Odeon Warrington Limited

Directors' report and financial statements

Registered number 06170421

31 December 2009

Contents

Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

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 £341,570 (*2008 £267,624*) was after non-cash finance charges on loans to related parties and amortisation of loan issue costs of £238,487 (*2008 £250,044*), as disclosed in Note 5

Amendments to bank loan facility agreement

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

Principal risks and risk management

Following the amendments to the bank facility agreement in 2009, 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 when the bank facility is to be repaid and in the meantime will be 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 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 *(2008 £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
20/9/2010

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 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

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 2009 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 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 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 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/UKNP

Opinion on financial statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 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 auditors' 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

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

23/9/10

Profit and loss account
for the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	**556,990**	549,688
Cost of Sales		**(26,613)**	(34,660)
Gross profit		**530,377**	515,028
Administrative expenses	3	**(6,452)**	(6,452)
Operating profit		**523,925**	508,576
Interest receivable and similar income		**150**	1,352
Interest payable and similar charges	5	**(865,645)**	(777,552)
Loss on ordinary activities before taxation		**(341,570)**	(267,624)
Tax on loss on ordinary activities	6	**-**	-
Loss for the year		**(341,570)**	(267,624)

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 2009

	2009	2008
	£	£
Loss for the year	**(341,570)**	(267,624)
Unrealised surplus / (deficit) arising on revaluation of properties (Note 7)	**100,000**	(3,150,000)
Total recognised losses	**(241,570)**	(3,417,624)

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 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	7		6,500,000		6,400,000
Current assets					
Debtors falling due after more than one year	8	101,996		10,317	
		101,996		10,317	
Creditors amounts falling due within one year	9	(364,407)		(191,829)	
Net current liabilities			(262,411)		(181,512)
Total assets less current liabilities			6,237,589		6,218,488
Creditors amounts falling due after more than one year	10		(10,134,890)		(9,874,219)
Net liabilities			(3,897,301)		(3,655,731)
Capital and reserves					
Called up share capital	11		500		500
Revaluation reserve	12		(3,050,000)		(3,150,000)
Profit and loss account	12		(847,801)		(506,231)
Shareholders' deficit			(3,897,301)		(3,655,731)

These financial statements were approved by the board of directors on 20/9/2010 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 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 loan 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)

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

	2009 £	2008 £
Rental Income	**556,990**	549,688

3 Loss on ordinary activities before taxation

	2009 £	2008 £
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration - Audit of these financial statements	**1,613**	1,651
Amounts receivable by auditors and their associates in respect of Non-audit services	**274**	325

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

	2009 £	2008 £
On bank loans	489,050	527,508
Swap reduction costs	138,108	-
On loans from related parties	193,696	205,253
Amortisation of capitalised loan issue costs	44,791	44,791
	865,645	777,552

6 Taxation

Analysis of charge in year

	2009 £	2009 £	2008 £	2008 £
UK corporation tax				
Current tax on loss for the year	-		-	
		-		-
Total current tax		-		-
Deferred tax				
Origination/reversal of timing differences	-		-	
Total deferred tax		-		-
Tax on loss on ordinary activities		-		-

Notes *(continued)*

6 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (*2008 higher*) than the standard rate of corporation tax in the UK 28 0% (*2008 28 5%*) The differences are explained below

	2009 £	2008 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(341,570)**	(267,624)
Current tax at 28 0% (*2008 28 5%*)	**(95,640)**	(76,273)
Effects of		
Expenses not deductible for tax purposes	**54,235**	58,497
Non tax effected expenses	**-**	17,776
Tax losses carried forward	**41,405**	-
Total current tax charge (see above)	**-**	-

7 Tangible fixed assets

	Investment property £
Cost and net book value	
At beginning of the year	6,400,000
Revaluation	100,000
At the end of year	**6,500,000**

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 2009, taking into account the rentals payable by the tenant and relevant property yields

8 Debtors falling due after more than one year

	2009 £	2008 £
Amounts owed by group undertakings	**101,996**	10,317
	101,996	10,317

Notes *(continued)*

9 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans	122,169	71,251
Accruals and deferred income	242,238	120,578
	364,407	191,829

Bank loans and overdrafts are shown net of £nil (*2008 £nil*) of unamortised issue costs

Interest was payable on the bank loans at LIBOR plus a margin of 1 375% and costs of approximately 0 012% per annum until 30 March 2009 and LIBOR plus a margin of 1 625% and costs of approximately 0 005% subsequently

10 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Bank loans	6,171,609	7,173,166
Amounts owed to related parties	3,963,281	2,701,053
	10,134,890	9,874,219

Bank loans are shown net of £197,827 (*2008 £242,618*) of unamortised issue costs

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 until 30 March 2009 and LIBOR plus a margin of 1 625% and costs of approximately 0 005% subsequently

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 1 625% and costs of approximately 0 005% 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

Notes *(continued)*

10 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

	2009 £	2008 £
Within 1 year, or on demand	**122,169**	71,251
Within one to two years	**158,488**	122,169
Within two to five years	**10,174,229**	590,664
Over five years	**-**	9,404,004
	10,454,886	10,188,088
Unamortised issue costs	**(197,827)**	(242,618)
	10,257,059	9,945,470

11 Called up share capital

	2009 £	2008 £
Authorised		
Ordinary shares of £1 each	9,000,000	9,000,000
	9,000,000	9,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	500	500
	500	500

12 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of the year	(3,150,000)	(506,231)
Loss for the year	-	(341,570)
Surplus arising on revaluation of properties	100,000	-
At the end of year	**(3,050,000)**	**(847,801)**

Notes *(continued)*

13 Post balance sheet events

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

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 £193,696 (*2008 £205,253*) 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 22 years at the balance sheet date

On behalf of Odeon Warrington Ltd, Odeon Leicester Square Holdings Ltd received payments of £530,377 (*2008 £388,795*) relating to the year, plus £133,907 (*2008 £nil*) 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