

Odeon Warrington Limited

**Directors' report and financial
statements**

Registered number 06170421

31 December 2011



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Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities

The Company is a property investment company, currently engaged in the leasing of a cinema in the United Kingdom

Business review

The loss for the year of £103,436 (2010 £130,656) was after non-cash finance charges on loans to related parties and amortisation of loan issue costs of £208,385 (2010 £203,912), as disclosed in Note 5

Principal risks and risk management

Amendments to the bank facility agreement were made in 2009, which put the Company in a stronger position going forwards. These included the removal of a loan-to-value (LTV) covenant ratio test, removal of some administrative restrictions and increase of the interest margin from 1.375% to 1.625%. Following these amendments, the Company's cash flows are subject to minimal uncertainty and are expected to continue in line with forecast until the sooner of a sale of the Company or the expiry and refinancing of the bank facility in 2014.

The Company will be reliant on property market valuations if the bank facility is repaid. If the facility is refinanced, property market valuations may also be relevant because lenders may consider LTV ratios in making decisions about the size of a future facility. In the meantime, under the current facility, the Company is reliant on rent cover by its tenants (who are related parties) to service the bank interest and comply with a covenant ratio. These are not regarded as significant risks.

Going concern and liquidity management

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. With this in mind, the directors have formally considered and concluded that the preparation of financial statements on a going concern basis is appropriate. Further details are shown in the "*Basis of preparation*" section of Note 1 to the financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows

AR Gavin
JP Mason
KM Taylor
AS Alker

Directors' report *(continued)*

Donations

There were no charitable donations during the year (2010 £nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The auditors, KPMG LLP, have indicated their willingness to continue in office. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of accounts before the Company in general meetings and the appointment of auditors annually. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



AS Alker
Director

26 September 2012

54 Whitcomb Street
London
WC2H 7DN

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have 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.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Odeon Warrington Limited

We have audited the financial statements of Odeon Warrington Limited for the year ended 31 December 2011 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of affairs of the Company as at 31 December 2011 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

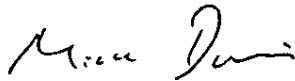
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Odeon Warrington Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
St James' Square
Manchester
M2 6DS

26/9/2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £	2010 £
Turnover	2	602,356	579,590
Cost of Sales		(34,161)	(33,248)
		<hr/>	<hr/>
Gross profit		568,195	546,342
Administrative expenses	3	(6,452)	(6,452)
		<hr/>	<hr/>
Operating profit		561,743	539,890
Interest receivable and similar income		140	211
Interest payable and similar charges	5	(665,319)	(670,757)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(103,436)	(130,656)
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss for the year		(103,436)	(130,656)
		<hr/>	<hr/>

Turnover and operating profit were derived from the Company's continuing operations

Statement of total recognised gains and losses
for the year ended 31 December 2011

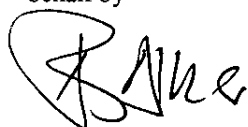
	2011 £	2010 £
Loss for the year	(103,436)	(130,656)
Unrealised surplus arising on revaluation of properties (Note 7)	600,000	1,300,000
	<hr/>	<hr/>
Total recognised gains	496,564	1,169,344
	<hr/> <hr/>	<hr/> <hr/>

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

Balance sheet
at 31 December 2011

	<i>Note</i>	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	7		8,400,000		7,800,000
Current assets					
Debtors falling due within one year	8	-		138	
Debtors falling due after more than one year	9	26,085		65,421	
		<u>26,085</u>		<u>65,559</u>	
Creditors: amounts falling due within one year	10	<u>(447,995)</u>		<u>(399,096)</u>	
Net current liabilities			<u>(421,910)</u>		<u>(333,537)</u>
Total assets less current liabilities			7,978,090		7,466,463
Creditors: amounts falling due after more than one year	11		<u>(10,209,483)</u>		<u>(10,194,420)</u>
Net liabilities			<u>(2,231,393)</u>		<u>(2,727,957)</u>
Capital and reserves					
Called up share capital	12		500		500
Revaluation reserve	13		(1,150,000)		(1,750,000)
Profit and loss account	13		<u>(1,081,893)</u>		<u>(978,457)</u>
Shareholders' deficit			<u>(2,231,393)</u>		<u>(2,727,957)</u>

These financial statements were approved by the board of directors on ~~26 September 2012~~ 26 September 2012 and were signed on its behalf by



AS Alker
Director

Company registered number 06170421

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 financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under 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

Going concern and liquidity management

The financial statements are prepared on a going concern basis. The directors have formally considered and concluded that this remains appropriate. The facts set out below were relevant in arriving at this conclusion.

The activities of the Company, and its future prospects, are described within the Directors' report.

The Company is a party to a committed group bank facility, which was entered into in April 2007 and provides long-term funding that is contractually available provided the conditions of the facility agreement are met, including compliance with group covenant ratios. Projected covenant ratios indicate that no issues with compliance are anticipated in the next 12 months and beyond.

The term of the facility agreement is 7 years. Mandatory part-repayments of the bank debt take place quarterly, based on available cashflow.

The directors are satisfied with the liquidity management of the Company and group as a result of the following key facts:

- a) At the balance sheet date, the annual contractual rental income of the group was higher than the annual cash interest payable on the bank loans and expenditure on costs.
- b) The rent income contracts include upwards-only inflation-driven increases.
- c) At the balance sheet date, approximately 100% of the bank borrowings were at fixed interest rates after taking into account interest rate swaps (see Note 11).
- d) The bank debt principal repayment amounts are contractually determined from rental income less expenditure on costs and amounts (including interest) payable under the facility agreement. Thus, by definition, sufficient cash is available to make the required principal repayments.

The Company also has related party funding in place that is subordinated and therefore longer-term in nature than the bank debt (see Notes 11 and 15).

Tangible assets

Investment property is included in the balance sheet at its open market value at the balance sheet date on the basis of an annual professional valuation. Depreciation is not provided on investment property. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, this property is not held for consumption but for investment and the members consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view, and it is consistent with the requirements of SSAP 19.

Leased assets

Rental income under operating leases is credited to the profit and loss account in accordance with the terms of the leases over the period of the leases.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Turnover

Turnover is rental income and represents the income earned on properties leased to a related party

Related Parties

As the company is a wholly owned subsidiary of Odeon Property Group LLP, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group

Interest Rate Hedging

The Company entered into an interest rate hedge (swap) to manage the interest rate risk from the Company's bank loan. Amounts payable or receivable in respect of interest rate swap transactions are recognised on an accruals basis until settlement date and are treated as an adjustment to the interest expense over the period of the contract

2 Turnover

There was only one class of business, all of which was transacted in the United Kingdom

	2011 £	2010 £
Rental Income	<u>602,356</u>	<u>579,590</u>

3 Loss on ordinary activities before taxation

	2011 £	2010 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration - Audit of these financial statements	2,145	1,613
Amounts receivable by auditors and their associates in respect of Non-audit services	<u>323</u>	<u>323</u>

4 Remuneration of directors

The directors received no emoluments during the current and prior year for their services to this company as they are remunerated by a related company

Notes (continued)

5 Interest payable and similar charges

	2011 £	2010 £
On bank loans	456,934	466,845
On loans from related parties	163,594	159,121
Amortisation of capitalised loan issue costs	44,791	44,791
	<u>665,319</u>	<u>670,757</u>

6 Taxation

Analysis of charge in year

	2011 £	2011 £	2010 £	2010 £
<i>UK corporation tax</i>				
Current tax on loss for the year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current tax		-		-
<i>Deferred tax</i>				
Origination/reversal of timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred tax		-		-
		<u>-</u>		<u>-</u>
Tax on loss on ordinary activities		-		-
		<u>-</u>		<u>-</u>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2010 higher) than the standard rate of corporation tax in the UK 26.5% (2010 28.0%). The differences are explained below

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(103,436)	(130,656)
Current tax at 26.5% (2010 28.0%)	(27,411)	(36,584)
<i>Effects of</i>		
Expenses not deductible for tax purposes	31,191	32,874
Non tax effected expenses	-	-
Tax losses (utilised)/carried forward	(3,780)	3,710
Total current tax charge (see above)	-	-

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 17 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge.

7 Tangible fixed assets

	Investment property £
<i>Cost and net book value</i>	
At beginning of the year	7,800,000
Revaluation	600,000
At the end of year	8,400,000

The book value of the investment property is based on a valuation performed by KM Taylor MRICS, a director of the Company. The valuation was performed in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The basis was an open market valuation, as at 31 December 2011, taking into account the rentals payable by the tenant and relevant property yields.

Notes (continued)

8 Debtors falling due within one year

	2011 £	2010 £
Other debtors	-	138
	<u>-</u>	<u>138</u>

9 Debtors falling due after more than one year

	2011 £	2010 £
Amounts owed by group undertakings	26,085	65,421
	<u>26,085</u>	<u>65,421</u>

10 Creditors: amounts falling due within one year

	2011 £	2010 £
Bank loans	190,290	147,529
Accruals and deferred income	257,705	251,567
	<u>447,995</u>	<u>399,096</u>

Interest was payable on the bank loans at LIBOR plus a margin of 1.625% and costs of approximately 0.006% per annum

11 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Bank loans	5,923,487	6,072,018
Amounts owed to related parties	4,285,996	4,122,402
	<u>10,209,483</u>	<u>10,194,420</u>

Bank loans are shown net of £108,245 (2010 £153,036) of unamortised issue costs

The bank loans are secured by the assets of the business. The bank loans are repayable in full by 15 July 2014

Interest was payable on the bank loans at LIBOR plus a margin of 1.625% and costs of approximately 0.006% per annum

The Company uses interest rate hedging (swap) contracts to manage exposure to interest rate fluctuations. At the year end, approximately 100% of the bank borrowings were at fixed interest rates after taking into account interest rate swaps. The fixed rate provided by the interest rate swaps was 5.598% plus the respective margins and costs.

Interest accrues on the amount due to related parties at LIBOR plus a margin of 2.375%. The amounts due to related parties, and interest thereon, are subject to a subordination deed which prevents repayment until the bank loans have been fully repaid.

Notes (continued)

11 Creditors: amounts falling due after more than one year (continued)

The maturity profile of the Company's bank and other borrowings at 31 December was as follows

	2011 £	2010 £
Within 1 year, or on demand	190,290	147,529
Within one to two years	237,358	172,301
Within two to five years	10,080,370	10,175,155
Over five years	-	-
	<hr/>	<hr/>
Unamortised issue costs	10,508,018 (108,245)	10,494,985 (153,036)
	<hr/>	<hr/>
	10,399,773	10,341,949
	<hr/>	<hr/>

12 Called up share capital

	2011 £	2010 £
<i>Authorised</i>		
Ordinary shares of £1 each	9,000,000	9,000,000
	<hr/>	<hr/>
	9,000,000	9,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	500	500
	<hr/>	<hr/>
	500	500
	<hr/>	<hr/>

13 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of the year	(1,750,000)	(978,457)
Loss for the year	-	(103,436)
Surplus arising on revaluation of properties	600,000	-
	<hr/>	<hr/>
At the end of year	(1,150,000)	(1,081,893)
	<hr/>	<hr/>

Notes (continued)

14 Post balance sheet events

There were no disclosable post balance sheet events prior to the date of approval of these financial statements

15 Related party disclosures

The Company is exempt from the requirement of Financial Reporting Standard 8 to disclose related party transactions with fellow subsidiaries of Odeon Property Group LLP

Odeon Leicester Square Holdings Ltd acts as the agent for Odeon Warrington Ltd with regard to all cash receipts and payments

During April 2007, Odeon Warrington Ltd entered into a sale and leaseback arrangement in relation to a freehold property, purchased from United Cinemas International (UK) Ltd. The total consideration was £9,550,000 plus value added tax (total £11,221,250), of which £8,863,438 was paid during 2007. Interest accrues on the remaining balance at LIBOR plus 2.375% interest accrued in the period was £118,651 (2010 £117,406). The loan was assigned from United Cinemas International (UK) Ltd to Odeon and UCI Cinemas Group Ltd on the 16 May 2007.

United Cinemas International (UK) Ltd entered into a lease contract with Odeon Warrington Ltd. The lease had an unexpired period of 20 years at the balance sheet date.

On behalf of Odeon Warrington Ltd, Odeon Leicester Square Holdings Ltd received payments of £428,932 (2010 £412,435) relating to the year, plus £144,834 (2010 £139,263) deferred income relating to the first quarter of the following year.

During April 2009, loans totalling £1,068,531 were made from Odeon and UCI Cinemas Holdings Ltd. Interest accrues at LIBOR plus 2.375% interest accrued in the year was £44,943 (2010 £41,715).

16 Ultimate parent undertaking

The immediate parent undertaking is Odeon Warrington Holdings Ltd.

The smallest and largest group to consolidate these financial statements is Odeon Property Group LLP.

The Management Committee regards Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity. The ultimate controlling party is Guy Hands.