

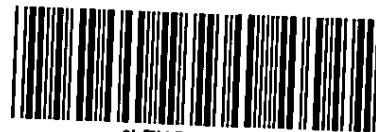
Cinema Holdings Limited

Directors' report and financial statements

Registered number 3066328

Year ended 31 March 2007

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2007

Principal activities

Cinema Holdings Limited is a non-trading company

Business review, results for the period

The loss for the year retained in the company is £ 15,000 (2006 *profit of £1,000*)

Proposed dividend and transfer to reserves

The directors are unable to recommend the payment of a dividend (2006 *£nil*)

Directors and directors' interests

The directors who held office during the period were as follows

S Douglas	(resigned 14 th September 2007)
S Peckham	(resigned 14 th September 2007)
G D McCallum	(appointed 13 th September 2007)
P C K McCall	(appointed 13 th September 2007)

Political and charitable contributions

The Company made no political or charitable contributions during the year

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

The members of the Company have passed elective resolutions in accordance with Sections 366A, 252 and 386 of the Companies Act 1985 dispensing with the previous statutory requirement of holding annual general meetings, laying accounts before the Company in general meetings and reappointing auditors annually

The last resolution will lead to the continuing appointment of KPMG LLP as auditors of the company until further notice

By order of the board


B Gerrard
Company Secretary

120 Campden Hill Road
London
W8 7AR

31 January 2008

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 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 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

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Cinema Holdings Limited

We have audited the financial statements of Cinema Holdings Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet 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 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

The directors' responsibilities for preparing the Directors' Report and 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 2.

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 Cinema Holdings 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 March 2007 and of the company's 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 Auditor

31st January 2008

Profit and loss account

for the year ended 31 March 2007

	<i>Note</i>	2007 £000	2006 £000
Administrative (expenses)/income		(15)	1
Operating (loss)/profit	2	(15)	1
Interest receivable and similar income	<i>11</i>	866	108
Interest payable and similar charges	<i>11</i>	(866)	(108)
(Loss)/profit on ordinary activities before taxation	2	(15)	1
Taxation on (loss)/profit on ordinary activities	<i>5</i>	-	-
(Loss)/profit on ordinary activities after taxation and retained (loss)/profit for the year		(15)	1

There are no other recognised gains or losses for the current or prior financial period other than the profits and losses shown above. The results are prepared on an historical cost basis. Accordingly no statement of total recognised gains and losses or note of historical cost profit and loss has been prepared.

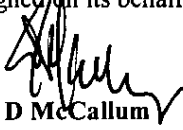
The notes on pages 7 to 11 form part of these financial statements.

Balance sheet

at 31 March 2007

	Note	2007 £000	2006 £000
Current asset			
Debtors	6	-	40,108
Creditors amounts falling due within one year	7	(68)	(40,161)
Net liabilities		<u>(68)</u>	<u>(53)</u>
Capital and reserves			
Called up share capital	8	20,000	20,000
Profit and loss account	9	(20,068)	(20,053)
Shareholders' deficit	10	<u>(68)</u>	<u>(53)</u>

These financial statements were approved by the board of directors on 31 January 2008 and were signed on its behalf by


G D McCallum
Director

The notes on pages 7 to 11 form part of these financial statements

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

The company is exempt from the requirement of FRS 1, 'Cash flow statements', to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Barfair Limited, and its cash flows are included within the consolidated cash flow statement of that company

The financial statements have been prepared on a going concern basis in view of the fact that the parent undertaking, Virgin Group Holdings Limited, has formally indicated that it is its present intention to provide sufficient funding to the company, to enable it to meet its liabilities as they fall due, for at least the next twelve months

The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Notes (continued)

2 Notes to the profit and loss account

	2007 £000	2006 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after (charging)/crediting</i>		
Professional fees	(15)	-
Reverse prior year accrual	-	1
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
Audit of these financial statements	6	6
	<hr/>	<hr/>

The professional fees relates to the costs associated with restructuring various company balances

The audit fee for the year has not been recharged by the company's fellow subsidiary undertaking, Virgin Retail Group Limited, and the prior year accrual has been duly released

3 Remuneration of directors

None of the directors received remuneration in respect of services to the company during the period (2006 £nil)

4 Employees

The company employed no staff in the current year or prior period, and accordingly incurred no associated staff costs (2006 £nil)

Notes (continued)

5 Taxation

There was no tax charge in the current year or prior period

The current tax charge for the period is higher (2006 lower) than the standard rate of corporation tax 30% (2006 30%) The differences are explained below

	2007 £000	2006 £000
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(15)	1
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	(4)	-
<i>Effect of</i>		
Expenses not deductible for tax purposes	260	32
Income not taxable	(260)	(32)
UK Tax losses not utilised or recognised	4	-
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

The amounts provided for deferred taxation are set out below

	Provided	2007 Unprovided £000	Provided	2006 Unprovided £000
Deferred tax asset arising from tax losses	-	(1,598)	-	(1,593)
	<hr/>	<hr/>	<hr/>	<hr/>

6 Debtors

	2007 £000	2006 £000
Amounts owed by related party undertakings	-	40,108
	<hr/>	<hr/>

During the year, a debt restructuring plan resulted in the repayment of £40,108,000 principal and £866,000 of interest to the Company There is no other interest receivable on other amounts owed by related parties

Notes (continued)

7 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Amounts owed to related party undertakings	68	40,161

During the year, a debt restructuring plan resulted in the repayment of £40,108,000 of principal and £866,000 of interest by the Company. There is no other interest payable on other amounts owed to related party undertakings.

8 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
20,001,000 ordinary shares of £1 each	20,001	20,001
<i>Allotted, called up and fully paid</i>		
20,000,002 ordinary shares of £1 each	20,000	20,000

9 Profit and loss reserve

	2007 £000	2006 £000
At beginning of year	(20,053)	(20,054)
Retained (loss)/profit for the financial year	(15)	1
At end of year	(20,068)	(20,053)

10 Reconciliation of movement in shareholders' deficit

	2007 £000	2006 £000
(Loss)/profit for the year	(15)	1
Opening shareholders' deficit	(53)	(54)
Closing shareholders' deficit	(68)	(53)

Notes (continued)

11 Related party transactions

As the company is a wholly owned subsidiary of Virgin Cinemas Group Limited, 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 headed by Virgin Cinemas Group Limited

At 31 March 2007, the company's ultimate parent undertaking was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and/or his immediate family. The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under FRS 8, 'Related party disclosures'

The following is a summary of transactions and balances with related entities which are required to be disclosed by FRS 8

	2007 £000	2006 £000
Related party undertakings		
Debtors	-	40,108
Creditors	(68)	(40,161)
Interest receivable	866	108
Interest payable	(866)	(108)

The related party undertakings that the company transacted with during the year were Virgin Entertainment Global Limited and Virgin Retail Group Limited

Interest is receivable on amounts owed by related party undertakings at 3 month LIBOR + 2%

Interest is payable on £40,108,000 owed to related party undertakings. There is no interest payable on other amounts owed to related party undertakings

12 Ultimate parent undertaking

The directors consider the ultimate holding company at 31 March 2007 to be Virgin Group Holdings Limited, which is incorporated in the British Virgin Islands

The smallest group in which the results of the company are consolidated is that headed by Virgin Cinemas Group Limited, a company registered in England and Wales

The consolidated accounts of Virgin Cinemas Group Limited are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ