	*£*
Loss on ordinary activities before tax	(1,180,343)	(2,858,472)
Corporation tax at 30%	(354,103)	(857,542)
Effects of:		
Expenses not deductible for tax purposes	144	3,076
Losses carried forward	250,608	45,429
Group relief surrendered for nil consideration	–	675,168
Depreciation in excess of capital allowances	16,100	26,323
Other timing differences	87,251	107,546
Current tax for the year (note 8(a))	–	–

(c) Factors that may affect future tax charges

The company has incurred taxable losses during the year of which part is not available for group relief purposes or to offset against future taxable profits. Therefore no deferred tax asset is recognised.

The company has also not provided for deferred tax assets on other timing differences. By agreement with other companies in the group, the company is entitled to claim group relief for nil consideration and has the obligation to surrender future tax losses for nil consideration. Therefore no deferred tax asset is recognised.

Notes to the financial statements

at 30 June 2002

9. Tangible fixed assets

	Computer and office equipment £
Cost:	
At 1 July 2001	283,373
Additions	(283,373)
At 30 June 202	–
Depreciation:	
At 1 July 2001	231,471
Provided during the year	51,902
Disposals	(283,373)
At 30 June 2002	–
Net book value:	
At 30 June 2002	–
At 30 June 2001	51,902

10. Investments

	Subsidiary undertakings £
Cost and net book value:	
At 1 July 2001 and 30 June 2002	4

No investments are listed.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings			
Village Roadshow Exhibition UK Limited	Ordinary shares	100%	Rental of cinema equipment and management services to the cinema business
Village Roadshow Cinemas UK Limited	Ordinary shares	100%	Rental of cinema equipment and management services to the cinema business

Notes to the financial statements

at 30 June 2002

10. Investments (continued)

Information relevant to the subsidiary undertakings is as follows:

	Aggregate capital and reserves		*Profit/(loss) for the year ended*	
	30 June 2002	*30 June 2001*	*30 June 2002*	*30 June 2001*
	£	*£*	*£*	*£*
Subsidiary undertaking:				
Village Roadshow Exhibition UK Limited	(676,469)	(528,389)	(148,080)	(202,719)
Village Roadshow Cinemas UK Limited	412,436	228,636	183,800	193,488

With a sale date effective 13 May 2003, the company's subsidiaries, Village Roadshow Exhibition UK Limited and Village Roadshow Cinemas UK Limited, sold their interests in various cinema operating assets and liabilities.

11. Debtors: amounts falling due within one year

	2002	*2001*
	£	*£*
Amounts owed by group undertakings	–	15,990,693
Other debtors	475,528	180,067
Prepayments and accrued income	248,420	70,885
Amounts owed by related undertakings	–	61,721
	723,948	16,303,366

12. Debtors: amounts falling due after more than one year

	2002	*2001*
	£	*£*
Amounts owed by group undertakings	14,675,754	–

13. Creditors: amounts falling due within one year

	2002	*2001*
	£	*£*
Trade creditors	439,454	324,868
Other creditors	12,867	12,867
Amounts owed to group undertakings	–	13,702,852
Amounts owed to related undertakings	–	4,624,514
Taxation and social security	10,821	48,760
Accruals and deferred income	1,057,927	896,468
	1,521,069	19,610,329

Notes to the financial statements

at 30 June 2002

14. Creditors: amounts following due after more than one year

	2002	*2001*
	£	*£*
Amounts owed to group undertakings	12,622,287	–
Amounts owed to related undertakings	5,647,767	–
	18,270,054	–

15. Share capital

	2002	*2001*
	£	*£*
Authorised:		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	2	2

16. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total shareholders' funds*
	£	*£*	*£*
At 30 June 2000	2	(315,426)	(315,424)
Loss for the year	–	(2,858,472)	(2,858,472)
At 30 June 2001	2	(3,173,898)	(3,173,896)
Loss for the year	–	(1,180,343)	(1,180,343)
At 30 June 2002	2	(4,354,241)	(4,354,239)

17. Ultimate parent undertaking

The immediate parent undertaking is Village Cinemas International Proprietary Limited, a company incorporated in Australia. The ultimate parent undertaking and largest and smallest group for which group financial statements are drawn up is Village Roadshow Limited, a company incorporated in Australia. Copies of the consolidated financial statements are available from the Secretary, Village Roadshow Limited, Warner Roadshow Studios, Pacific Highway, Oxenford, Queensland 4210, Australia.