

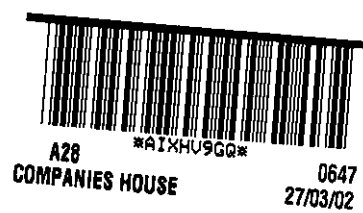
3819421

VILLAGE THEATRES 3 LIMITED

Report and Accounts

30 June 2000

 ERNST & YOUNG



Village Theatres 3 Limited

Registered No. 3819921

DIRECTORS

C J Gallaher
P E Foo
G W Burke
G Livery

SECRETARIES

C J Bleasdale
S L Driscoll
P S Leggo

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

Haydon House
14 Haydon Place
Guildford
Surrey GU1 4LL

Village Theatres 3 Limited

DIRECTORS' REPORT

The directors present their first report and accounts for the period from incorporation on 5 August 1999 to 30 June 2000.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £679,086. The directors do not recommend a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the operation of multiscreen cinemas in the United Kingdom. The company commenced trading in 1999 when the first multiplex opened at Birkenhead in November 1999. The company's second site opened at Carlisle on 30 June 2000.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

R G Kirby (appointed 5 August 1999, resigned 15 February 2000)
P E Foo (appointed 5 August 1999)
G W Burke (appointed 5 August 1999)
J A Crawford (appointed 5 August 1999, resigned 30 June 2000)
C J Gallaher (appointed 30 June 2000)

Subsequent to the period end, G Livery was appointed as a director on 20 April 2001.

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

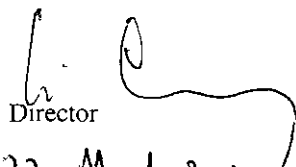
AUDITORS

Ernst & Young were appointed auditors during the period.

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Ernst & Young resigned as the company's auditor with effect from 28 June 2001 and the directors used their statutory powers to appoint Ernst & Young LLP to fill the vacancy in the office of auditor.

In accordance with section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 8 September 2000. Accordingly, Ernst & Young LLP will be deemed to be reappointed as auditors.

On behalf of the board


Director
22 March 2002.

Village Theatres 3 Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

**REPORT OF THE INDEPENDENT AUDITORS
to the members of Village Theatres 3 Limited**

We have audited the company's accounts for the period ended 30 June 2000 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 transactions with the company 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

25 March 2001

Village Theatres 3 Limited

PROFIT AND LOSS ACCOUNT

for the period 5 August 1999 to 30 June 2000

	<i>Notes</i>	<i>2000</i> <i>£</i>
TURNOVER	2	711,346
Cost of sales		(457,500)
Gross profit		253,846
Administrative expenses		(945,691)
OPERATING LOSS	3	(691,845)
Interest receivable		12,759
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(679,086)
Tax on loss on ordinary activities	5	-
LOSS ON ORDINARY ACTIVITIES FOR THE PERIOD	10	(679,086)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

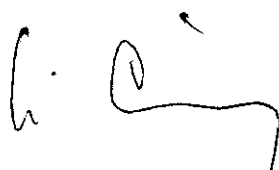
There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £679,086 for the period ended 30 June 2000.

Village Theatres 3 Limited

BALANCE SHEET

at 30 June 2000

	Notes	2000 £
CURRENT ASSETS		
Stocks	6	53,161
Debtors	7	68,095
Cash at bank and in hand		357,747
		<u>479,003</u>
CREDITORS: amounts falling due within one year	8	(1,158,087)
		<u>(679,084)</u>
NET CURRENT LIABILITIES		
		<u><u></u></u>
CAPITAL AND RESERVES		
Called up share capital	9	2
Profit and loss account	10	(679,086)
		<u>(679,084)</u>
Equity shareholders' funds	10	<u><u>(679,084)</u></u>


22 March 2002

Director

NOTES TO THE ACCOUNTS
at 30 June 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The accounts 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.

Statement of cash flows

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

Stocks

Stocks, which comprise sundry supplies, are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

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.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

Certain personnel who work at the cinemas operated by Village Theatres 3 Ltd ("VT3") are through their employment by Warner Village Exhibition Ltd ("WVE"), a related undertaking, members of the Time Warner UK Pension Plan, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss accounts so as to spread the cost of pension over the employees' working lives. Variations in pension costs which are identified as a result of actuarial valuations are amortised over the average expected working lives of employees in proportion to their expected payroll costs.

2. TURNOVER

Turnover, on continuing activities, comprises revenue from theatre admissions and sundry sales, excluding VAT, and all arises with the UK.

Village Theatres 3 Limited

NOTES TO THE ACCOUNTS

at 30 June 2000

3. OPERATING LOSS

(a) This is stated after charging:

	2000 £
Auditors' remuneration	2,000
Operating lease rentals - plant and machinery	35,567
- land and buildings	206,290
	<u>243,857</u>

(b) The directors did not receive any emoluments for their services to the company during the period.

4. STAFF COSTS

	2000 £
Wages and salaries	157,989
Social security costs	8,974
Other pension costs	2,127
	<u>169,090</u>

The average monthly number of employees during the period was as follows:

	2000 No.
Office and management	3
Theatres	22
	<u>25</u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no charge to UK corporation tax based on the results for the period.

6. STOCKS

	2000 £
Stocks held for resale	53,161
	<u>53,161</u>

Village Theatres 3 Limited

NOTES TO THE ACCOUNTS at 30 June 2000

7. DEBTORS

	2000 £
Trade debtors	2,038
Amounts owed by group undertakings	2
Prepayments and accrued income	14,063
Other debtors	51,992
	<u>68,095</u>

8. CREDITORS: amounts falling due within one year

	2000 £
Trade creditors	10,670
Amounts owed to group undertakings	448,693
Amounts owed to related undertakings	160,724
Other creditors	15,422
Accruals	522,578
	<u>1,158,087</u>

9. SHARE CAPITAL

	2000 £
<i>Authorised</i>	
Ordinary shares of £1 each	1,000

	2000 £
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each	2

2 ordinary shares of £1 each were issued at par, for cash on the incorporation of the company.

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
Share capital issued	2	-	2
Loss for the period	-	(679,086)	(679,086)
At 30 June 2000	<u>2</u>	<u>(679,086)</u>	<u>(679,084)</u>

NOTES TO THE ACCOUNTS

at 30 June 2000

11. CAPITAL COMMITMENTS

Leasing Commitments

The company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	<i>Plant and machinery</i>
	2000	2000
	£	£
In over five years	1,480,000	250,000

12. PENSIONS

Village Theatres 3 Limited makes contributions on behalf of staff seconded from Warner Village Exhibition Limited to the Time Warner UK Pension Plan which is a defined benefit final salary scheme. The scheme is self-administered and funded to cover past and future pension liabilities, including expected future earnings and pension increases, in respect of service up to the balance sheet date. The scheme is subject to independent valuations at least every three years, on the basis of which a qualified actuary certifies the rate of the employers' contributions which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are sufficient to fund the benefits payable under the scheme. The assets of the scheme are held in separately administered funds.

The last actuarial valuation for the Time Warner UK Pension Plan was prepared as at 6 April 1999. The valuation showed that the assets at 6 April 1999 were adequate to secure 101% of the benefits payable to pensioners, members who had left service with deferred benefits and the benefits which contributing members had earned in respect of pensionable service to and pensionable salary at that date. As a result of this valuation, contributions from employees remain unchanged and employers' contributions were set at rates between 12.3% and 20.8% of pensionable salary depending on the division of the group the pension scheme member is employed by.

The next actuarial valuation of the Time Warner UK Pension Plan is due as at 6 April 2002, the outcome of which, when available, will indicate the level of contributions to be paid by the employing companies with effect from that date onwards.

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 subsidiary of another undertaking which produces publicly available consolidated accounts.

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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 group of undertakings for which group accounts are drawn up and of which the company is a member is Village Roadshow Limited. Copies of the accounts can be obtained from the Secretary, Village Roadshow Limited, Warner Roadshow Studios, Pacific Highway, Oxenford, Queensland, 4210 Australia.