

ODEON PROPERTY GROUP LLP

Report and financial statements
Limited Liability Partnership Registration - OC327042
Period ended 31 December 2007

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REPORT TO THE MEMBERS

The Management Committee presents its annual report and the audited consolidated financial statements for the period from formation, on 23 March 2007, to 31 December 2007.

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.

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 period is based on the profits of ODEON Property Group LLP. No profits have been allocated in the current period.

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

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 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
5 June 2008

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 period.

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
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 period ended 31 December 2007 which comprise Group Profit and Loss Account, the Group and LLP Balance Sheets, the Group Cash Flow Statement 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 2, 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 2007 and of the loss of the group for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditors
6 June 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2007

	<i>Note</i>	2007 £000
Turnover	2	5,440
Operating costs	3	(311)
		<hr/>
Profit before interest and taxation		5,129
Interest receivable and similar income		14
Interest payable and similar charges	5	(9,114)
		<hr/>
Loss on ordinary activities before taxation		(3,971)
Tax on loss on ordinary activities	6	(9)
		<hr/>
Loss for the financial period		<u>(3,980)</u>

Turnover and loss for the financial period are derived from the group's continuing operations.
There are no recognised gains and losses other than the loss shown above.

CONSOLIDATED BALANCE SHEET

at 31 December 2007

	<i>Note</i>	2007 £000	2007 £000
Fixed assets			
Tangible assets	7		150,250
Current assets			
Debtors: amounts falling due within one year	9	1,941	
Debtors: amounts falling due after more than one year	10	26,673	
Cash at bank and in hand		4,366	
		<hr/>	
		32,980	
Creditors: amounts falling due within one year	11	<hr/> (5,303)	
Net current assets			27,677
Total assets less current liabilities			<hr/> 177,927
Creditors: amounts falling due after more than one year	12		(181,906)
Net liabilities			<hr/> (3,979) <hr/>
Represented by			
Members' interests			
Members' capital	13		1
Other reserves	13		(3,980)
			<hr/> (3,979) <hr/>

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

JP Mason
5 June 2008

PARTNERSHIP BALANCE SHEET

at 31 December 2007

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

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

JP Mason
5 June 2008

CONSOLIDATED CASH FLOW STATEMENT

for the period ended 31 December 2007

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

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.

The financial statements are prepared on a going concern basis.

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 2007.

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

Taxation

The charge for taxation is based on the loss for the period 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.

Turnover

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

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

	2007 Turnover £000
By activity	
Rental income on operating leases	4,384
Interest receivable on finance leases	1,056
	<u>5,440</u>

3 Notes to the profit and loss account

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

4 Remuneration of members

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

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

5 Interest payable and similar charges

	2007 £000
On bank loans	6,042
On loans to related parties	2,583
Amortisation of loan issue costs	489
	<u>9,114</u>

6 Taxation

Analysis of charge in period

	2007 £000	2007 £000
UK corporation tax		
Current tax on income for the period	12	12
Total current tax		12
Deferred tax (see note 9)		
Origination/reversal of timing differences	(3)	
Total deferred tax		(3)
Tax on profit on ordinary activities		9

Factors affecting the tax charge for the current period

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

	2007 £000
Current tax reconciliation	
Loss on ordinary activities before tax	(3,971)
Current tax at 30%	(1,191)
Effects of:	
Expenses not deductible for tax purposes	416
Non tax effected expenses	784
Tax losses carried forward	3
Total current tax charge (see above)	12

7 Tangible fixed assets

Group	Investment Properties £000	Total £000
Cost and net book value		
At formation	-	-
Additions	150,250	150,250
	<u>150,250</u>	<u>150,250</u>
At 31 December 2007	<u>150,250</u>	<u>150,250</u>

The book value of the investment properties is based on an external valuation performed by Colliers CRE Chartered Surveyors, Marylebone Lane, London, W1U 1HL. 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, taking into account property yields, assuming that the properties would be leased back at specified initial rents to the vendors (the cinema operating group).

The partnership held no fixed assets.

8 Fixed asset investments

Partnership	Shares in group undertakings £
Cost	
At formation	-
Additions	186
	<u>186</u>
At end of period	<u>186</u>

At 31 December 2007, 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 Streatham 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 2007, 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 2007. 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 2007 £000	Partnership 2007 £
Amounts recoverable under finance leases (see note 10)	1,938	345
Deferred tax: tax losses carried forward	3	-
	<u>1,941</u>	<u>345</u>

10 Debtors: amounts falling due after more than one year

	Group 2007 £000
Amounts recoverable under finance leases	26,673
	<u>26,673</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 lease terms are for periods between 25 and 30 years.

11 Creditors: amounts falling due within one year

	Group 2007 £000
Corporation tax	12
Other taxation and social security – value added tax	452
Bank interest and similar charges	2,102
Other accruals and deferred income	2,737
	<u>5,303</u>

12 Creditors: amounts falling due after more than one year

	Group 2007 £000	Partnership 2007 £
Bank loans	135,191	-
Amounts owed to related parties including interest	46,715	31
	<u>181,906</u>	<u>31</u>

Bank loans are shown net of £5,380,000 unamortised issue costs.

The amount of bank loans which fall due within one year is not material to these financial statements.

The bank loans are secured by the assets of the business.

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 period 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 amount due to related parties at LIBOR plus a margin of 2.375%.

13 Members' interests

Group	Members' Capital £000	Other Reserves £000	Total Members' Interest £000
At formation	-	-	-
Members' contribution	1	-	1
Loss for the period	-	(3,980)	(3,980)
At 31 December 2007	<u>1</u>	<u>(3,980)</u>	<u>(3,979)</u>

Partnership	£	£	£
At formation	-	-	-
Members' contributions	500	-	500
At 31 December 2007	<u>500</u>	<u>-</u>	<u>500</u>

14 Notes to cash flow statement

(a) Net cash flow from operating activities

	2007 £000
Operating profit	5,129
Increase in debtors	(100)
Increase in creditors	3,197
Net cash inflow from operating activities	<u>8,226</u>

b) Net debt

	Balance at formation £000	Cashflow £000	Non-cash movements £000	Balance at 31 December 2007 £000
Net cash:				
Cash at bank and in hand	-	4,366	-	4,366
Debt:				
Debt falling due after more than one year – bank loans	-	(140,571)	5,380	(135,191)
Debt falling due after more than one year – related parties	-	-	(46,715)	(46,715)
Net debt	<u>-</u>	<u>(136,205)</u>	<u>(41,335)</u>	<u>(177,540)</u>

Non-cash movements are related party loans and capitalised arrangement fees.

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

	2007 £000
Increase in cash in the period	4,366
Cash outflow from increase in debt	(140,571)
Non cash movement	(41,335)
	<hr/>
Movement in net debt in the year	(177,540)
Net debt at formation	-
	<hr/>
Net debt at end of year	(177,540)
	<hr/> <hr/>

15 Post balance sheet events

There have been no disclosable post balance sheet events.

16 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 £178,500,000 plus value added tax (gross total £210,031,000) of which £165,900,000 was paid during the period. Interest accrues on the remaining balance at LIBOR plus 2.375%: interest accrued in the period was £2,583,000. 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 (formerly Corleone Capital) 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 period, the group received cash of £7,755,000 excluding value added tax in relation to these leases, including £2,585,000 deferred income relating to the first rental quarter of 2008.

17 Ultimate parent undertaking and controlling party

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

