Cicero Acquisitions Limited

Directors' report and financial statements

Registered number 5188770

31 December 2011

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Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activity

The principal activity of Cicero Acquisitions Limited ("the Company") is that of a holding company

Business review

The Company was set up for the acquisition of the Odeon Group of cinemas 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 £46,598,000 *(2010 £39,857,000)*

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

Group refinancing

In May 2011 a refinancing was successfully completed, which put the group headed by Odeon & UCI Cinemas Holdings Limited, of which this company is part, in a stronger position going forwards Senior secured notes totalling £475m equivalent were issued, the proceeds of which were partly used to repay in full the existing bank debt The refinancing also provided the group with cash resources for investment in acquisitions and other projects to grow the future earnings of the business The term of the notes is seven years Furthermore, agreements were entered during May 2011 that provide the group with a £90m committed Revolving Credit Facility ("RCF") for working capital management and other purposes The term of the RCF is six years Under these new financing arrangements, there are no regular maintenance covenant ratio tests ratios are tested only upon certain events which are within the control of the group, such as raising additional external debt

Going concern and liquidity management

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

Directors

The following were Directors of the Company during the year

AS Alker
AR Gavin
RJ Harris
JP Mason

Dividends

The Directors do not recommend the payment of a dividend *(2010 £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

20 June 2012

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)

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 auditor's report to the members of Cicero Acquisitions Limited

We have audited the financial statements of Cicero Acquisitions Limited for the year ended 31 December 2011 set out on pages 6 to 14 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc.org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Cicero Acquisitions Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Registered Auditor
St James Square
Manchester
M2 6DS

29/6/12

Profit and loss account

for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Interest receivable and similar income	5	**13,153**	12,801
Interest payable and similar charges	6	**(59,751)**	(52,658)
Loss on ordinary activities before taxation	3	**(46,598)**	(39,857)
Taxation	7	-	-
Loss on ordinary activities after taxation and for the financial year		**(46,598)**	(39,857)

All turnover and losses 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 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Investments	8		4,564		4,564
Current assets					
Debtors amounts due within one year	9	1,868		1,868	
Debtors amounts due after one year	10	277,312		264,160	
Cash at bank and in hand		3		3	
Net current assets			279,183		266,031
Total assets less current liabilities			283,747		270,595
Creditors: amounts due after more than one year	11		(611,907)		(552,157)
Net liabilities			(328,160)		(281,562)
Capital and reserves					
Called up share capital	12		34,278		34,278
Profit and loss account	13		(362,438)		(315,840)
Shareholders' deficit	13		(328,160)		(281,562)

These financial statements were approved by the board of Directors on 20 June 2012 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 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 s400 of the Companies Act 2006 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 Cicero Investments 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 business activities of the group and its future prospects are described within the Directors' Report

In May 2011 a refinancing was successfully completed, which put the group headed by Odeon & UCI Cinemas Holdings Limited, of which this company is part, in a stronger position going forwards Senior secured notes totalling £475m equivalent were issued, the proceeds of which were partly used to repay in full the existing bank debt The refinancing also provided the group with cash resources for investment in acquisitions and other projects to grow the future earnings of the business The term of the notes is seven years Furthermore, agreements were entered during May 2011 that provide the group with a £90m committed Revolving Credit Facility ("RCF") for working capital management and other purposes The term of the RCF is six years Under these new financing arrangements, there are no regular maintenance covenant ratio tests ratios are tested only upon certain events which are within the control of the group, such as raising additional external debt

The group also has shareholder funding in place Following the May 2011 refinancing, the capital structure of the sub-group relevant to the financing, which contains all the operating group trading entities, is such that the shareholder funding takes the form of share capital only The parent of the relevant sub-group is Odeon & UCI Bond Midco Limited

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

Deep discounted bonds

Deep discounted bonds are held in the balance sheet at their issued amount less directly attributable issue costs plus the accrued finance charge which has arisen on them The finance charge accrues at a constant rate over the term of the bonds

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 *(2010 £nil)*

3 Loss on ordinary activities before taxation

Auditor's remuneration

The audit costs for 2011 and 2010 were borne by a fellow subsidiary

Amounts paid to the Company's auditor and their associates in respect of services to the Company, 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 ultimate parent, Odeon & UCI Cinemas Holdings Limited

4 Staff numbers and costs

Other than the Directors, there are no employees *(2010 none)*

5 Interest receivable and similar income

	2011 £000	2010 £000
Interest receivable from Group undertaking	**13,153**	12,801

Notes *(continued)*

6 Interest payable and similar charges

	2011	2010
	£000	£000
Interest payable to Group undertaking	**13,450**	13,090
Discount accrued on loan notes	**46,301**	39,568
	59,751	52,658

7 Taxation

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2010 lower)* than the standard rate of corporation tax in the UK of 26 5% (*2010 28%*) The differences are explained below

	2011	2010
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(46,598)**	(39,857)
Current tax at 26 5% (*2010 28%)*	**(12,348)**	(11,160)
Effects of		
Group relief surrendered for nil payment	**12,348**	11,160
Total current tax	**-**	-

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012 This will reduce the Company's future current tax charge accordingly

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will reduce the Company's future current tax charge

Notes *(continued)*

8 Investments

	Investments in Group undertakings £000
Cost and net book value	
At beginning and end of year	**4,564**

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
Odeon Equity Co Limited	Great Britain	100% owned	Non trading company
Odeon DDB Co Limited	Great Britain	100% owned	Non trading company
Odeon Bridge Co Limited	Great Britain	100% owned	Non trading company
Odeon Property Acquisition Co (Cayman) Limited	Cayman Islands	100% owned	Holding company
Odeon Limited	Great Britain	100% owned	Non trading company
Odeon Cinemas Group Limited	Great Britain	100% owned	Non trading company
Odeon Cinemas Holdings Limited	Great Britain	100% owned	Holding company
Associated British Cinemas Limited	Great Britain	100% owned	Holding company
Odeon Cinemas Limited	Great Britain	100% owned	Operation of cinemas
United Cinemas International (UK) Limited	Great Britain	100% owned	Operation of cinemas
ABC Cinemas Limited	Great Britain	100% owned	Operation of cinemas
Odeon Cinemas (RL) Limited	Great Britain	100% owned	Operation of cinemas
Bookit Limited	Great Britain	100% owned	Credit & debit card transaction processing
Movitex Signs Limited	Great Britain	100% owned	Non trading company
Odeon Finance Limited	Cayman Islands	100% owned	Non trading company
Hopeart Limited	Great Britain	100% owned	Non trading company
Odeon and UCI Digital Operations Limited	Great Britain	100% owned	Administration & technical support services
UCI Exhibition (UK) Limited	Great Britain	100% owned	Non trading company
UCI Developments Limited	Great Britain	100% owned	Non trading company
United Cinemas International (China) Limited	Great Britain	100% owned	Non trading company
Hollywood Express Limited	Great Britain	100% owned	Non trading company
Digital Cinema Media Limited	Great Britain	50% owned	Screen advertising
Odeon and Sky Filmworks Limited	Great Britain	50% owned	Film distribution

9 Debtors: amounts due within one year

	2011 £000	2010 £000
Amounts owed by Group undertakings	**1,868**	1,868

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

Notes *(continued)*

10 Debtors: amounts due after one year

	2011	2010
	£000	£000
Amounts owed by Group undertakings	**277,312**	264,160

All debts are due after more than five years Interest receivable on intra-group loans varies between LIBOR plus 2 942% to LIBOR plus 11 25%

11 Creditors: amounts due after more than one year

	2011	2010
	£000	£000
Amounts owed to Group undertakings	**283,687**	270,238
Loan notes	**328,220**	281,919
	611,907	552,157

Intra group loans are due after more than five years Interest payable on intra-group loans varies between LIBOR plus 2 817% and LIBOR plus 11 25%

The loan notes are the aggregate issued amounts of £107,704,000 (*2010 £107,704,000*) plus discount accrued of £220,516,000 (*2010 £174,215,000*) These are due to be redeemed in August 2015

The following unsecured discounted 11 year loan notes were outstanding during the period to a related party

27 August 2004	
Par value	£571 3 million
Issued for	£107 7 million
Interest rate	16 375% pa
Due to be redeemed	26 August 2015

12 Called up share capital

	2011	2010
	£000	£000
Authorised:		
10,000 Ordinary shares of £1 each	**10**	10
40,012,500 Preference shares of £1 each	**40,013**	40,013
	40,023	40,023
Allotted, called up and fully paid:		
10,000 Ordinary shares of £1 each	**10**	10
34,267,727 Preference shares of £1 each	**34,268**	34,268
	34,278	34,278

Notes *(continued)*

12 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)*

13 Reconciliation of movement in shareholders' deficit

	Ordinary share capital £000	Preference share capital £000	Profit and loss account £000	Total £000
Loss for the year	-	-	(46,598)	(46,598)
Net increase in shareholders' deficit	-	-	(46,598)	(46,598)
Shareholders' deficit at beginning of year	10	34,268	(315,840)	(281,562)
Shareholders' deficit at end of year	**10**	**34,268**	**(362,438)**	**(328,160)**

14 Financial commitments

Capital commitments

There are no capital commitments at the end of the financial year for which no provision has been made *(2010 none)*

15 Contingent liabilities

At 31 December 2011 certain group companies acted as guarantors under the terms of the £475m equivalent senior secured notes and the £90m revolving credit facility Certain group companies also acted as guarantors of rent and other payments for other group companies

16 Ultimate parent undertaking and controlling party

The Directors regard Terra Firma Holdings Limited, a company registered in Guernsey, as the ultimate parent entity The ultimate controlling party is Guy Hands

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

17 Related parties

The Company has taken advantage of the exemption granted by FRS 8 *Related Party Disclosures* not to disclose transactions with Group entities where 100% 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