Associated British Cinemas Limited

Directors' report and financial statements

Registered number 3167586

31 December 2008

Contents

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activity

The principal activity of the Company is that of a holding company.

Business review

The Company has no trading other than financing transactions.

Financial results

The profit and loss account for the year is set out on page 6. The loss after taxation for the year amounted to £1,495,000 *(2007: £1,495,000)*.

Principal risks and risk management

The main risk and uncertainty to the Company is the risk of not being able to repay the loan interest. However, the Directors feel that the Group has good future prospects and the Company continues to receive support from its parent.

Going concern and liquidity management

The Directors have formally considered whether the Company has adequate resources to continue in operational existence for the foreseeable future, and have obtained support from Odeon and UCI Group for any potential shortfall. Therefore, the Directors have concluded that the preparation of financial statements on a going concern basis is appropriate.

Further details are shown in the "Basis of preparation" section of Note 1 to the financial statements.

Directors

The following were Directors of the Company during the year:

AS Alker
AR Gavin
RJ Harris
JP Mason

Post balance sheet events

There were no disclosable post balance sheet events prior to the date of signature of this report and financial statements.

Dividends

The Directors do not recommend the payment of a dividend *(2007: £nil)*.

Political and charitable donations

In both the current and prior years, the Company made no political or charitable donations.

Directors' report *(continued)*

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 auditors, KPMG LLP, have indicated their willingness to continue in office. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of accounts before the Company in general meetings and the appointment of auditors annually. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

AS Alker
Director

25/9/09

54 Whitcomb Street
London
WC2H 7DN

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 for that period.

In preparing these 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 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

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Associated British Cinemas Limited

We have audited the financial statements of Associated British Cinemas Limited for the year ended 31 December 2008 which comprises 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 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 3.

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 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 Associated British Cinemas 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 December 2008 and of its 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

28/9/2009

Profit and loss account
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Interest receivable and similar income	5	**212**	212
Interest payable and similar charges	6	**(1,707)**	(1,707)
Loss on ordinary activities before taxation	3	**(1,495)**	(1,495)
Taxation on loss on ordinary activities	7	**-**	-
Loss on ordinary activities after taxation and for the financial year		**(1,495)**	(1,495)

All turnover and profits on ordinary activities related to continuing activities.

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

Balance sheet
at 31 December 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Investments	*9*		138		138
Current assets					
Debtors: amounts due after one year	*10*	3,457		3,245	
		3,457		3,245	
Creditors: amounts due within one year	*11*	(127)		(1,707)	
Net current assets			3,330		1,538
Total assets less current liabilities			3,468		1,676
Creditors: amounts due after more than one year	*12*		(27,806)		(24,519)
Net liabilities			(24,338)		(22,843)
Capital and reserves					
Called up share capital	*13*		1,128		1,128
Share premium account	*14*		10,152		10,152
Profit and loss account	*14*		(35,618)		(34,123)
Shareholders' deficit	*14*		(24,338)		(22,843)

These financial statements were approved by the board of Directors on 25/9/09 and were signed on its behalf by:

AS Alker
Director

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 by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 *Cash Flow Statements*, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Odeon Cinemas Group Limited and 100% of the Company's voting rights are controlled within the group headed by Odeon and UCI Cinemas Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 *Related Party Disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Odeon & UCI Cinemas Holdings Limited, within which this Company is included, can be obtained from the address given in Note 16.

Going concern and liquidity management

The financial statements are prepared on a going concern basis. The Directors have formally considered and concluded that this remains appropriate. The facts set out below were relevant in arriving at this conclusion.

The Odeon & UCI Group, of which the Company is a part, has a committed bank facility, which was entered into in April 2007 and provides long-term funding that is contractually available to the Group provided the conditions of the facility agreement are met, including compliance with covenanted ratios. Projected covenant ratios indicate that no issues with compliance are anticipated in the next 12 months.

The Odeon & UCI Group has a substantial cash balance available to meet working capital requirements, despite investment in the estate having taken place. Furthermore, there are approximately £55 million of committed unutilised bank facility funds available, including a substantial revolving credit facility that was undrawn at year-end and throughout the period up to signature of this report and financial statements.

Due to the nature of operational intra-group funding arrangements, the Company has a net liability position at the balance sheet date. The Company has received assurance from a parent undertaking, Odeon & UCI Cinemas Group Limited, that it will continue to support the Company for at least 12 months from the date of approval of these financial statements.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 *Deferred Tax*.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

Investments held as fixed assets are stated at cost less provisions for any impairment

Asset impairment

Fixed assets are tested for impairment in accordance with FRS 11 *Impairment of Fixed Assets and Goodwill.* An impairment loss is recognised to the extent that the carrying amount exceeds its recoverable amount.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25 *Financial Instruments: Disclosure and Presentation*, preference shares issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

2 Remuneration of Directors

The Directors receive no remuneration in respect of their services to the Company *(2007: £nil)*.

3 Loss on ordinary activities before taxation

Auditors' remuneration:

The audit costs for 2008 and 2007 were borne by the parent company.

Amounts receivable by the Company's auditors in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Odeon & UCI Cinemas Group Limited.

4 Staff numbers and costs

Other than the Directors, there are no employees *(2007: nil)*.

Notes *(continued)*

5 Interest receivable and similar income

	2008 £000	2007 £000
Interest receivable from Group undertaking	**212**	212

6 Interest payable and similar charges

	2008 £000	2007 £000
Interest payable to Group undertaking	**1,707**	1,707

7 Taxation on loss on ordinary activities

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2007: lower)* than the standard rate of corporation tax in the UK of 28.5% (*2007: 30%*). The differences are explained below.

	2008 £000	2007 £000
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,495)**	(1,495)
Current tax at 28.5% *(2007: 30 %)*	**(426)**	(448)
Effects of:		
Group relief surrendered for nil payment	**426**	291
Creation of losses	**-**	157
Total current tax charge	**-**	-

8 Dividends

The Company has 1,027,300 Preference Shares of £1 in issue on which dividends of £nil are payable for the period ended 31 December 2008 *(2007: £nil).*

Notes *(continued)*

9 Investments

	Investments in Group undertakings £000
Cost and net book value	
At beginning and end of year	138

The principal undertakings in which the Company had a direct or indirect interest at the year end are shown below. The investments include both ordinary and preference shares.

Name	**Country of incorporation**	**% interest**	**Nature of business**
Hopeart Limited	Great Britain	100% owned	Non trading company
Movitex Signs Limited	Great Britain	100% owned	Non trading company

10 Debtors: amounts due after one year

	2008 £000	2007 £000
Amounts owed by Group undertaking	**3,457**	3,245

All debts are due after more than five years. Interest is receivable on the intra-group loan at 7%.

11 Creditors: amounts due within one year

	2008 £000	2007 £000
Amounts owed to Group undertaking	**127**	1,707

The intra-group loan is non interest bearing and repayable on demand.

12 Creditors: amounts due after more than one year

	2008 £000	2007 £000
Amounts owed to Group undertaking	**27,806**	24,519

All debts are due after more than 5 years. Interest is payable on the intra-group loan at 7%.

Notes *(continued)*

13 Called up share capital

	2008	2007
	£000	£000
Authorised:		
100,700 Ordinary shares of £1.00 each	**101**	101
1,027,300 Preference shares of £1.00 each	**1,027**	1,027
	1,128	1,128
Allotted, called up and fully paid:		
100,700 Ordinary shares of £1.00 each	**101**	101
1,027,300 Preference shares of £1.00 each	**1,027**	1,027
	1,128	1,128

Notes *(continued)*

13 Called up share capital *(continued)*

The principal rights attached to the share capital are set out below:

Income

Any profits which the Company may determine to distribute in respect of any financial year shall belong to and be distributed amongst the holders of the Preference Shares and the holders of the Ordinary Shares as follows:

(a) firstly, to the extent that the holders of Preference Shares have not then received the preferred participation of such shares, in paying to the holders of the Preference Shares the amount by which the aggregate amount previously paid by the company to the holders of the Preference Shares (in that capacity) is less than the preferred participation of such shares. To the extent that the profits that the Company determines to distribute are less than the aggregate preferred participation of all of the Preference Shares, such profits shall be applied among the holders of the Preference Shares pro rata to the respective Preferred Participation of the Preference Shares held by them; and

(b) after payment of the preferred participation to the holders of the Preference Shares, the aggregate amount of profits resolved to be distributed (or balance of them) shall be paid to the holders of Ordinary Shares as nearly as is practicable pro rata to the amounts paid up on their Ordinary Shares.

No dividend or other distribution shall be declared or paid on the Ordinary Shares unless or until the company shall have paid to the holders of the Preference Shares the aggregate preferred participation of all of the Preference Shares. No dividend or distribution shall be declared or paid on any Preference Shares in excess of the preferred participation of that share.

Voting rights

The Ordinary Shares confer on each holder thereof the right to receive notice of and to attend, speak and vote at all general meetings of the Company.

The Preference Shares confer on each holder thereof the right to receive notice of, attend and speak at all general meetings, but not any right to vote.

Redemption

The Preference Shares are not redeemable.

Capital

On a return of capital on liquidation, dissolution or winding up of the Company either voluntary or involuntary or other return of capital, the surplus assets of the company remaining after the payment of its liabilities (the "Surplus") shall be applied as follows:

(a) first, to the extent that the holders of the Preference Shares have not received the preferred participation of each Preference Share held by them in paying to the holders of the Preference Shares the amount by which the aggregate amount previously paid by the company to the holders of the Preference Shares (in that capacity) is less than the preferred participation of each Preference Share held by them and if the Surplus is less than the aggregate preferred participation of all of the Preference Shares, the Surplus shall be applied among the holders of the Preference Shares pro rata to the respective preferred participations of the Preference Shares held by them; and

(b) the balance (if any) of the Surplus remaining after the payments above shall belong to the holders of the Ordinary Shares according to the amounts paid on the nominal amount thereof.

Notes *(continued)*

14 Reconciliation of movement in shareholders' funds

	Ordinary share capital £000	Preference share capital £000	Share premium account £000	Profit and loss account £000	Total £000
Loss for the year	-	-	-	(1,495)	**(1,495)**
Net increase in shareholders' deficit	-	-	-	(1,495)	**(1,495)**
Shareholders' deficit at beginning of year	101	1,027	10,152	(34,123)	(22,843)
Shareholders' deficit at end of year	**101**	**1,027**	**10,152**	**(35,618)**	**(24,338)**

15 Ultimate parent company and controlling party

The Directors regard TFCP Holdings Limited (formerly Terra Firma Capital Partners Holdings Limited), a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.

The largest group to consolidate these financial statements is Odeon & UCI Cinemas Holdings Limited and the smallest group is Odeon & UCI Cinemas Group Limited.

Copies of these consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

16 Related party disclosures

The Company has taken advantage of the exemption granted under FRS 8 *Related Party Disclosures*, not to disclose transactions with Group entities where 90% of the voting rights are controlled within the Group.

Terra Firma Investments (GP) 2 Limited, acting as general partner of the six limited partnerships which constitute the Terra Firma Capital Partners II Fund, Terra Firma Capital Partners II LP-H, TFCP II Co-Investment 2 LP and TFCP II Co-Investment 2A LP ("Terra Firma"), has the ability to exercise a controlling influence over the Company through the holding of shares in a parent of the Company. The Directors therefore consider it to be a related party.