Village Theatres 3 Limited

Report and Financial Statements

3 July 2003



LD4
COMPANIES HOUSE
0230
26/11/04

Registered No: 3819921

Directors

C J Gallaher
P E Foo
C M Aubrey
P F Garner
S C Kappen

Secretaries

C J Bleasdale
S L Driscoll
P S Leggo

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office

Haydon House
14 Haydon Place
Guildford
Surrey
GU1 4LL

Directors' report

The directors present their report and financial statements for the period ended 3 July 2003.

Results and dividends

The loss for the period, after taxation, amounted to £1,968,936 (2002 - loss £1,983,517). The directors do not recommend the payment of 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 performed as expected during the year and it was necessary to make a further impairment provision of £2m against the carrying value of the fixed assets.

Directors and their interests

The directors during the period were as follows:

C J Gallaher
P E Foo
C M Aubrey
P F Garner
S C Kappen

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

Subsequent events

Effective 15 October 2003, the company sold the assets associated with its cinema operations in Nottingham, which resulted in a book loss of approximately £100,000. There have been no other material transactions, which significantly affect the financial or operational position of the company since the end of the financial year.

Auditors

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 2001. Accordingly, Ernst & Young LLP will be deemed to be reappointed as auditors.

On behalf of the board

C M Aubrey
Director

26 NOV 2004

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements 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 financial statements, 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 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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.

Independent auditors' report

to the members of Village Theatres 3 Limited

We have audited the company's financial statements for the period ended 3 July 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 3 July 2003 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

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Profit and loss account

for the period ended 3 July 2003

	Notes	*Period ended 3 July 2003* £	*Period ended 4 July 2002* £
Turnover	3	12,306,908	13,188,058
Cost of sales		(6,321,847)	(7,426,254)
Gross profit		5,985,061	5,761,804
Administrative expenses		(6,145,006)	(4,447,460)
Impairment provision – fixed assets		(2,000,000)	(3,300,000)
		(8,145,006)	(7,747,460)
Operating loss	4	(2,159,945)	(1,985,656)
Interest receivable		61,357	53,413
Interest payable	6	(53,469)	(51,274)
Loss on ordinary activities before taxation		(2,152,057)	(1,983,517)
Tax credit on loss on ordinary activities	7	183,121	–
Loss on ordinary activities for the period	15	(1,968,936)	(1,983,517)

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 £1,968,936 for the period ended 3 July 2003 (4 July 2002 - loss £1,983,517).

Balance sheet

at 3 July 2003

	Notes	*3 July 2003* £	*4 July 2002* £
Fixed assets			
Tangible assets	8	3,712,263	6,064,464
Current assets			
Stocks	9	48,757	71,013
Debtors - due within one year	10	1,183,296	960,918
- due after more than one year	11	344,019	3,690,804
Cash at bank and in hand		76,134	663,710
		1,652,206	5,386,445
Creditors: amounts falling due within one year	12	(6,929,700)	(3,087,919)
Net current (liabilities)/assets		(5,277,494)	2,298,526
Total assets less current liabilities		(1,565,231)	8,362,990
Creditors: amounts falling due after more than one year	13	(3,895,209)	(11,854,494)
Total assets less current liabilities		(5,460,440)	(3,491,504)
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account	15	(5,460,442)	(3,491,506)
Equity shareholders' deficit	15	(5,460,440)	(3,491,504)

C M Aubrey
Director

26 NOV 2004

Notes to the financial statements

at 3 July 2003

1. Fundamental accounting concept

The financial statements 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. However, should support not be made available to the company, the going concern basis used in preparing the company's financial statements would be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets as current assets.

2. Accounting policies

Accounting period

The company prepares financial statements for either 52 or 53 week periods ending within one week of 3 July.

Accounting convention

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

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 financial statements, in which the company is included, are publicly available.

Tangible fixed assets

Depreciation is provided to write off the cost of tangible fixed assets evenly over their estimated useful lives as follows:

Leasehold land and buildings	-	over 25 years (or the length of the lease, if shorter)
Computer and other equipment	-	5-10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- deferred tax assets are recognised only to the extent that the directors consider that it is 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 to the financial statements

at 3 July 2003

2. Accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Pensions

Certain personnel who work at the cinemas operated by the company were, through their employment by Warner Village Exhibition Limited, members of the Time Warner UK Pension Plan, which required contributions to be made to a separately administered fund. Contributions to the fund are charged to the profit and loss account so as to spread the cost of pensions 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.

The company made 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 staff left the plan as active members on 30 April 2003.

Subsequent to 30 April 2003, pension contributions, which are made to a defined contribution Group Personal Pension Plan, are charged to the profit and loss account as incurred. These contributions are invested separately from the company's assets.

Lease commitments

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

3. Turnover

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

4. Operating loss

(a) This is stated after charging:

		Period ended 3 July 2003 £	*Period ended 4 July 2002* £
Auditors' remuneration		14,157	16,790
Operating lease rentals	- plant and machinery	312,870	659,403
	- land and buildings	2,688,285	2,614,792
Depreciation		408,914	523,493

(b) The directors did not receive any emoluments for their services to the company during the period (2002 - £nil).

Notes to the financial statements

at 3 July 2003

5. Staff costs

	3 July 2003	*4 July 2002*
	£	£
Wages and salaries	1,243,926	1,701,919
Social security costs	60,520	87,330
Other pension costs	19,018	11,805
	1,323,464	1,801,054

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

	3 July 2003	*4 July 2002*
	No.	*No.*
Office and management	14	11
Theatre staff	173	151
	187	162

6. Interest payable

	Period ended 3 July 2003	*Period ended 4 July 2002*
	£	£
Bank loans and overdrafts	6,467	6,316
Group interest payable	47,002	44,958
	53,469	51,274

Notes to the financial statements

at 3 July 2003

7. Tax on loss on ordinary activities

(a) Tax on loss of ordinary activities:

	Period ended 3 July 2003 £	*Period ended 4 July 2002* £
Current tax		
UK corporation tax on the loss for the period	–	–
Prior year adjustment – consortium relief	(183,121)	–
Total current tax (note 7(b)	(183,121)	–
Deferred tax		
Origination and reversal of timing differences	–	–
Total deferred tax	–	–
Total tax credit for the period	(183,121)	–

(b) Factors affecting tax credit for the period:

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Period ended 3 July 2003 £	*Period ended 4 July 2002* £
Loss on ordinary activities before tax	(2,152,057)	(1,983,517)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	(645,617)	(595,055)
Effects of:		
Expenses not deductible for tax purposes	150,150	(83,868)
Income not assessable for tax purposes	–	(1,050,000)
Depreciation in excess of capital allowances	572,674	1,147,048
Losses arising in the current year not relievable against current tax	–	581,875
Group relief received for nil consideration	(2,366)	–
Utilisation of losses brought forward	(74,841)	–
Prior year adjustments	(183,121)	–
Current tax for the period (note 7(a)	(183,121)	–

Notes to the financial statements

at 3 July 2003

7. Tax on loss on ordinary activities (continued)

(c) Factors that may affect future tax charges

The company has not provided for deferred tax assets on taxable losses and other timing differences. By agreement with other companies in the group, the company has the obligation to surrender tax losses for nil consideration and is entitled to claim group relief for nil consideration. Therefore no deferred tax asset is recognised.

The estimated value of the deferred tax asset not recognised, measured at a standard rate of 30% is £1,451,696 (2002 - £969,280).

8. Tangible fixed assets

	Short leasehold land and buildings	*Equipment*	*Total*
	£	£	£
Cost:			
At 4 July 2002	10,072,771	2,015,005	12,087,776
Additions during the period	–	56,713	56,713
Adjustment re prior periods	(1,952,987)	(193,675)	(2,146,662)
At 3 July 2003	8,119,784	1,878,043	9,997,827
Depreciation:			
At 4 July 2002	5,640,597	382,715	6,023,312
Provided during the period	205,568	203,346	408,914
Impairment adjustment	2,000,000	–	2,000,000
Adjustment re prior periods	(1,952,987)	(193,675)	(2,146,662)
At 3 July 2003	5,893,178	392,386	6,285,564
Net book value:			
At 3 July 2003	2,226,606	1,485,657	3,712,263
At 4 July 2002	4,432,174	1,632,290	6,064,464

9. Stocks

	3 July 2003	*4 July 2002*
	£	£
Stocks held for resale	48,757	71,013

Notes to the financial statements

at 3 July 2003

10. Debtors – due within one year

	3 July 2003 £	*4 July 2002* £
Trade debtors	105,874	99,551
Prepayments and accrued income	719,074	519,984
Other debtors	35,700	–
Consortium relief receivable	286,000	221,879
Amounts owed by related undertakings	36,648	119,504
	1,183,296	960,918

11. Debtors – due after more than one year

	3 July 2003 £	*4 July 2002* £
Amounts owed by group undertakings	344,019	3,690,804

12. Creditors: amounts falling due within one year

	3 July 2003 £	*4 July 2002* £
Other creditors	4,118,873	559,294
Accruals	2,458,357	2,307,732
Amounts owed to related undertakings	352,470	220,893
	6,929,700	3,087,919

13. Creditors: amounts falling due after more than one year

	3 July 2003 £	*4 July 2002* £
Amount owed to group undertakings	3,895,209	11,854,494

Notes to the financial statements

at 3 July 2003

14. Share capital

	3 July 2003 £	*4 July 2002* £
Authorised		
Ordinary shares of £1 each	1,000	1,000

	3 July 2003 No.	*4 July 2002* £
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

15. Reconciliation of shareholders' deficit and movements on reserves

	Share capital £	*Profit and loss account* £	*Total* £
At 5 July 2001	2	(1,507,989)	(1,507,987)
Loss for the period	–	(1,983,517)	(1,983,517)
At 4 July 2002	2	(3,491,506)	(3,491,504)
Loss for the period	–	(1,968,936)	(1,968,936)
At 3 July 2003	2	(5,460,442)	(5,460,440)

16. Capital commitments

Leasing commitments

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

	Land and buildings		*Plant and machinery*	
	3 July 2003 £	*4 July 2002* £	*3 July 2003* £	*4 July 2002* £
In over five years	2,685,000	2,685,000	615,345	659,403

Notes to the financial statements

at 3 July 2003

17. Pensions

Village Theatres 3 Limited made 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 staff left the plan as active members on 30 April 2003.

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 30 April 2003. 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.

FRS17 requires that the pension schemes underlying assets and liabilities be allocated to the entities sponsoring the scheme. This allocation could not be done on a consistent and reasonable basis beyond a sub-group level for this scheme. Village Theatres 3 Limited has not been identified as one of these sub-groups. As a result, the defined benefit scheme has been accounted for as a defined contribution scheme in these financial statements.

Following the acquisition on 12 May 2003 by Vue Entertainment Group of certain operating companies and assets of Warner Village Cinemas in the UK, the Vue Entertainment group undertook a detailed review of its pension arrangements that was completed in November 2003. Following this review all eligible ex Warner Village Exhibition Limited employees were offered membership of the pre existing Spean Bridge Pension Plan with the opportunity to back date contributions to the acquisition date. The first contributions to the Pension Plan by ex Warner Village Exhibition employees were made in December 2003.

18. 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 financial statements.

19. Subsequent Events

Effective 15 October 2003, the company sold the assets associated with its cinema operations in Nottingham, which resulted in a book loss of approximately £100,000. There have been no other material transactions, which significantly affect the financial or operational position of the company since the end of the financial year.

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