

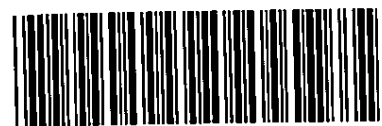
Odeon Warrington Limited

**Directors' report and financial
statements**

Registered number 06170421

31 December 2008

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Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

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 £267,624 (2007: £238,607) was after non-cash finance charges on loans to related parties and amortisation of loan issue costs of £250,044 (2007: £164,117), as disclosed in Note 5.

Accounting periods

The financial statements include amounts for the year ended 31 December 2008. Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007. Rental income began to be receivable by the Company on 1 July 2007.

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 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
AR Walker (resigned 22 December 2008)
KM Taylor
AS Alker

Donations

There were no charitable donations during the year (2007: *£nil*).

Post Balance Sheet Events

During April 2009, amendments were made to the bank loan facility agreement 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%. As part of the same process, a loan of £1,068,531 was made to the Company from a related party, Odeon and UCI Cinemas Holdings Ltd. Interest accrues on the related party loan at LIBOR plus 2.375%. The related party loan, and interest thereon, are subject to a subordination deed which prevents their repayment until the bank loans have been fully repaid.

The cash from the related party loan was used primarily to repay £924,180 of the bank loan and pay interest rate hedging (swap) contract reduction costs of £138,108. The swap contract reductions ensured that approximately 100% of the revised bank borrowing remained at fixed interest rates after taking into account the swap.

Directors' report (*continued*)

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

21 October 2009

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).

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 year.

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 1985. 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

1 St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Odeon Warrington Limited

We have audited the financial statements of Odeon Warrington Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 judgments 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.

Independent auditors' report to the members of Odeon Warrington Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

23/10/09

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Turnover	2	549,688	270,327
Cost of Sales		(34,660)	(17,862)
		<hr/>	<hr/>
Gross profit		515,028	252,465
Administrative expenses	3	(6,452)	(4,900)
		<hr/>	<hr/>
Operating profit		508,576	247,565
Interest receivable and similar income		1,352	748
Interest payable and similar charges	5	(777,552)	(486,920)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(267,624)	(238,607)
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss for the year / period		(267,624)	(238,607)
		<hr/>	<hr/>

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

Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007.

Statement of total recognised gains and losses
for the year ended 31 December 2008

	2008 £	2007 £
Loss for the year / period	(267,624)	(238,607)
Unrealised deficit arising on revaluation of properties (Note 7)	(3,150,000)	-
	<hr/>	<hr/>
Total recognised losses	(3,417,624)	(238,607)
	<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.

Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007.

Balance sheet
at 31 December 2008

	<i>Note</i>	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	7		6,400,000		9,550,000
Current assets					
Debtors falling due after more than one year	8	10,317		173,928	
		<u>10,317</u>		<u>173,928</u>	
Creditors: amounts falling due within one year	9	<u>(120,578)</u>		<u>(243,435)</u>	
Net current liabilities			<u>(110,261)</u>		<u>(69,507)</u>
Total assets less current liabilities			6,289,739		9,480,493
Creditors: amounts falling due after more than one year	10		<u>(9,945,470)</u>		<u>(9,718,600)</u>
Net liabilities			<u>(3,655,731)</u>		<u>(238,107)</u>
Capital and reserves					
Called up share capital	11		500		500
Revaluation reserve	12		(3,150,000)		-
Profit and loss account	12		<u>(506,231)</u>		<u>(238,607)</u>
Shareholders' deficit			<u>(3,655,731)</u>		<u>(238,107)</u>

These financial statements were approved by the board of directors on 21/10/09 and were signed on its behalf by:



AS Alker
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 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 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. Certain amendments were made to the facility post year end as described in Note 13. 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 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 10)
- 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 10 and 14).

Fixed assets and depreciation

Depreciation has not been provided as the property has been designated as an investment property. The investment property represents a freehold property which is leased to a related party. This property is not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted therefore is necessary for the financial statements to give a true and fair view.

Investment property will be revalued on an annual basis, commencing in 2008. The aggregate valuation surplus or deficit will be transferred to the revaluation reserve.

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.

	2008 £	2007 £
Rental Income	549,688	252,465

Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007.

3 Loss on ordinary activities before taxation

	2008 £	2007 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration - Audit of these financial statements	1,615	3,225
Amounts receivable by auditors and their associates in respect of: Non-audit services	325	1,675

Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007.

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

	2008 £	2007 £
On bank loans and overdrafts	527,508	322,803
On loans from related parties	205,253	137,989
Amortisation of capitalised loan issue costs	44,791	26,128
	<u>777,552</u>	<u>486,920</u>

Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007.

6 Taxation

Analysis of charge in year

	2008 £	2008 £	2007 £	2007 £
<i>UK corporation tax</i>				
Current tax on income 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>

Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007.

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2007: *higher*) than the standard rate of corporation tax in the UK 28.5% (2007: 30%). The differences are explained below.

	2008 £	2007 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(267,624)	(238,607)
Current tax at 28.5% (2007: 30%)	(76,273)	(71,582)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	58,497	22,768
Non tax effected expenses	17,776	48,814
Total current tax charge (see above)	-	-

Prior year comparatives relate to the period from incorporation, on 19 March 2007, to 31 December 2007.

7 Tangible fixed assets

	Freehold land and buildings £	Total £
<i>Cost and net book value</i>		
At beginning of the year	9,550,000	9,550,000
Revaluation	(3,150,000)	(3,150,000)
At the end of year	6,400,000	6,400,000

The book value of the freehold land and buildings is based on an external valuation performed by Jones Lang LaSalle Limited, Chancery Place, 50 Brown Street, Manchester, M2 2JT. 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 2008, taking into account the rentals payable by the tenant and relevant property yields.

8 Debtors falling due after more than one year

	2008 £	2007 £
Amounts owed by group undertakings	10,317	173,928
	10,317	173,928

Notes (continued)

9 Creditors: amounts falling due within one year

	2008 £	2007 £
Accruals and deferred income	120,578	243,435
	<u>120,578</u>	<u>243,435</u>

10 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loans and overdrafts	7,244,417	7,222,800
Amounts owed to related parties	2,701,053	2,495,800
	<u>9,945,470</u>	<u>9,718,600</u>

Bank loans and overdrafts are shown net of £242,618 (2007: £287,409) of unamortised issue costs.

The amount of bank loans and overdrafts which fall due within one year is not material to these financial statements.

The bank loans are secured by the assets of the business. The bank loans are repayable in full by 22 May 2014.

Interest was payable on the bank loans at LIBOR plus a margin of 1.375% and costs of approximately 0.012% 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 margin of 1.375% and costs of approximately 0.012% per annum.

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.

11 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
Ordinary shares of £1 each	9,000,000	9,000,000
	<u>9,000,000</u>	<u>9,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	500	500
	<u>500</u>	<u>500</u>

Notes (continued)

12 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At beginning of the year	-	(238,607)
Loss for the year	-	(267,624)
Deficit arising on revaluation of properties	(3,150,000)	-
	<u>(3,150,000)</u>	<u>(506,231)</u>
At the end of year	<u>(3,150,000)</u>	<u>(506,231)</u>

13 Post balance sheet events

During April 2009, amendments were made to the bank loan facility agreement 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%. As part of the same process, a loan of £1,068,531 was made to the Company from a related party, Odeon and UCI Cinemas Holdings Ltd. Interest accrues on the related party loan at LIBOR plus 2.375%. The related party loan, and interest thereon, are subject to a subordination deed which prevents their repayment until the bank loans have been fully repaid.

The cash from the related party loan was used primarily to repay £924,180 of the bank loan and pay interest rate hedging (swap) contract reduction costs of £138,108. The swap contract reductions ensured that approximately 100% of the revised bank borrowing remained at fixed interest rates after taking into account the swap.

14 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 £205,253 (2007: £137,989). The loan was assigned from United Cinemas International (UK) Ltd to Odeon and UCI Cinemas Group Ltd (formerly Corleone Capital 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 23 years at the balance sheet date.

On behalf of Odeon Warrington Ltd, Odeon Leicester Square Holdings Ltd received payments of £388,795 (2007: £252,465) relating to the year, plus £nil (2007: £126,233) deferred income relating to the first quarter of the following year.

15 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 directors regard TFCP Holdings Limited, a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.