Village Theatres 3 Limited

Report and Financial Statements

For the Period Ended 28 June 2007

Registration No 3819921

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COMPANIES HOUSE

Registered No 3819921

Directors

P E Foo
C M Aubrey
P F Garner
K Senior

Secretaries

S L Driscoll
P S Leggo
P G S Hounslow

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 28 June 2007

Results and dividends

The loss for the period after taxation amounted to £55,554 (loss of £4,746,082 for the period ended 29 June 2006) The directors do not recommend the payment of a dividend

Principal activity and review of the business

The principal activities of the company used to be the operation and leasing of multi-screen cinemas in the United Kingdom

During the period ended 29 June 2006, the company decided to exit the United Kingdom market The company sold its assets as follows

The Belfast site was sublet for a 5 year period to Storm Cinemas Limited on 25 May 2006

Operating assets relating to the Newcastle-Under-Lyme site were sold to Vue Entertainment Limited effective on 20 June 2006

Directors

The directors who served the company during the period were

P E Foo
C M Aubrey
P F Garner
S C Kappen (resigned 31 March 2008)
K Senior

Subsequent events

Other than the following, there have been no material transactions which significantly affect the financial or operational position of the company since the end of the financial year

Subsequent to 28 June 2007, litigation between the company, its landlord and its sub-tenant has been commenced, following correspondence received in March 2007 from the sub-tenant of the Belfast cinema that it believed that the contract should be rescinded, with the effect of cancelling its lease and purchase of the cinema business The outcome of this litigation and any resulting financial impact cannot be estimated at the date of signing these accounts

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

The directors declare the following as at the date of this report

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) the directors have taken all reasonable steps to make themselves aware of relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board

P F Garner
Director

29 APR 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 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, 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 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 28 June 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15 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 the preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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 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

Independent auditors' report

to the members of Village Theatres 3 Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 June 2007 and of its loss for the period 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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

30 April 2008

Profit and loss account

for the period ended 28 June 2007

	Notes	*Period ended 28 June 2007* £	*Period ended 29 June 2006* £
Turnover	3	–	6,658,948
Cost of sales		–	(3,546,931)
Gross profit		–	3,112,017
Administrative expenses	5	(55,554)	(3,194,629)
Loss on disposal of fixed assets	5	–	(2,849,690)
Onerous lease provision	5	–	(1,836,310)
Operating loss	4	(55,554)	(4,768,612)
Interest receivable	6	–	22,530
Loss on ordinary activities before taxation		(55,554)	(4,746,082)
Tax	7	–	–
Loss on ordinary activities for the period	12	(55,554)	(4,746,082)

The company discontinued operation of multi-screen cinemas in the United Kingdom on 20 June 2006

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 £55,554 for the period ended 28 June 2007 (loss of £4,746,082 for the period ended 29 June 2006)

Balance sheet

at 28 June 2007

	Notes	*28 June 2007* £	*29 June 2006* £
Fixed assets			
Investments	8	–	2
		–	2
Current assets			
Debtors -			
amounts falling due after more than one year	9	5,010,906	5,635,197
amounts falling due within one year	9	–	220,109
Cash at bank and in hand		78,142	–
		5,089,048	5,855,306
Creditors amounts falling due within one year	10	(7,819,974)	(8,530,680)
Net current liabilities		(2,730,926)	(2,675,374)
Total assets less current liabilities		(2,730,926)	(2,675,372)
Net liabilities		(2,730,926)	(2,675,372)
Capital and reserves			
Called up share capital	11	2	2
Capital contribution reserve	12	1,869,600	1,869,600
Profit and loss account	12	(4,600,528)	(4,544,974)
Equity shareholders' deficiency	12	(2,730,926)	(2,675,372)

P F Garner
Director

29 APR 2008

Notes to the financial statements

at 28 June 2007

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 30 June

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

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

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 the following exception

- 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

- 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

Notes to the financial statements

at 28 June 2007

3. Turnover

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

4. Operating loss

(a) This is stated after charging

		Period ended 28 June 2007 £	*Period ended 29 June 2006* £
Auditors' remuneration		20,000	7,418
Operating lease rentals	- plant and machinery	–	331,466
	- land and buildings	–	1,464,402
Depreciation		–	242,965
Loss on disposal of fixed assets		–	2,849,690

Auditors' remuneration in 2007 includes amounts relating to other group undertakings

(b) The directors did not receive any emoluments for their services to the company during the period (2006 - £nil)

(c) There were no employees other than directors in the period (2006 – nil)

5. Exceptional items

	Period ended 28 June 2007 £	*Period ended 29 June 2006* £
Loss on disposal of fixed assets	–	2,849,690
Other losses relating to sale of business	–	1,836,310
Total exceptional items	–	4,686,000

During the period ended 29 June 2006, the company decided to exit the United Kingdom market The company sold its assets as follows

The Belfast site was sublet for a 5 year period to Storm Cinemas Limited on 25 May 2006

Operating assets relating to the Newcastle-Under-Lyme site were sold to Vue Entertainment Limited effective on 20 June 2006

Notes to the financial statements

at 28 June 2007

6. Interest receivable

	Period ended 28 June 2007	*Period ended 29 June 2006*
	£	£
Interest from third parties	–	22,530

7. Tax

(a) Factors affecting tax for the period

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 30% (2006 - 30%) A reconciliation of the current tax for the period to the tax on the loss at the standard rate is set out below

	Period ended 28 June 2007	*Period ended 29 June 2006*
	£	£
Loss on ordinary activities before tax	(55,554)	(4,746,082)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(16,666)	(1,423,825)
Effects of		
Expenses not deductible for tax purposes	–	3,000
Capital allowances in excess of depreciation	–	(1,915,575)
Losses carried forward	16,666	3,336,400
Current tax for the period	–	–

(b) Factors that may affect future tax charges

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

Notes to the financial statements

at 28 June 2007

8. Investments

	28 June 2007	*29 June 2006*
	£	£
Investment in Belfast Odyssey Cinemas Limited		
Opening balance	2	2
Movement in the period	(2)	–
Closing balance	–	2

The company used to own 100% of the ordinary share capital of the above company which did not trade during the period The aggregate capital reserves for both periods were £2 The investment was disposed of prior to 28 June 2007

9. Debtors:

	28 June 2007	*29 June 2006*
	£	£
Amounts owed by group companies	4,587,345	5,741,572
Sundry debtors	423,561	–
Prepayments and accrued income	–	15,669
Other tax and social security	–	98,065
	5,010,906	5,855,306

Amounts falling due after more than one year included above are

	28 June 2007	*29 June 2006*
	£	£
Amounts owed by group companies	4,587,345	5,635,197
Sundry debtors	423,561	–
	5,010,906	5,635,197

10. Creditors: amounts falling due within one year

	28 June 2007	*29 June 2006*
	£	£
Other creditors	193,154	417,803
Accruals	1,272,456	2,387,702
Amounts owed to group companies	6,354,364	5,725,175
	7,819,974	8,530,680

Notes to the financial statements

at 28 June 2007

11. Share capital

	28 June 2007 £	*29 June 2006* £
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

12. Reconciliation of shareholders' funds and movements on reserves

	Share Capital £	*Capital Contribution Reserve* £	*Profit and loss account* £	*Total* £
At 1 July 2005	2	–	201,108	201,110
Loss for the period	–	–	(4,746,082)	(4,746,082)
Funds receivable during the period	–	1,869,600	–	1,869,600
At 29 June 2006	2	1,869,600	(4,544,974)	(2,675,372)
Loss for the period	–	–	(55,554)	(55,554)
At 28 June 2007	2	1,869,600	(4,600,528)	(2,730,926)

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 financial statements

14. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Village Roadshow Investments UK Limited

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 largest and smallest 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 Studio, Pacific Highway, Oxenford, Queensland, 4210 Australia

15. Subsequent events

Subsequent to 28 June 2007, litigation between the company, its landlord and its sub-tenant has been commenced, following correspondence received in March 2007 from the sub-tenant of the Belfast cinema that it believed that the contract should be rescinded, with the effect of cancelling its lease and purchase of the cinema business The outcome of this litigation and any resulting financial impact cannot be estimated at the date of signing these accounts