

# ODEON PROPERTY GROUP LLP

Report and financial statements  
Limited Liability Partnership Registration - OC327042  
31 December 2008

# CONTENTS

Report to the Members	3
Statement of Members' responsibilities in respect of the Members' Report and the financial statements	5
Independent auditors' report to the Members of ODEON Property Group LLP	6
Consolidated profit and loss account	7
Consolidated statement of total recognised gains and losses	8
Consolidated balance sheet	9
Partnership balance sheet	10
Consolidated cash flow statement	11
Notes	12

# REPORT TO THE MEMBERS

The Management Committee presents its report and the audited consolidated financial statements for the year ended 31 December 2008.

## Group Structure

ODEON Property Group LLP is a limited liability partnership, wholly owned by Metellus Property LLP and Aurelius Property LLP (the "Members").

## Principal activities and business review

The partnership conducts a property business through its ownership and strategic management of a group of companies whose principal activity is the leasing of cinemas to related parties. The partnership is a party to a banking facility agreement, along with certain group companies. The partnership itself is not a borrower under the facility.

## Accounting periods

The financial statements include amounts for the year ended 31 December 2008. Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007. Rental income began to be receivable by the Group on 1 July 2007.

## Consolidated profit and loss account

The loss for the year of £4,028,000 (2007: £3,980,000) was after non-cash finance charges on loans to related parties and amortisation of loan issue costs of £4,680,000 (2007: £3,072,000), as disclosed in Note 5.

## Going Concern and Liquidity Management

The Management Committee believes that the Group has adequate resources to continue in operational existence for the foreseeable future. With this in mind, the Management Committee has formally considered and 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.

## Designated Members

The designated Members (as defined in the Limited Liability Partnerships Act 2000) were as follows:

Metellus Property LLP  
Aurelius Property LLP

## Members' drawings and subscription and repayment of Members' capital

The allocation of profits to those who were Members during the year is based on the profits of ODEON Property Group LLP. No profits have been allocated in the current year.

There have been no transfers of Members' interests from equity to debt in the year and no drawings in the year. The Members have indicated that the contributions made so far are not repayable by the LLP.

## Post Balance Sheet Events

During April 2009, amendments were made to the bank loan facility agreement which put the Group in a stronger position going forwards. These included the removal of a loan-to-value (LTV) covenant ratio test, removal of some administrative restrictions and increase of the interest margin from 1.375% to 1.625%. As a part of the same process, loans totalling £20,000,000 were made from a related party, ODEON and UCI Cinemas Holdings Ltd, to the 31 subsidiaries of ODEON Property Group LLP which are borrowers under the bank loan facility agreement. Interest accrues on the related party loans at LIBOR plus 2.375%.

The cash from the related party loans was used primarily to repay £17,298,000 of the bank loans and pay interest rate hedging (swap) contract reduction costs of £2,585,000. The swap contract reductions ensured that approximately 100% of the revised bank borrowings remained at fixed interest rates after taking into account the swaps.

#### **Disclosure of information to auditors**

The members of the Management Committee who held office at the date of approval of this Report to the Members confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware and the Management Committee members have individually taken all the steps that they ought to have taken as members to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

#### **Auditors**

KPMG LLP have been appointed independent auditors. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of accounts before the Members in general meetings and the appointment of auditors annually.

**JP Mason**  
**On behalf of the Management Committee**  
**22 May 2009**

54 Whitcomb Street  
London  
WC2H 7DN

# STATEMENT OF MEMBERS' RESPONSIBILITIES

in respect of the Members' Report and the financial statements

The Management Committee are responsible for preparing the Members' Report and the Group and LLP financial statements in accordance with applicable law and regulations.

The law relating to limited liability partnerships (LLPs) requires the members to prepare Group and LLP financial statements for each financial year. Under that law the members have elected to prepare the Group and LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group and LLP financial statements are required by law to give a true and fair view of the state of affairs of the Group and the LLP and of the profit or loss of the Group and LLP for that year.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Group and the LLP will continue in business.

Under the Limited Liability Partnerships Regulations 2001, the members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and LLP and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT

**KPMG LLP**  
1 St James' Square  
Manchester  
M2 6DS  
United Kingdom

to the Members of ODEON Property Group LLP

We have audited the Group and LLP financial statements ("the financial statements") of ODEON Property Group LLP for the year ended 31 December 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and LLP Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with section 235 of the Companies Act 1985, as required by Regulation 3 of the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of members and auditors**

As described in the Statement of Members' Responsibilities on page 5, the members are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the LLP 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 members' remuneration and other transactions is not disclosed.

We read the Members' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **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 judgments made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and LLP'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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and the LLP as at 31 December 2008 and of the loss of the Group for the year then ended; and
- The financial statements have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
Chartered Accountants  
Registered Auditors  
22 May 2009

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2008

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
<b>Turnover</b>	2	11,091	5,440
Operating costs	3	(533)	(311)
		<hr/>	<hr/>
<b>Profit before interest and taxation</b>		10,558	5,129
Interest receivable and similar income		25	14
Interest payable and similar charges	5	(14,554)	(9,114)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(3,971)	(3,971)
Tax on loss on ordinary activities	6	(57)	(9)
		<hr/>	<hr/>
<b>Loss for the financial year / period</b>		<u>(4,028)</u>	<u>(3,980)</u>

Turnover and loss for the year are derived from the Group's continuing operations.

There are no recognised gains and losses other than the loss shown above.

Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007.

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2008

	2008 £000	2007 £000
Loss for the financial year / period	(4,028)	(3,980)
Unrealised deficit arising on revaluation of properties (Note 7)	(45,725)	-
Total recognised losses	<u>(49,753)</u>	<u>(3,980)</u>

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007.

# CONSOLIDATED BALANCE SHEET

at 31 December 2008

	<i>Note</i>	<b>2008</b> £000	<b>2008</b> £000	2007 £000	2007 £000
<b>Fixed assets</b>					
Tangible assets	7		104,525		150,250
<b>Current assets</b>					
Debtors: amounts falling due within one year	9	1,991		1,941	
Debtors: amounts falling due after more than one year	10	26,831		26,673	
Cash at bank and in hand		1,463		4,366	
		<u>30,285</u>		<u>32,980</u>	
<b>Creditors:</b> amounts falling due within one year	11	<u>(3,299)</u>		<u>(5,735)</u>	
<b>Net current assets</b>			26,986		27,245
<b>Total assets less current liabilities</b>			<u>131,511</u>		<u>177,495</u>
<b>Creditors:</b> amounts falling due after more than one year	12		<u>(185,243)</u>		<u>(181,474)</u>
<b>Net liabilities</b>			<u>(53,732)</u>		<u>(3,979)</u>
<b>Represented by</b>					
<b>Members' interests</b>					
Members' capital	13		1		1
Revaluation reserve	13		(45,725)		-
Other reserves	13		(8,008)		(3,980)
			<u>(53,732)</u>		<u>(3,979)</u>

These financial statements were approved by the Management Committee and were signed on its behalf by:

**J P Mason**  
22 May 2009

# PARTNERSHIP BALANCE SHEET

at 31 December 2008

	<i>Note</i>	<b>2008</b> £	<b>2008</b> £	<b>2007</b> £	<b>2007</b> £
<b>Fixed assets</b>					
Investments	8		186		186
<b>Current assets</b>					
Debtors	9	345		345	
<b>Net current assets</b>			345		345
<b>Total assets less current liabilities</b>			531		531
<b>Creditors:</b> amounts falling due after more than one year	12		(31)		(31)
<b>Net assets</b>			500		500
<b>Represented by</b>					
Members' capital	13		500		500
			500		500

These financial statements were approved by the Management Committee and were signed on its behalf by:

**J P Mason**  
22 May 2009

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	<i>Note</i>	<b>2008</b> £000	<b>2007</b> £000
<b>Net cash inflow from operating activities</b>	14	7,418	8,226
<b>Returns on investments and servicing of finance</b>			
Interest paid		(9,855)	(3,940)
<b>Taxation paid</b>		(34)	-
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets and property interests		-	(134,620)
<b>Net cash outflow before financing</b>		(2,471)	(130,334)
		<u>          </u>	<u>          </u>
<b>Financing</b>			
New bank loans drawn		-	141,700
Bank loan issue costs		-	(5,870)
Bank loans repaid		(432)	(1,130)
<b>Net cash (outflow) / inflow from financing</b>		(432)	134,700
		<u>          </u>	<u>          </u>
<b>(Decrease) / increase in cash in the year</b>	14(b)	(2,903)	4,366
		<u>          </u>	<u>          </u>

Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007.

# NOTES

(forming part of the financial statements)

## 1 Accounting policies

### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, in accordance with the Statement of Recommended Practice, Accounting by Limited Liability Partnerships.

### *Going concern and liquidity management*

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

The activities of the Group, and its future prospects, are described within the Report to the Members.

The Group has a committed bank facility, which was entered into in April 2007 and provides long-term funding that is contractually available provided the conditions of the facility agreement are met, including compliance with covenanted ratios. Certain amendments were made to the facility post year end as described in Note 17. Projected covenant ratios indicate that no issues with compliance are anticipated in the next 12 months and beyond.

The term of the facility agreement is 7 years. Mandatory part-repayments of the bank debt take place quarterly, based on available cashflow.

The Management Committee is satisfied with the Group's liquidity management as a result of the following key facts:

- a) At the balance sheet date, the annual contractual rental income of the Group was higher than the annual cash interest payable and expenditure on costs
- b) The rent income contracts include upwards-only inflation-driven increases
- c) At the balance sheet date, approximately 100% of the bank borrowings were at fixed interest rates after taking into account interest rate swaps (see note 12)
- d) The bank debt principal repayment amounts are contractually determined from rental income less expenditure on costs and amounts (including interest) payable under the facility agreement. Thus, by definition, sufficient cash is available to make the required principal repayments.

The Group also has related party funding in place that is subordinated and therefore longer-term in nature than the bank debt (see notes 12, 15 and 17).

### *Basis of consolidation*

The consolidated profit and loss account and balance sheet include the financial statements of the partnership and its subsidiary undertakings up to 31 December 2008.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for the partnership.

### *Turnover*

Turnover represents rental income earned on freehold and long leasehold properties plus finance lease income on short leasehold properties owned by the Group.

### *Taxation*

The charge for taxation is based on the 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.

### Tangible assets

Investment properties are included in the balance sheet at their open market value at the balance sheet date on the basis of an annual professional valuation. Depreciation is not provided on investment properties. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the members consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view, and it is consistent with the requirements of SSAP 19.

### Leased assets

Where the Group leases out leasehold buildings and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease, and the net investment is included in current assets. Income from finance leases is credited to the profit and loss account, in proportion to the funds invested. Finance lease receivables are amortised over the period for which they are receivable on a basis calculated to give an approximately constant rate of return on funds invested.

Rental income under operating leases is credited to the profit and loss account in accordance with the terms of the leases over the period of the leases.

### Interest rate hedging

The Group entered into interest rate hedges (swaps) to manage the interest rate risk from the Group's bank loans. Amounts payable or receivable in respect of interest rate swap transactions are recognised on an accruals basis until settlement date and are treated as an adjustment to the interest expense over the period the contract.

## 2 Segmental Information

	2008 Turnover £000	2007 Turnover £000
<b>By activity</b>		
Rental income on operating leases	8,952	4,384
Interest receivable on finance leases	2,139	1,056
	<u>11,091</u>	<u>5,440</u>

Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007.

## 3 Notes to the profit and loss account

	2008 £000	2007 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit of financial statements	50	100
Amounts receivable by auditors and their associates in respect of:		
Non-audit services	<u>10</u>	<u>52</u>

Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007.

#### 4 Remuneration of members

Metellus Property LLP and Aurelius Property LLP (the Members of ODEON Property Group LLP) received no remuneration during the year.

The members of the Management Committee received no emoluments during the year for their services to this Group.

#### 5 Interest payable and similar charges

	2008 £000	2007 £000
On bank loans	9,874	6,042
On loans to related parties	3,842	2,583
Amortisation of loan issue costs	838	489
	<u>14,554</u>	<u>9,114</u>

Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007.

#### 6 Taxation

##### *Analysis of charge in year*

	2008 £000	2008 £000	2007 £000	2007 £000
<i>UK corporation tax</i>				
Current tax on income for the year	55		12	
Prior year adjustment	(1)		-	
	<u>54</u>	54	<u>12</u>	12
Total current tax		54		12
<i>Deferred tax (see note 9)</i>				
Origination/reversal of timing differences	3		(3)	
Total deferred tax	<u>3</u>	3	<u>(3)</u>	(3)
Tax on loss on ordinary activities		<u>57</u>		<u>9</u>

*Factors affecting the tax charge for the current year*

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

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,971)	(3,971)
Current tax at 28.5% (2007: 30%)	(1,132)	(1,191)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	989	416
Non tax effected expenses	39	784
Tax losses carried forward	159	3
Prior year adjustment	(1)	-
Total current tax charge (see above)	54	12

Prior year comparatives relate to the period from formation, on 23 March 2007, to 31 December 2007.

**7 Tangible fixed assets**

Group	Investment Properties £000	Total £000
<i>Valuation</i>		
At beginning of year	150,250	150,250
Revaluations	(45,725)	(45,725)
At end of year	104,525	104,525

The book value of the investment properties is based on an external valuation performed by Jones Lang LaSalle Limited, Chancery Place, 50 Brown Street, Manchester, M2 2JT. The valuation was performed in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The basis was an open market valuation, as at 31 December 2008, taking into account the rentals payable by the tenants and relevant property yields.

The net book value of land and buildings costs comprised:

	<b>Group 2008</b> £000	Group 2007 £000
Freehold	50,675	73,600
Long leasehold	53,850	76,650
	<u>104,525</u>	<u>150,250</u>

The partnership held no fixed assets.

## 8 Fixed asset investments

<b>Partnership</b>	<b>Shares in group undertakings £</b>
<i>Cost</i>	
At beginning of year	186
Additions	-
	<u>186</u>
At end of year	<u>186</u>

At 31 December 2008, the following companies were 100% owned direct subsidiaries of ODEON Property Group LLP. All were incorporated in Great Britain, and their principal activities were holding companies.

ODEON Banbury Holdings Ltd	ODEON Esher Holdings Ltd	ODEON Richmond Red Lion Street Holdings Ltd
ODEON Barnet Holdings Ltd	ODEON Gerrards Cross Holdings Ltd	ODEON Richmond Hill Street Holdings Ltd
ODEON Beckenham Holdings Ltd	ODEON Harrogate Holdings Ltd	ODEON Streatam Holdings Ltd
ODEON Birmingham Holdings Ltd	ODEON Hastings Holdings Ltd	ODEON Swiss Cottage Holdings Ltd
ODEON Bournemouth (ABC) Holdings Ltd	ODEON Holloway Holdings Ltd	ODEON Tamworth Holdings Ltd
ODEON Bournemouth (ODEON) Holdings Ltd	ODEON Huddersfield Holdings Ltd	ODEON Taunton Holdings Ltd
ODEON Canterbury Holdings Ltd	ODEON Lee Valley Holdings Ltd	ODEON Telford Holdings Ltd
ODEON Chelmsford Holdings Ltd	ODEON Muswell Hill Holdings Ltd	ODEON Warrington Holdings Ltd
ODEON Derby Holdings Ltd	ODEON Preston Holdings Ltd	ODEON Weston-super-Mare Holdings Ltd
ODEON Dudley Holdings Ltd	ODEON Putney Holdings Ltd	ODEON Worcester Holdings Ltd

At 31 December 2008, ODEON Leicester Square Holdings Ltd was also a 100% owned subsidiary of ODEON Property Group LLP. This subsidiary was incorporated in Great Britain. Its activity was as a holding company, and also as an agent for 31 property investment companies in the Group with regard to the handling of cash and dealing with certain banking and VAT requirements.

ODEON Property Group LLP held an indirect 100% interest in the following companies at 31 December 2008. All were incorporated in Great Britain and are property investment companies currently engaged in the leasing of cinemas in Great Britain.

ODEON Banbury Ltd	ODEON Gerrards Cross Ltd	ODEON Richmond Red Lion Street Ltd
ODEON Barnet Ltd	ODEON Harrogate Ltd	ODEON Richmond Hill Street Ltd
ODEON Beckenham Ltd	ODEON Hastings Ltd	ODEON Streatham Ltd
ODEON Birmingham Ltd	ODEON Holloway Ltd	ODEON Swiss Cottage Ltd
ODEON Bournemouth (ABC) Ltd	ODEON Huddersfield Ltd	ODEON Tamworth Ltd
ODEON Bournemouth (ODEON) Ltd	ODEON Lee Valley Ltd	ODEON Taunton Ltd
ODEON Canterbury Ltd	ODEON Leicester Square Ltd	ODEON Telford Ltd
ODEON Chelmsford Ltd	ODEON Muswell Hill Ltd	ODEON Warrington Ltd
ODEON Derby Ltd	ODEON Preston Ltd	ODEON Weston-super-Mare Ltd
ODEON Dudley Ltd	ODEON Putney Ltd	ODEON Worcester Ltd
ODEON Esher Ltd		

#### 9 Debtors: amounts falling due within one year

	Group 2008 £000	Partnership 2008 £	Group 2007 £000	Partnership 2007 £
Amounts recoverable under finance leases (see note 10)	1,991	-	1,938	-
Deferred tax: tax losses carried forward	-	-	3	-
Other debtors	-	345	-	345
	<u>1,991</u>	<u>345</u>	<u>1,941</u>	<u>345</u>
	<u><u>1,991</u></u>	<u><u>345</u></u>	<u><u>1,941</u></u>	<u><u>345</u></u>

#### 10 Debtors: amounts falling due after more than one year

	Group 2008 £000	Group 2007 £000
Amounts recoverable under finance leases	26,831	26,673
	<u>26,831</u>	<u>26,673</u>
	<u><u>26,831</u></u>	<u><u>26,673</u></u>

The amounts recoverable under finance leases represent cinema property leases to ODEON Cinemas Ltd, a related party, which have been classified as finance leases under SSAP 21. The leases had unexpired periods of between 23 and 28 years at the balance sheet date.

**11 Creditors: amounts falling due within one year**

	<b>Group 2008 £000</b>	Group 2007 £000
Bank loans	910	432
Corporation tax	32	12
Other taxation and social security – value added tax	-	452
Bank interest and similar charges	2,096	2,102
Other accruals and deferred income	261	2,737
	<u>3,299</u>	<u>5,735</u>

Interest was payable on the bank loans at LIBOR plus a margin of 1.375% and costs of approximately 0.012% per annum. Bank loans are shown net of £nil (2007: £nil) unamortised issue costs.

**12 Creditors: amounts falling due after more than one year**

	<b>Group 2008 £000</b>	<b>Partnership 2008 £</b>	Group 2007 £000	Partnership 2007 £
Bank loans	134,687	-	134,759	-
Amounts owed to related parties including interest	50,556	31	46,715	31
	<u>185,243</u>	<u>31</u>	<u>181,474</u>	<u>31</u>

Bank loans are shown net of £4,542,000 (2007: £5,380,000) unamortised issue costs.

The bank loans are secured by the assets of the business. The bank loans are repayable in full by 22 May 2014.

Interest was payable on the bank loans at LIBOR plus a margin of 1.375% and costs of approximately 0.012% per annum.

The Group uses interest rate hedging (swap) contracts to manage exposure to interest rate fluctuations. At the year end, approximately 100% of the bank borrowings were at fixed interest rates after taking into account interest rate swaps. The fixed rate provided by the interest rate swaps was 5.598% plus the margin of 1.375% and costs of approximately 0.012% per annum.

Interest accrues on the amounts due to related parties at LIBOR plus a margin of 2.375%. The amounts due to related parties, and interest thereon, are subject to a subordination deed which prevents repayment until the bank loans have been fully repaid.

The maturity profile of the Group's bank and other borrowings at 31 December was as follows:

	2008 £000	2007 £000
Within 1 year, or on demand	910	432
Within one to two years	1,267	910
Within two to five years	6,174	4,939
Over five years	182,344	181,005
	<u>190,695</u>	<u>187,286</u>
Unamortised issue costs	(4,542)	(5,380)
	<u>186,153</u>	<u>181,906</u>

### 13 Members' interests

Group	Members' Capital £000	Revaluation Reserve £000	Other Reserves £000	Total Members' Interests £000
At beginning of year	1	-	(3,980)	(3,979)
Loss for the year	-	-	(4,028)	(4,028)
Deficit arising on revaluation of properties	-	(45,725)	-	(45,725)
	<u>1</u>	<u>(45,725)</u>	<u>(8,008)</u>	<u>(53,732)</u>

Partnership	£	£	£	£
At beginning of year	500	-	-	500
Members' contributions	-	-	-	-
	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>

**14 Notes to cash flow statement**

## (a) Net cash flow from operating activities

	<b>2008</b> <b>£000</b>	2007 £000
Operating profit	10,558	5,129
Increase in debtors	(211)	(100)
(Decrease) / increase in creditors	(2,929)	3,197
Net cash inflow from operating activities	<u>7,418</u>	<u>8,226</u>

## (b) Net debt

	Balance at 31 December 2007 £000	Cashflow £000	Non-cash movements £000	Balance at 31 December 2008 £000
Net cash:				
Cash at bank and in hand	4,366	(2,903)	-	1,463
Debt:				
Debt falling due after more than one year – bank loans	(135,191)	432	(838)	(135,597)
Debt falling due after more than one year – related parties	(46,715)	-	(3,841)	(50,556)
Net debt	<u>(177,540)</u>	<u>(2,471)</u>	<u>(4,679)</u>	<u>(184,690)</u>

Non-cash movements are interest on related party loans and the amortisation of capitalised arrangement fees.

## (c) Reconciliation of net cash flow to movement in net debt

	2008 £000	2007 £000
(Decrease) / increase in cash in the year	(2,903)	4,366
Cash outflow / (inflow) from reduction / (increase) in debt	432	(140,571)
Non cash movement	(4,679)	(41,335)
	<hr/>	<hr/>
Movement in net debt in the year	(7,150)	(177,540)
Net debt at beginning of year	(177,540)	-
	<hr/>	<hr/>
Net debt at end of year	(184,690)	(177,540)
	<hr/> <hr/>	<hr/> <hr/>

**15 Related party disclosures**

The partnership is exempt from the requirement of Financial Reporting Standard 8 to disclose related party transactions with group companies.

During April 2007, 31 subsidiaries of ODEON Property Group LLP entered into sale and leaseback arrangements in relation to freehold and leasehold properties purchased from ABC Cinemas Ltd, ODEON Cinemas Ltd and United Cinemas International (UK) Ltd. The total consideration was £178,750,000 plus value added tax (gross total £210,031,000) of which £165,900,000 was paid during 2007. Interest accrues on the remaining balance at LIBOR plus 2.375%: interest accrued in the year was £3,842,000. The loan balances were assigned from ABC Cinemas Ltd, ODEON Cinemas Ltd and United Cinemas International (UK) Ltd to ODEON and UCI Cinemas Group Ltd on the 16 May 2007.

ABC Cinemas Ltd, ODEON Cinemas Ltd and United Cinemas International (UK) Ltd entered into a total of 31 lease contracts with subsidiaries of ODEON Property Group LLP: the terms of the leases range from 25 to 30 years. Of the 31 leases, 5 are accounted for as finance leases and 26 as operating leases in these financial statements. The turnover associated with these leases is shown in Note 2. During the year, the Group received cash of £7,962,000 excluding value added tax in relation to these leases.

**16 Ultimate parent undertaking and controlling party**

The Management Committee regards TFCP Holdings Limited, a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.

**17 Post balance sheet events**

During April 2009, amendments were made to the bank loan facility agreement which put the Group in a stronger position going forwards. These included the removal of a loan-to-value (LTV) covenant ratio test, removal of some administrative restrictions and increase of the interest margin from 1.375% to 1.625%. As a part of the same process, loans totalling £20,000,000 were made from a related party, ODEON and UCI Cinemas Holdings Ltd, to the 31 subsidiaries of ODEON Property Group LLP which are borrowers under the bank loan facility agreement. Interest accrues on the related party loans at LIBOR plus 2.375%. The related party loans, and interest thereon, are subject to a subordination deed which prevents repayment until the bank loans have been fully repaid. The cash from the related party loans was used primarily to repay £17,298,000 of the bank loans and pay interest rate hedging (swap) contract reduction costs of £2,585,000. The swap contract reductions ensured that approximately 100% of the revised bank borrowings remained at fixed interest rates after taking into account the swaps.

