

Odeon Cinemas Limited
(Registered Number: 1854132)

Directors' Report and Accounts for the
Year Ended 31 December 2003



Odeon Cinemas Limited

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Odeon Cinemas Limited

Directors' Report

The Directors present their Report and Accounts for the year ended 31 December 2003.

Principal activities and business review

The principal activity of the Company is the operation of Odeon Cinemas in the UK for the exhibition of films and related retail activities.

The Company's underlying business continued to trade successfully in the period under review.

Results and dividend

The results of the Company for the year are set out on page 6. An interim dividend of £2,015,000 was approved and paid during the year (2002: £nil).

Directors

The following were Directors of the Company during the year:-

R L Segal	resigned 15 August 2003
B J Keward	resigned 6 March 2003
S P Gosling	resigned 29 October 2003, appointed 6 October 2004
H R V Hanlon	resigned 6 March 2003
G Arnold	appointed 16 April 2003, resigned 27 February 2004
A Steel	appointed 16 April 2003, resigned 27 February 2004
S Priday	appointed 16 April 2003, resigned 27 February 2004
ATM Ritvay	appointed 27 February 2004, resigned 2 September 2004
TL Smalley	appointed 27 February 2004, resigned 2 September 2004
TR Schoonmaker	appointed 25 May 2004, resigned 6 October 2004
MAH Kachingwe	appointed 2 September 2004
CPT O'Haire	appointed 2 September 2004, resigned 6 October 2004
R Punja	appointed 2 September 2004

Directors' Interests

At the year end, none of the directors had any interests in the shares of the Company.

The directors' interests in the share capital of the ultimate parent Company, Odeon Equity Co Limited, will be disclosed in that Company's financial statements.

Odeon Cinemas Limited

Directors' Report (Continued)

Employee involvement

Meetings are held on a regular basis with employees to review sales, financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters which concern the employees. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their operating units and of the Company as a whole. Communication with all employees continues through newsletters.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible the employment of members of staff who become disabled will be continued under normal terms and conditions and appropriate training and career development will be offered.

Creditor payment policy

The Companies Act 1985 requires the Company to make a statement of its policy and practices on the payment of creditors. The Company seeks the best possible terms from suppliers appropriate to their businesses and, in placing orders, give consideration to quality, delivery, price and the terms of payment which will be agreed with suppliers when the details of each transaction are agreed. It is the Company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Trade creditors for the Odeon Group are paid by the Company and as at 31 December 2003 the number of days of annual purchases represented by year end creditors for the Group amounted to 39 days (2002: 46 days).

Political and charitable donations

During the year, the Company made no political or charitable donations.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on page 9 under note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

Odeon Cinemas Limited

Directors' Report (Continued)

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.

Post Balance Sheet Events

On 2 September 2004 the entire share capital of Odeon Equity Co Limited, the Company's then ultimate parent undertaking, was sold to Cicero Acquisitions Limited, a Company whose ultimate parent undertaking is Terra Firma Capital Partners Holdings Limited, a Company registered in Guernsey.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By Order of the Board



Director S GOSLING
22 October 2004

Auditors' Report to the Members of Odeon Cinemas Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

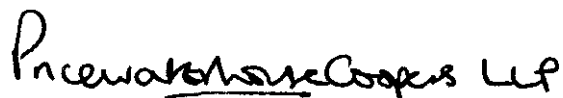
Basis of audit opinion

We conducted our audit in accordance with 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 the Company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 October 2004

Odeon Cinemas Limited

Profit and Loss Account for the Year Ended 31 December 2003

	<i>Note</i>	2003 £'000	2002 £'000
Turnover		165,105	166,717
Operating profit	2	13,901	30,994
(Loss)/profit on the disposal of fixed assets		(90)	1,611
Profit on ordinary activities before interest and taxation	3	13,811	32,605
Interest receivable	4	1,912	697
Interest payable and similar charges	5	(17,302)	(10,994)
(Loss)/profit on ordinary activities before taxation		(1,579)	22,308
Tax on (loss)/profit on ordinary activities	6	(2,501)	677
(Loss)/profit on ordinary activities after taxation		(4,080)	22,985
Equity dividends paid		(2,015)	-
Retained (loss)/profit for the financial year	19	(6,095)	22,985

The Company has no recognised gains or losses other than the profit shown above and therefore no statement of recognised gains and losses has been presented.

All turnover and operating profit arises from continuing operations.

The notes to these accounts are on pages 9 to 23.

Odeon Cinemas Limited

Note of historical cost profits and losses for the year ended 31 December 2003

	2003 £'000	2002 £'000
Reported (loss) / profit on ordinary activities before taxation	(1,579)	22,308
Realisation of property revaluation gains	-	3,831
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	987	3,250
<u>Historical cost (loss) / profit on ordinary activities before taxation</u>	<u>(592)</u>	<u>29,389</u>
<u>Historical cost (loss) / profit for the year retained after taxation and dividends</u>	<u>(5,108)</u>	<u>29,389</u>

Odeon Cinemas Limited

Balance Sheet at 31 December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Tangible assets	7		170,172		194,111
Current assets					
Stocks	10	1,138		1,107	
Debtors : amounts due within one year	11	54,447		5,121	
Debtors : amounts due after one year	12	-		169,638	
Cash at bank and in hand		21,117		8,145	
		76,702		184,011	
Creditors: amounts due within one year	13	(130,146)		(35,626)	
Net current (liabilities)/assets			(53,444)		148,385
Total assets less current liabilities			116,728		342,496
Creditors: amounts falling due after more than one year	14		-		(221,649)
Provisions for liabilities and charges	15		(9,298)		(7,322)
Net assets			107,430		113,525
Capital and reserves					
Called up share capital	18		15,500		15,500
Profit and loss account	19		8,245		14,340
Other reserves	19		83,685		83,685
Total shareholders funds (all equity interests)	17		107,430		113,525

These accounts were approved by the Board of Directors on 22 October 2004.



Director S GOSLING

The notes to these accounts are on pages 9 to 23.

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

1 Accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention on a basis consistent with prior years and in accordance with applicable Accounting Standards in the United Kingdom. The principal policies are set out below.

Turnover

Turnover represents amounts received for the period from box office ticket sales, retail spend in the cinemas and other amounts charged for services rendered, stated net of value added tax. The turnover for the advanced booking is recognised when the respective films are shown.

Tangible fixed assets

Depreciation is provided on the cost of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Land is not depreciated	
Freehold buildings	2% per annum
Long leasehold property	over the period of the lease to a maximum of 50 years
Short leasehold property	over the period of the lease
Plant and equipment	10 – 25% per annum

Assets under construction (the construction and redevelopment of cinemas) are not depreciated as these assets are not available for use in the business. When use in the business commences, depreciation will also commence, in line with the above useful lives as appropriate.

Asset impairment

Tangible fixed assets are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from an income generating unit, which is an individual cinema.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

1 Accounting policies (continued)

Pensions

The Odeon Group operates a number of defined benefit and defined contribution pension schemes of which the Company participates in, details of which are given in note 16. The pension costs relating to the defined benefit schemes are assessed in accordance with the advice of a qualified actuary using the projected unit method. Actuarial surpluses and deficiencies are amortised on a straight-line basis over the expected average remaining service lives of the employees. The pension costs relating to the defined contribution schemes represent the contributions payable by the Company.

Leases

Rental costs under operating leases are charged to the profit and loss account in accordance with the terms of the leases over the period of the leases. Provision is made for onerous leases on the basis set out in note 15.

Pre-opening costs

Costs incurred before a new cinema is opened are written off to the profit and loss account as incurred.

Cash flow

Under Financial Reporting Standard 1, (Revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

2 Operating profit

	2003 £'000	2002 £'000
Turnover	165,105	166,717
Cost of sales	(141,315)	(134,536)
Gross profit	23,790	32,181
Selling, publicity and promotional costs	(3,767)	(4,345)
Administrative expenses	(6,469)	2,757
Other operating income	347	401
Operating profit	13,901	30,994

Turnover and operating profit are attributable to the principal activities of the Company and arise wholly from continuing operations in the United Kingdom.

3 (Loss)/Profit on ordinary activities before interest and taxation

This is stated after charging/(crediting) the following items:

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets	12,301	11,329
Operating lease payments:		
Land and buildings	15,335	11,888
Rent receivable	(347)	(401)
Impairment of fixed assets	4,841	-
Release of onerous lease provision	-	(8,809)
Pre-opening costs	-	641

The audit costs for 2003 and 2002 were borne by Odeon Limited the company's intermediate parent.

4 Interest receivable

	2003 £'000	2002 £'000
Bank interest received	374	332
Interest received from fellow group companies	1,483	365
Other	55	-
	1,912	697

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

5 Interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on bank loans	5,309	-
Bank loan set up costs written off	2,080	-
Interest payable to parent undertaking	3,007	9,641
Amortisation of issue costs on loan notes	6,771	-
Unwinding of discount on provisions	54	1,306
Other interest paid	81	47
	17,302	10,994

6 Tax on (loss)/profit on ordinary activities

	2003 £'000	2002 £'000
United Kingdom taxation		
Deferred tax (charge)/credit	(2,501)	677
Total (charge)/credit per profit and loss account	(2,501)	677

United Kingdom corporation tax on loss (2002: profit) for the period has been provided at 30% (2002: 30%).

The tax assessed for the period is higher (2002: lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
(Loss)/profit on ordinary activities before tax	(1,579)	22,308
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(474)	6,692
Effects of:		
Expenses not deductible for tax purposes	6,960	908
Capital allowances in excess of depreciation	(2,501)	(1,710)
Group relief claimed for no payment	(3,985)	(5,890)
Current tax charge for the period	-	-

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

7 Tangible fixed assets

	Freehold land & buildings	Leasehold land & buildings	Vehicles, fixtures, and equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 31 December 2002	63,487	110,685	136,420	346	310,938
Additions	318	(425)	489	1,185	1,567
Disposals	(7,919)	-	(1,670)	(15)	(9,604)
At 31 December 2003	55,886	110,260	135,239	1,516	302,901
Depreciation					
At 31 December 2002	4,738	25,589	86,495	5	116,827
Charge for the period	539	2,710	9,052	-	12,301
Impairment	-	3,716	1,125	-	4,841
Disposals	(287)	-	(953)	-	(1,240)
At 31 December 2003	4,990	32,015	95,719	5	132,729
Net book amount					
At 31 December 2003	50,896	78,245	39,520	1,511	170,172
At 31 December 2002	58,749	85,096	49,925	341	194,111

Land with a net book amount of £28,810,000 (2002: £32,605,000) is not depreciated.

The net book amount of tangible fixed assets includes £1,794,000 (2002: £1,831,000) of interest capitalised.

The net book amount of leasehold properties comprises:

	2003 £'000	2002 £'000
Long leasehold properties	19,090	19,253
Short leasehold properties	59,155	65,843
	78,245	85,096

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

8 Commitments

Capital expenditure

	2003 £'000	2002 £'000
Authorised and contracted for	3,850	5,455

9 Commitments under operating leases

As at 31 December the Company had commitments to make payments in the following twelve months under non-cancellable operating leases in respect of land and buildings of:

	2003 £'000	2002 £'000
Expiring in one year	8	-
Expiring in two to five years	-	-
Expiring in more than five years	15,073	15,303
	15,081	15,303

10 Stocks

	2003 £'000	2002 £'000
Goods for resale	1,138	1,107

11 Debtors: amounts due within one year

	2003 £'000	2002 £'000
Trade debtors	667	578
Amounts due from group companies	49,476	-
Prepayments and accrued income	4,304	4,543
Total	54,447	5,121

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

12 Debtors: amounts due after one year

	2003 £'000	2002 £'000
Amounts due from group companies	-	169,638

13 Creditors: amounts due within one year

	2003 £'000	2002 £'000
Bank loan	103,996	-
Trade creditors	9,565	14,556
Accruals and deferred income	11,876	18,527
Taxation and social security	4,709	2,543
Total	130,146	35,626

Interest is payable on the bank loan at LIBOR plus a margin of 2.5%. The bank loan was repaid on 2 September 2004 and replaced with new facilities.

14 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Amounts owed to fellow group companies	-	221,649

15 Provisions for liabilities and charges

	Onerous lease provision £'000	Deferred tax provision £'000	Total £'000
Opening balance	6,247	1,075	7,322
Unwinding of discount	54	-	54
(Released)/Charged to the profit & loss account	-	2,501	2,501
Utilised during the year	(579)	-	(579)
Closing balance	5,722	3,576	9,298

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

15 Provisions for liabilities and charges (continued)

Onerous lease provision

Provision has been made for onerous leases on certain leasehold properties based on the lower of (i) estimated future operating losses and (ii) rent, rates and other fixed commitments. Provision has been made for the shorter of the remaining period of the lease, which at 31 December 2003 is an average of 22 years (2002: 23 years) and the period until, in the director's opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations, together with other fixed outgoings, net of any sub-lease income. Sub-lease income has only been taken into account where sub-leases are currently in place.

The deferred tax liability relates to accelerated capital allowances.

16 Pension schemes

The Company operates or participates in pension schemes of a both a defined benefit type, with benefits accruing based on final salary and length of service, and a defined contribution type. Assets of the schemes are held separately from those of the Company in independently administered funds.

Defined benefit schemes

The defined benefit scheme is the Optima 2 Pension Scheme (the "Optima 2 Plan"). The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent qualified actuaries using the projected unit method. Surpluses and deficits are spread over members' estimated future working lifetimes. The most recent actuarial assessment was carried out as at 31 August 2001. The principal assumptions were as follows:

	Optima 2 Plan % pa
Return on existing investments	6.3
Return on future contributions	6.3
General salary increases	3.5
Price inflation	2.5
Pension increases - pre 6.4.97 accrual	1.8
- post 6.4.97 accrual	2.5

The most recent actuarial assessments of the plans showed that the market value of the assets were £9.9m for the Optima 2 Plan. These assets represented 100% of the benefits that had accrued to members after allowing for expected future increases in earnings of the plan.

The pension charge for the defined benefit schemes for the year ended 31 December 2003 was £644,000 (2002: £678,000). At 31 December 2003, there was no provision or prepayment on the balance sheet (2002: Nil).

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

16 Pension schemes (continued)

Defined contribution schemes

The pension charge in respect of the Optima 1 Pension Plan is equal to the contributions payable during the year ended 31 December 2003 of £60,000 (2002: £68,000). As at 31 December 2003, there were £Nil (2002: £Nil) outstanding contributions to be made to the Optima 1 Pension Plan.

FRS17 transitional disclosure note

Composition of the schemes

The Company operates a defined benefit scheme in the UK, the Optima 2 Pension Scheme (the "Optima 2 Plan"). The most recent actuarial valuation was carried out as at 31 August 2001. For the purpose of the FRS17 disclosure, these valuations were updated by a qualified independent actuary to 31 December 2003, 31 December 2002 and 31 December 2001. The Optima 2 plan is closed to new members. From 1 January 2003 contributions were made to the pension scheme at a rate of 12% of pensionable salaries and it has been agreed that contributions will remain at this level for the next 3 years.

The major financial assumptions used by the actuaries were:

	31 December 2003	31 December 2002	31 December 2001
Rate of increase in salaries	3.75%	3.3%	3.75%
Rate of increase in pensions in payment			
– pre 6.4.1997 accrual	1.9%	1.7%	1.8%
– post 6.4.1997 accrual	2.75%	2.3%	2.5%
Discount rate	5.5%	5.8%	6.0%
Inflation assumption	2.75%	2.3%	2.5%

The assets in the schemes and the expected rates of return were:

	31 December 2003		31 December 2002		31 December 2001	
	Long-term rate of return expected per annum	Fair Value £'000	Long-term rate of return expected per annum	Fair Value £'000	Long-term rate of return expected per annum	Fair Value £'000
Equities	8.5%	8,913	8.3%	6,534	7.9%	426
Bonds	4.8%	970	4.4%	801	5.6%	-
Other	3.8%	59	4.3%	221	4.9%	696
Total		9,942		7,556		1,122

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

16 Pension schemes (continued)

The following amounts at 31 December 2003 and as at 31 December 2002 were measured in accordance with the requirements of FRS17.

	31 December 2003	31 December 2002
	Optima 2	Optima 2
	£'000	£'000
Total market value of assets	9,942	7,705
Present value of scheme liabilities	(18,247)	(14,340)
Deficit in the scheme	(8,305)	(6,635)
Related deferred tax assets	-	-
Net balance sheet liability	(8,305)	(6,635)

There is no deferred tax asset recognised in the above table as such an asset would not be considered recoverable upon full adoption of FRS17.

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS 17:

	2003	2002
	£'000	£'000
Current service cost	515	544
Total charge to operating profit	515	544

The Optima 2 Plan is closed to new members, it is expected that the current service cost under FRS 17 will increase as a percentage of earnings for those employees who participate in the plan, provided that the assumptions underlying the valuation are borne out in practice.

	2003	2002
	£'000	£'000
Expected return on pension scheme assets	629	821
Interest on pension scheme liabilities	(824)	(649)
Total amount (charged)/credited to financing provisions	(195)	172

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

16 Pension schemes (continued)

	2003 £'000	2002 £'000
Amounts recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	848	(3,046)
Experience losses arising on the scheme liabilities	533	(2,246)
Change in actuarial assumptions	(3,060)	(987)
Actuarial loss recognised in STRGL	(1,679)	(6,279)

	2003 £'000	2002 £'000
Movement in surplus during the year to 31 December		
Deficit in the scheme at beginning of the year	(6,635)	(663)
Total operating charge	(515)	(544)
Contributions	719	678
Total amount credited to financing provisions	(195)	173
Actuarial loss	(1,679)	(6,279)
Deficit in the scheme at end of the year	(8,305)	(6,635)

Details of experience gains and losses for the year to 31 December	2003 £'000	2002 £'000
Difference between the expected and actual return on scheme assets:		
Amount (£000's)	848	(3,046)
Percentage of scheme assets	8.5%	(39.5%)
Experience gains and losses on scheme liabilities:		
Amount (£000's)	533	(2,246)
Percentage of the present value of the scheme liabilities	2.9%	(15.7%)
Total amount recognised in STRGL:		
Amount (£000's)	(1,679)	(6,279)
Percentage of the present value of the scheme liabilities	(9.2%)	(43.8%)

If the above amounts had been recognised in the financial statements, the Company's net assets and profit and loss reserve at 31 December 2003 and 31 December 2002 would be as follows:

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

16 Pension schemes (continued)

	31 December 2003 Total £'000	31 December 2002 Total £'000
Net assets excluding SSAP 24 pension liability	107,430	113,525
FRS 17 Pension liability	(8,305)	(6,635)
Net assets including FRS 17 pension liability	99,125	106,890
Profit and loss reserve excluding SSAP 24 pension reserve	8,245	14,340
FRS 17 pension reserve	(8,305)	(6,635)
Profit and loss reserve	(60)	7,705

17 Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
(Loss)/profit for the financial year	(6,095)	22,985
Opening shareholders' funds	113,525	90,540
Closing Shareholders' funds	107,430	113,525

18 Share capital

	2003 Authorised £'000	2003 Issued and Fully paid £'000	2002 Authorised £'000	2002 Issued and fully paid £'000
Ordinary Shares of £1 each	15,500	15,500	15,500	15,500

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

19 Reserves

	Profit and loss account £'000	Revaluation Reserve £'000
Balance at 31 December 2002	14,340	83,685
Retained loss for the financial year	(6,095)	-
Balance at 31 December 2003	8,245	83,685

20 Directors' emoluments

	2003 £'000	2002 £'000
Total emoluments:		
Aggregate emoluments (including benefits in kind)	448	1,031
Compensation for loss of office	100	-
Pension scheme contributions - defined benefit	36	66
- defined contribution	2	14
Highest paid director:		
Aggregate emoluments (including benefits in kind)	230	403
Compensation for loss of office	100	-
Pension scheme contributions	20	37
Accrued pension at the end of the year	64	72

There were three directors to whom retirement benefits were accrued in respect of qualifying services in defined benefit schemes and one in a money purchase scheme. At the year end there were no directors accruing retirement benefits. The only directors to receive remuneration in their capacity as directors were RL Segal, SP Gosling, BJ Keward and HRV Hanlon.

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

21 Employee information

	2003 £'000	2002 £'000
Employee costs consist of:		
Wages and salaries	29,172	30,279
Social security costs	1,689	1,643
Pension costs	704	746
	31,565	32,668

At 31 December 2003 there was no prepayment, resulting from the difference between pension costs charged in the accounts and the amounts funded to date (2002:nil)

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

	2003	2002
Administrative	108	113
Cinema/other	3,793	3,295
	3,901	3,408

22 Contingent liabilities

At 31 December 2003 the Company acted as guarantor under the terms of the £290m bank loan issued by West LB and a £40m mezzanine loan from Lehman Brothers issued on 7 March 2003 to Odeon Bridge Company Limited. This was repaid on 2 September 2004 and replaced with new facilities as described in note 25. The Company will act as guarantor under the new facilities.

The Company has provided a guarantee to continue to finance Associated British Cinemas Limited, Movitex Signs Limited, Odeon Cinemas Group Limited, Odeon DDB Co Limited and Odeon Bridge Co Limited, all who are fellow group company's so as to enable Associated British Cinemas Limited, Movitex Signs Limited, Odeon Cinemas Group Limited, Odeon DDB Co Limited and Odeon Bridge Co Limited to meet their liabilities as they fall due and to carry on in its business for the foreseeable future.

23 Parent undertaking

The immediate parent undertaking is Odeon Cinemas Holdings Limited.

The intermediate parent undertaking is Odeon Limited which is the smallest group to consolidate these financial statements. Copies of that Company's accounts are available from 54 Whitcomb Street, London WC2H 7DN.

As at 31 December 2003 the ultimate parent undertaking of the Company was Odeon Equity Co Limited and was controlled by WestLB AG London Branch, Nigel Green, Trevor Green, Entertainment Cinemas Limited, Robert Tchenguiz and the Dellal family. Odeon Equity Co Limited was sold on 2 September 2004, see note 25.

Odeon Cinemas Limited

Notes to the Account for the Year Ended 31 December 2003

24 Related parties

The Company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing transactions with other group companies as more than 90% of the voting rights are controlled within the group.

Management fees to Cinven (the previous owner of 90% of the share capital) for the period to the 7 March 2003 were £50,000 (2002 : £150,000) Fees paid to each of the two Cinven appointed non-executive directors of £nil (2002 : £26,289) were also paid directly to Cinven.

Interest payments of £5,309,000 in relation to the £290m bank loan were paid by a fellow group Company on behalf of the Company to WestLB AG, a shareholder in the ultimate parent Company during 2003, (2002 : £nil). The creditor outstanding as at 31 December 2003 was £nil. (2002 : £nil)

Film hire payments of £11,112,225 were made to Entertainment Film Distributors (a company controlled by two of the Company's Directors, Nigel Green and Trevor Green) for the period ended 31 December 2003 (2002 not a related party). The creditor outstanding as at 31 December 2003 was £3,864,393 (2002 not a related party).

25 Post Balance Sheet Events

On 2 September 2004 the Odeon Group of companies was acquired by Cicero Acquisitions Limited, a Company whose ultimate parent entity is Terra Firma Capital Partners Holdings Limited, Company registered in Guernsey. The group's existing debt financing was repaid and replaced with banking facilities provided by Barclays Bank plc of £270m, which are guaranteed by the Company and certain fellow subsidiary undertaking at Odeon Equity Co Limited.