

**Ardnasillagh Limited**

**Directors' Report and Financial Statements**

**Year Ended 31 December 2005**

**Registered Number: 2911933**



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**DIRECTORS AND OTHER INFORMATION**

**Directors**

CJ Wyatt  
Martin Higgins (Irish)  
Tony Keating (Irish)

**Solicitors**

Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

**Secretary and Registered Office**

Mitre Secretaries Limited  
Harefield Place  
The Drive  
Uxbridge  
Middlesex  
UK

**Registered Number:** 2911933

**Auditors**

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Wilton Place  
Dublin 2

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

**Fair review of development and performance of the business and of its position**

The principal activities of the company is to acquire and hold shares in trading companies. Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

**Principal risks and uncertainties facing the business**

The principal risk and uncertainties that the business faces are in relation to its operating activities. The management team have as one of its main objectives the control and monitoring of such risk. The directors review and consider the risks facing the company on a regular basis.

<b>Results for year</b>	<b>€'000</b>
Profit for the year	581
Dividends paid	(581)
Retained for year	-

**Future developments**

No change in the nature of the company's business is anticipated.

**Directors**

The names of the persons who were directors at any time during the year ended 31 December 2005 are set out below. Except as indicated they served as directors for the entire year.

CJ Wyatt  
 Martin Higgins (Irish)  
 Tony Keating (Irish)

The beneficial interests of directors (including the respective family interests), in office at 31 December 2005 in the share capital of the companys' ultimate parent were as follows:

	Ordinary shares in Blockbuster Inc.	
	31 December 2005	1 January 2005
Tony Keating	2,883	2,883
Martin Higgins	14,365	7,156
CJ Wyatt	101,603	36,412
	Restricted share units in Blockbuster Inc.	
	31 December 2005	1 January 2005
Tony Keating	20,006	10,412
Martin Higgins	12,911	25,828
CJ Wyatt	164,458	278,914

**DIRECTORS' REPORT - continued**

**Statement of directors' responsibility**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of company's affairs at the end of the year and of its profit or loss for the year then ended. In preparing those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Events after the balance sheet date**

There were no significant events subsequent to the year end.

**Employees**

Save directors, the company had no employees during the year.

**Political and charitable donations**

The company made no political or charitable donations during the year.

**Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

**By order of the board**

Director



Director



23 October 2006

**PricewaterhouseCoopers**  
Wilton Place  
Dublin 2  
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Facsimile +353 (0) 1 662 6200  
I.D.E. Box No. 137  
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## **Independent auditors' report to the members of Ardnasillagh Limited**

We have audited the financial statements of Ardnasillagh Limited for the year ended 31 December 2005 on pages 6 to 11 which comprise the profit and loss account, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out on the statement of accounting policies on page 6.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

### **Basis of audit opinion**

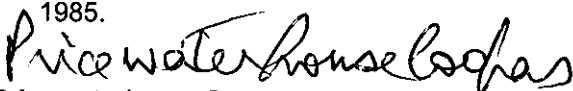
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1985.

  
**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**Dublin**

**25 October 2006**

## **ACCOUNTING POLICIES**

The significant accounting policies adopted by the company are as follows:

### **Basis of preparation**

The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and United Kingdom statute, comprising the Companies Act 1985. Accounting standards generally accepted in the United Kingdom in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in England and Wales and issued by the Accounting Standards Board.

### **Basis of accounting**

The financial statements are prepared under the historical cost convention.

### **Group financial statements**

These financial statements present information about the company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared as the company is itself a subsidiary undertaking and satisfies the conditions set out under Section 8, sub-section 1 of the European Communities (Companies Group Accounts) Regulations, 1992.

### **Financial assets**

Investments included as financial assets are stated at cost less provision for any permanent diminution in value.

### **Taxation and deferred taxation**

The charge for taxation is based on the profit for the year.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax assets is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

### **Changes in accounting policies**

The company has adopted FRS 25 'Financial instruments: disclosure and presentation', in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt the presentation requirements of FRS 25 was to reclassify preferred ordinary shares of €387,000 (2004 - €387,000) from equity to liabilities.

**PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 December 2005**

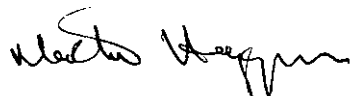
	Notes	2005 €'000	2004 €'000
Income from financial assets and similar income	2	<u>581</u>	<u>704</u>
<b>Profit on ordinary activities before taxation</b>		581	704
Tax on profits on ordinary activities	3	<u>-</u>	<u>-</u>
<b>Profit for the financial year</b>		581	704
Dividends paid	4	<u>(581)</u>	<u>(704)</u>
<b>Result retained for the year</b>		<u>-</u>	<u>-</u>

There were no recognised gains or losses other than those dealt with in the profit and loss account above.

There is no difference between the profit on ordinary activities before tax and the result retained above and their historical cost equivalents.

**By order of the board**

Director



Director



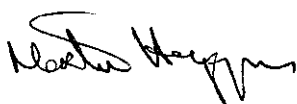


**BALANCE SHEET**  
At 31 December 2005

	Notes	2005 €'000	2004 €'000 (restated)
<b>Fixed assets</b>			
Financial assets	5	<u>361</u>	<u>361</u>
<b>Current assets</b>			
Debtors	6	2,804	2,233
<b>Creditors - amounts falling due within one year</b>	7	<u>(2,310)</u>	<u>(1,739)</u>
<b>Net current assets</b>		<u>494</u>	<u>494</u>
<b>Total assets less current liabilities</b>		855	855
<b>Creditors - amounts falling due after more than one year</b>	8	<u>(387)</u>	<u>(387)</u>
<b>Net assets</b>		<u>468</u>	<u>468</u>
<b>Capital and reserves</b>			
Called up share capital	9	370	370
Profit and loss account		<u>98</u>	<u>98</u>
<b>Equity shareholders' funds</b>	10	<u>468</u>	<u>468</u>

The financial statements on pages 6 to 11 were approved by the Board of directors on 23/10/06 and signed on its behalf by:

Director



Director



## NOTES TO THE FINANCIAL STATEMENTS

## 1 Group membership

The parent undertaking of the smallest group of which the company is a member and for which group financial statements are prepared, is Blockbuster Entertainment (Ireland) Limited, a company registered in Ireland.

The largest group in which the results of the company are consolidated is that headed by Blockbuster Inc., a company incorporated in the USA. The consolidated financial statements of this group are available to the public and may be obtained from 1201 Elm Street, Dallas, Texas, 75270, USA.

With regard to transactions with the Blockbuster group the company has availed of the exemption under paragraph 3(1) of FRS 8 Related Party Transactions, which permits subsidiaries not to disclose details of transactions with group companies, where 90% of the voting rights are controlled within the group.

2 Income from financial assets and similar income	2005 €'000	2004 €'000
Dividends received from subsidiary undertakings	<u>581</u>	<u>704</u>

## 3 Tax on profit on ordinary activities

The current tax charge for the year is lower than the charge that would result from applying the standard UK corporation tax rate on profit on ordinary activities. The difference is explained below:

	2005 €'000	2004 €'000
Profit on ordinary activities before taxation	<u>581</u>	<u>704</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2004: 30%)	174	211
Effect of		
Franked investment income	<u>(174)</u>	<u>(211)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

4 Dividends	2005 €'000	2004 €'000
Paid:		
Equity dividend of € 2.02 (2004: €2.44) per ordinary share	<u>581</u>	<u>704</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

5 Financial assets	2005 €'000	2004 €'000
Investment in subsidiary undertaking	310	310
8% subordinated loan stock invested in subsidiary	51	51
	<u>361</u>	<u>361</u>

The details of the principal subsidiary at 31 December 2005 are as follows:

<i>Name</i>	<i>% shareholding</i>	<i>Registered office</i>
Xtra-vision Limited	100%	Greenhills Road, Tallaght, Dublin 24

The subsidiary is involved in the operation of home entertainment stores in the Republic of Ireland.

The subordinated loan stock is interest bearing and unsecured. The entitlement to interest has been waived during the year.

6 Debtors	2005 €'000	2004 €'000
Amounts owed by group undertakings	<u>2,804</u>	<u>2,233</u>

7 Creditors - amounts falling due within one year	2005 €'000	2004 €'000
Accruals	-	9
Amounts owed to group undertakings	<u>2,310</u>	<u>1,730</u>
	<u>2,310</u>	<u>1,739</u>

8 Creditors - amounts falling due after more than one year	2005 €'000	2004 €'000 (restated)
300,000 10% cumulative redeemable participating preferred ordinary shares	<u>387</u>	<u>387</u>

The rights attached to the redeemable participating preferred ordinary shares are as follows:

The cumulative redeemable participating ordinary shares ("CRPPO") rank pari passu with the ordinary shares in all respects save that the 10% CRPPO confer on their holders the right to receive a 10% dividend in priority to the ordinary shares. This entitlement was waived during the year.

The CRPPO are convertible into ordinary shares at any time at the option of their holders and are redeemable on the occurrence of specified events.

## NOTES TO THE FINANCIAL STATEMENTS - continued

<b>9 Called up share capital</b>	<b>2005</b> Stg£'000	<b>2004</b> Stg£'000 (restated)
<b>Authorised:</b>		
289,237 ordinary shares of Stg£1 each	289	289
2,100,000 10% cumulative redeemable preference shares of Stg£0.25 each	<u>525</u>	<u>525</u>
	<u>814</u>	<u>814</u>
<b>Issued, allotted and called up:</b>		
288,237 ordinary shares of Stg£1 each	<u>288</u>	<u>288</u>
Converted to euro (€'000)	<u>370</u>	<u>370</u>
<b>10 Reconciliation of movement on shareholders' funds</b>	<b>2005</b> €'000	<b>2004</b> €'000 (restated)
Profit for the year	581	704
Dividends	<u>(581)</u>	<u>(704)</u>
Net movement in shareholders' funds	-	-
Equity shareholders' funds at beginning of year as previously reported	855	855
Prior year adjustment - FRS 25	<u>(387)</u>	<u>(387)</u>
Equity shareholders' funds at end of year	<u>468</u>	<u>468</u>

**11 Cash flow statement**

The company has availed of the exemption from preparing a cash flow statement. The exemption is under paragraph 5(a) of FRS1 available to subsidiaries where 90% or more of the voting rights are controlled within the group, provided that consolidated financial statements in which those subsidiary undertakings are included are publicly available.

**12 Approval of financial statements**

The directors approved the financial statements on 23 October 2006.