Village Theatres UK 3 Limited

Report and Financial Statements

For the Period Ended 29 June 2006

Registration No 3819294

Registered No 3819294

Directors
P E Foo
P F Garner
S C Kappen
C M Aubrey
K Senior

Secretaries
P S Leggo
S L Driscoll
P G S Hounslow

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 period ended 29 June 2006

Results and dividends

The loss for the period after taxation amounted to £1,480,865 (loss of £13,834 for the period ended 30 June 2005) The directors do not recommend a dividend

Principal activity and review of the business

The principal activity of the company was the rental of cinema equipment to multiplex cinema exhibitors

During the period the company decided to exit the United Kingdom market The company sold its assets as follows

Operating assets relating to the Belfast site were sold to a related entity, Village Theatres 3 Limited, so that Village Theatres 3 Limited could then sublet these assets, together with the assets already owned by Village Theatres 3 Limited, to Storm Cinemas Limited for a period of 5 years commencing on 25 May 2006

Operating assets relating to the Manchester and Carlisle sites were sold to Vue Entertainment Limited on 20 June 2006 and operating assets relating to the Birkenhead site were sold to Vue Properties Limited on 20 June 2006

Directors and their interests

The directors who served during the period were as follows

P E Foo
P F Garner
S C Kappen
C M Aubrey
K Senior

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

Subsequent events

There have been no material transactions which significantly affect the financial or operational position of the company since the end of the financial period

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

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 23 March 1999 Accordingly, Ernst & Young LLP will be deemed to be reappointed as auditors

On behalf of the board

C M Aubrey
Director
27 April 2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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, 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 that 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 Theatres UK 3 Limited

We have audited the company's financial statements for the year ended 30 June 2006 which comprises the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 14 These financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 and 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

Independent auditors' report

to the members of Village Theatres UK 3 Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 June 2006 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
30 April 2007

Profit and loss account

for the period ended 29 June 2006

	Notes	*Period ended 29 June 2006* £	*Period ended 30 June 2005* £
Turnover	3	580,292	894,710
Cost of sales		(686,937)	(883,868)
Gross (loss)/profit		(106,645)	10,842
Administrative expenses		(21,377)	(24,676)
Loss on disposal of tangible assets	5	(1,352,843)	–
Operating loss	4	(1,480,865)	(13,834)
Loss on ordinary activities before taxation		(1,480,865)	(13,834)
Tax on loss on ordinary activities	6	–	–
Retained loss for the financial period	12	(1,480,865)	(13,834)

The company discontinued its principal activity of the rental of cinema equipment to multiplex cinema exhibitors on 20 June 2006

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £1,480,865 for the period ended 29 June 2006 (loss of £13,834 for the period ended 30 June 2005)

Balance sheet
at 29 June 2006

	Notes	29 June 2006 £	30 June 2005 £
Fixed assets			
Tangible assets	7	–	2,039,780
Current assets			
Cash		–	56,929
Debtors	8	3,912,659	3,299,249
		3,912,659	3,356,178
Creditors amounts falling due within one year	9	(5,142,111)	(3,603,732)
Net current assets/(liabilities)		(1,229,452)	(247,554)
Total assets less current liabilities		(1,229,452)	1,792,226
Creditors amounts falling due after more than one year	10	–	(1,540,813)
Net (liabilities)/assets		(1,229,452)	251,413
Capital and reserves			
Called up share capital	11	1,707,405	1,707,405
Profit and loss account	12	(2,936,857)	(1,455,992)
Equity shareholders' funds	12	(1,229,452)	251,413

Director

27 April 2007

Notes to the financial statements

at 29 June 2006

1. Fundamental accounting concept

The financial statements have been prepared on a going concern basis on the assumption that other group undertakings will continue to provide adequate financial support to the company to enable it 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 However, should support not be made available to the company, the going concern basis used in preparing the company's financial statements would be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets as current assets

2. Accounting policies

Accounting period

The company prepares financial statements for either 52 or 53 week periods ending within one week of 30 June

Accounting convention

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

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows as it is a wholly owned subsidiary of another company, whose consolidated financial statements, in which the company is included, are publicly available

Fixed assets

All fixed assets are recorded at cost

Depreciation

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

Plant and machinery - over 5 to 10 years

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

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 exception

- 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

Notes to the financial statements

at 29 June 2006

2. Accounting policies (continued)

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

3. Turnover

Turnover comprises revenue from the rental of cinema equipment, excluding VAT, and all arises within the United Kingdom from the company's principal activities

4. Operating loss

(a) This is stated after charging

	Period ended 29 June 2006	*Period ended 30 June 2005*
	£	*£*
Auditors' remuneration	7,417	15,000
Depreciation of owned fixed assets	686,937	776,596
Loss on sale of tangible assets	1,352,843	–

(b) The directors did not receive any emoluments for their services to the company during the period (2005 - £nil)

(c) There were no employees other than the directors in the period (2005 – nil)

Notes to the financial statements

at 29 June 2006

5. Exceptional items

	Period ended 29 June 2006 £	*Period ended 30 June 2005* £
Loss on sale of tangible assets	1,352,843	–

During the period the company decided to exit the United Kingdom market The company sold its assets as follows

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Operating assets relating to the Manchester and Carlisle sites were sold to Vue Entertainment Limited on 20 June 2006

Operating assets relating to the Birkenhead site were sold to Vue Properties Limited on 20 June 2006

6. Tax on loss on ordinary activities

(a) Factors affecting current tax for the period

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 30% (2005 - 30%) A reconciliation of the current tax for the period to the tax on the loss at the standard rate is set out below

	Period ended 29 June 2006 £	*Period ended 30 June 2005* £
Loss on ordinary activities before tax	(1,480,865)	(13,834)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(444,260)	(4,150)
Effects of		
Capital allowances in excess of depreciation	(1,270,325)	–
Depreciation in excess of capital allowances	–	265,160
Group relief received for nil consideration	–	(261,010)
Losses carried forward	1,714,585	–
Current tax for the period	–	–

Notes to the financial statements

at 29 June 2006

6. Tax on loss on ordinary activities (continued)

(b) Factors that may affect future tax charges

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

7. Tangible fixed assets

	Plant and machinery £
Cost	
At 1 July 2005	6,736,927
Disposals during the period	(6,736,927)
At 29 June 2006	–
Depreciation	
At 1 July 2005	4,697,147
Provided during the period	686,937
Disposals during the period	(5,384,084)
At 29 June 2006	–
Net book value	
At 29 June 2006	–
At 30 June 2005	2,039,780

8. Debtors: amounts falling due within one year

	29 June 2006 £	*30 June 2005* £
Amounts owed by group companies	3,912,659	3,299,249

9. Creditors: amounts falling due within one year

	29 June 2006 £	*30 June 2005* £
Amounts owed to group companies	5,078,299	3,539,472
Other taxes and social security	–	4,460
Accruals	63,812	59,800
	5,142,111	3,603,732

Notes to the financial statements

at 29 June 2006

10. Creditors: amounts falling due after more than one year

	29 June 2006 £	*30 June 2005* £
Amounts owed to group companies	–	1,540,813

11. Share capital

	29 June 2006 £	*30 June 2005* £
Authorised		
Ordinary shares of £1 each	1,707,405	1,707,405
Allotted called up and fully paid		
Ordinary shares of £1 each	1,707,405	1,707,405

12. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	*Profit and loss account* £	*Total* £
At 1 July 2004	1,707,405	(1,442,158)	265,247
Loss for the period	–	(13,834)	(13,834)
At 1 July 2005	1,707,405	(1,455,992)	251,413
Loss for the period	–	(1,480,865)	(1,480,865)
At 29 June 2006	1,707,405	(2,936,857)	(1,229,452)

13. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with fellow group undertakings as it is a wholly owned subsidiary of another undertaking which produces publicly available consolidated financial statements

14. Ultimate parent undertaking and controlling party share capital

The directors consider the ultimate parent undertaking and controlling party to be Village Roadshow Limited a company incorporated in Australia

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Village Roadshow Limited Copies of the financial statements can be obtained from the Secretary, Village Roadshow Limited, Warner Roadshow Studio, Pacific Highway, Oxenford, Queensland 4210, Australia