

INGENIOUS MEDIA PLC

GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2004



Company Registration Number
3573626 (England and Wales)

Directors	P A McKenna D M Reid G J Arkell J L Boyton K T J Mead N C Harvey M Simkins (appointed 1 August 2003) N R Blackley (appointed 1 August 2003)
Secretary	D M Reid
Registered Office	12 New Fetter Lane London EC4A 1AG
Registered Number	3573626 (England and Wales)
Auditors	Buzzacott 12 New Fetter Lane London EC4A 1AG
Business Address	100 Pall Mall London SW1Y 5NQ
Bankers	HSBC Private Bank (UK) Ltd 78 St. James Street London SW1A 1JB
Solicitors	Harbottle & Lewis Hanover House 14 Hanover Square London W1S 1HP

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DIRECTORS' REPORT

31 MARCH 2004

The Directors present their report and audited financial statements of the group for the year ended 31 March 2004.

Principal Activity and Review of the Business

The principal activity of the group continued to be that of the provision of investment and advisory services to the media, leisure and entertainment industry.

The directors consider the results for the year and the financial position at the end of it, to be satisfactory and expect continued growth in the foreseeable future.

Results and Dividends

The results for the year are set out on page 5.

An interim dividend paid during the year amounted to £150,000 at £3 per 'A' ordinary share (2003 - £200,000 at £4 per ordinary share). The directors propose to pay a final dividend amounting to £3,000,000 at £60 per 'A' ordinary share (2003 - nil).

Future Developments

The Group intends to continue making active strategic investments in the media, leisure and entertainment industry.

Directors

As described in Note 17 to the accounts, the share capital of the company was reorganised in the year.

The directors in office during the year and their beneficial interests in the issued share capital were as follows:

	As at 31 March 2004												As at 1 April 2003
	Shares of Class												Ordinary Shares
	"A"	"B"	"C"	"D"	"E"	"F"	"G"	"H"	"I"	"J"	"K"	"L"	
G J Arkell	-	-	34	29	29	14	14	14	14	14	14	14	-
N R Blackley	-	-	-	-	76	12	12	12	12	12	12	12	-
J L Boyton	-	695	467	388	388	323	323	323	323	323	322	322	-
N J Harvey	-	-	-	451	451	151	151	151	151	151	151	150	-
P A McKenna	50,000	5,293	4,763	3,953	3,953	5,994	5,994	5,994	5,994	5,994	5,994	5,994	50,000
K T J Mead	-	-	550	457	457	244	244	244	244	244	244	244	-
D M Reid	-	2,588	529	440	440	666	666	666	666	666	666	666	-
M Simkins	-	-	-	-	76	12	12	12	12	12	12	12	-

N R Blackley and M Simkins had no interest in the shares of the company at 1 August 2003, the date of their appointment.

DIRECTORS' REPORT

31 MARCH 2004

Charitable Contributions

During the year the group made charitable donations of £539,890 (2003 - £275,000).

Creditors' payment policy

On average, trade creditors at the year end represented 24 (2003 - 34) days' purchases.

The company does not follow any code or standard on payment of creditors. The company agrees the payment terms as part of the commercial arrangement negotiated with suppliers. Payments are made on these terms provided the supplier meets its obligations.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. 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;
- ♦ Follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- ♦ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group 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 group and to 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.

Auditors

In the absence of a notice proposing that the appointment be terminated, the auditors, Buzzacott, will be deemed to be re-appointed in accordance with Section 386 of the Companies Act 1985.

Signed by order of the board of directors:



K T J MEAD
Director

Approved by the board on: **05 JULY 2004**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INGENIOUS MEDIA
PLC
YEAR ENDED 31 MARCH 2004**

We have audited the financial statements on pages 5 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 12.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company and other members of the group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of opinion

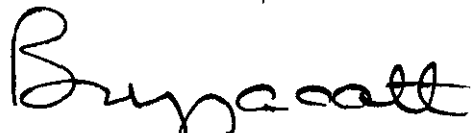
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INGENIOUS MEDIA
PLC
YEAR ENDED 31 MARCH 2004**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BUZZACOTT

Chartered Accountants and Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

5th July 2004

GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 (As restated) £
Turnover	1	43,098,453	33,994,638
Cost of Sales		<u>(8,436,253)</u>	<u>(8,665,214)</u>
Gross Profit		34,662,200	25,329,424
Administrative Expenses		<u>(9,125,812)</u>	<u>(7,634,525)</u>
Operating Profit	2	25,536,388	17,694,899
Share of profit of associated partnerships	10	219,175	103,566
Loss on disposal of investments		(219,782)	-
Income from participating interests		81,973	-
Interest receivable and similar income	5	792,266	356,910
Interest payable and similar charges	6	<u>(1,351,926)</u>	<u>(40,828)</u>
Profit on ordinary activities before taxation		25,058,094	18,114,547
Taxation	7	<u>(518,134)</u>	<u>(4,347,938)</u>
Profit on ordinary activities after taxation		24,539,960	13,766,609
Dividends	8	<u>(3,150,000)</u>	<u>(200,000)</u>
Retained Profit for the financial year	18	21,389,960	13,566,609

All of the group's activities derived from continuing operations during the above two financial periods.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above, and their historical cost equivalent.

BALANCE SHEET
AS AT 31 MARCH 2004

	Notes	Group 2004 £	2003 (As restated) £	Company 2004 £	2003 £
Fixed Assets					
Tangible Assets	9	508,864	431,129	508,864	431,129
Investments	10	26,402,802	9,026,284	2,102,812	1,210,463
		<u>26,911,666</u>	<u>9,457,413</u>	<u>2,611,676</u>	<u>1,641,592</u>
Current Assets					
Stock	11	13,910,707	-	-	-
Debtors	12	27,185,040	28,122,349	13,629,204	10,729,238
Investments	13	10,000,000	125,000	10,000,000	-
Cash at bank and in hand		<u>27,024,554</u>	<u>13,139,512</u>	<u>23,568,652</u>	<u>143,058</u>
		<u>78,120,301</u>	<u>41,386,861</u>	<u>47,197,856</u>	<u>10,872,296</u>
Creditors: Amounts falling due within 1 year	14	<u>(29,885,031)</u>	<u>(11,519,493)</u>	<u>(35,713,976)</u>	<u>(3,909,183)</u>
Net Current Assets		<u>48,235,270</u>	<u>29,867,368</u>	<u>11,483,880</u>	<u>6,963,113</u>
Total Assets less current liabilities		<u>75,146,936</u>	<u>39,324,781</u>	<u>14,095,556</u>	<u>8,604,705</u>
Creditors: Amounts falling due after more than 1 year	15	<u>(21,980,102)</u>	<u>(11,514,285)</u>	<u>(3,909,383)</u>	<u>(4,160,295)</u>
Provision for liabilities and charges	16	<u>(8,604,169)</u>	<u>(4,639,774)</u>	<u>-</u>	<u>-</u>
Net Assets		<u>44,562,665</u>	<u>23,170,722</u>	<u>10,186,173</u>	<u>4,444,410</u>
Capital and Reserves					
Equity Interests:					
Called up share capital	17	54,978	50,000	54,978	50,000
Profit and loss account	18	<u>44,507,687</u>	<u>23,120,722</u>	<u>10,131,195</u>	<u>4,394,410</u>
Shareholders' funds	21	<u>44,562,665</u>	<u>23,170,722</u>	<u>10,186,173</u>	<u>4,444,410</u>

Signed on behalf of the board of directors by:

J L BOYTON

Director

Approved by the Board

5 July 2004

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
AS AT 31 MARCH 2004

	2004 £	2003 (As restated) £
Profit for the year	21,389,960	13,766,609
Prior year adjustment (note 29)	1,500,106	-
Total recognised gains and losses relating to the year	22,890,066	13,766,609

GROUP CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
Cash inflow from operating activities	A	27,669,463	18,124,663
Dividends received from associates		-	-
Returns on investment and servicing of finance	B	373,937	316,082
Taxation		-	(2,592)
Capital expenditure and financial investment	B	(10,550,915)	(5,969,076)
Acquisitions and disposals	B	(13,719,597)	-
Equity Dividends paid		<u>(150,000)</u>	<u>(200,000)</u>
Net Cash inflow before management of liquid resources and financing		3,622,888	12,269,077
Financing	B	<u>10,262,154</u>	<u>(5,687,818)</u>
Increase in cash in the year	C	<u>13,885,042</u>	<u>6,581,259</u>

NOTES TO THE GROUP CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2004

A) Reconciliation of operating profit to net cash inflow from operating activities

	2004 £	2003 £
Operating Profit	25,536,388	17,694,899
Depreciation Charge	256,750	177,593
Permanent diminution of fixed assets	-	20,931
Diminution/(Appreciation) in value of current asset investments	125,000	(45,338)
(Increase)/Decrease in stock	(13,910,707)	748,329
Decrease/(Increase) in debtors	937,309	(38,282)
Increase/(Decrease) in creditors	14,724,723	(433,469)
Net Cash inflow from Operating Activities	27,669,463	18,124,663

B) Gross Cash flows

	2004 £	2003 £
Returns on Investment and Servicing of Finance		
Dividends received	81,973	-
Interest received	792,266	356,910
Interest paid	(1,351,926)	(40,828)
Amounts drawn from associates and other investments	851,624	-
	373,937	316,082
Capital Expenditure and financial investments		
Current asset investment	(10,000,000)	(119,000)
Payments to acquire tangible fixed assets	(334,485)	(524,425)
Payments to acquire investment in partnerships	-	(5,226,003)
Receipt on sale of other investments	45,143	-
Purchase of other investments	(97,311)	-
Loans to limited partnership	(164,262)	(99,648)
	(10,550,915)	(5,969,076)
Acquisitions and disposals		
Payments to acquire investment in associated undertaking	(13,719,597)	-
Financing		
Bank Loans	10,260,172	(5,687,818)
Issue of Share Capital	1,982	-
	10,262,154	(5,687,818)

NOTES TO THE GROUP CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2004

C) Analysis of Changes in Net Cash

	At 1 April 2003	Cash flows	At 31 March 2004
	£	£	£
Cash in hand and at bank	13,139,512	13,885,042	27,024,554
Debt due after one year – bank loans	(11,514,285)	(10,465,817)	(21,980,102)
Debt due within one year – bank loans	<u>(682,824)</u>	<u>205,645</u>	<u>(477,179)</u>
	942,403	3,624,870	<u>4,567,273</u>

Short term deposits are treated as liquid resources in the statements of cash flows and are included within cash at bank and in hand in the balance sheet.

D) Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Increase in cash in the year	13,885,042	6,581,259
Cash (inflow)/outflow from decrease/(increase) in debt	<u>(10,260,172)</u>	<u>5,687,818</u>
Movement in funds for the year	3,624,870	12,269,077
Net cash at 1 April 2003	<u>942,403</u>	<u>(11,326,674)</u>
Net cash at 31 March 2004	<u>4,567,273</u>	<u>942,403</u>

PRINCIPAL ACCOUNTING POLICIES

31 MARCH 2004

Basis of Accounting

The accounts have been prepared under the historical cost convention.

Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

Consolidation

The group accounts consolidate the accounts of Ingenious Media plc and each of its subsidiary undertakings made up to 31 March each year. The results of subsidiary undertakings acquired during the financial year are included from the date of acquisition and are accounted for on an acquisition basis.

The profit and loss account of the company is not included in these accounts as permitted by section 230 of the Companies Act 1985. The parent company's retained profit for the financial year amounted to £5,739,780 (2003 Accumulated Loss - £4,698,891).

Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts derived from the group's principal activity.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

- | | |
|------------------------------------|---|
| ♦ Land and buildings leasehold | In equal instalments over the remaining period of the lease |
| ♦ Fixtures, Fittings and equipment | 33% on cost |

Leased assets

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

Investments

Interests in partnerships and associated undertakings

Fixed asset investments in partnerships and associated undertakings are stated at the share of net assets at the year end. The share of the partnerships' and associated undertakings' operating profit or loss is included in the profit and loss account.

PRINCIPAL ACCOUNTING POLICIES

31 MARCH 2004

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value.

Other Investments

All other investments are valued at cost, less provision for any permanent diminution in value.

Deferred taxation

Deferred tax is provided in full on timing differences which results in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future dates, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are discounted.

Pension

The pension costs charged in the financial statements represent the defined contributions payable by the group during the year in accordance with FRS 17 "Retirement Benefits".

Stock

Stock is valued at the lower of cost and net realisable value.

Production sale and leaseback

The producer's fee for entering into the transaction is credited to the profit and loss account in the year during which the contract is fulfilled. The balance of the proceeds and the corresponding lease obligations are not brought into the accounts, as explained in note 22.

NOTES TO THE ACCOUNTS
31 MARCH 2004

1. Segmental analysis of turnover, profit and net assets

In the opinion of the directors it would be seriously prejudicial to disclose this information.

2. Operating Profit

	2004 £	2003 £
This is stated after charging:		
Depreciation of fixed assets	256,750	177,593
Loss on disposal of fixed assets	-	20,931
Operating lease rentals - land and buildings	449,562	211,137
Auditors' Remuneration (company - £10,700 (2003 - £10,700))	56,600	45,500

Fees for non-audit services amounted to £136,270 (2003 - £105,990).

3. Staff Costs

Staff costs, including directors' remuneration (note 4), were as follows:

	2004 £	2003 £
Wages and salaries	5,071,747	4,351,617
Social security costs	607,587	506,486
Other pension costs	8,260	8,080
	5,687,594	4,866,183

The average monthly number of employees (including directors) during the year was as follows:

	2004	2003
Office and administration	62	46

NOTES TO THE ACCOUNTS
31 MARCH 2004

4. Directors' remuneration

	2004 £	2003 £
Emoluments for qualifying services	1,216,169	1,929,194
Company pension contributions to money purchase scheme	4,480	4,480
	1,220,649	1,933,674

The above pension contributions were paid into a personal pension scheme on behalf of one of the directors.

The emoluments of the highest paid director of the company were as follows:

	2004 £	2003 £
Emoluments for qualifying services	305,753	1,134,994

5. Interest receivable and similar income

	2004 £	2003 £
Bank Interest	537,537	256,004
Loan interest	254,729	100,906
	792,266	356,910

6. Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank overdrafts and bank loans	1,351,926	40,828

NOTES TO THE ACCOUNTS

31 MARCH 2004

7. Taxation

The tax charge on the profit on ordinary activities for the year was as follows:

	2004 £	2003 (As restated) £
UK Corporation tax at 30% (2003 - 30%) based on the adjusted results for the year	-	2,350,000
Adjustments in respect of prior years	(3,446,261)	(1,778,304)
Current tax (credit) / charge	(3,446,261)	571,696
Provision for deferred taxation for the year (note 16)	3,964,395	3,776,242
	518,134	4,347,938

Factors affecting tax charge for the year:

	2004 £	2003 (As restated) £
Profit on ordinary activities before taxation	25,058,094	18,114,547
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30% (2003 - 30%)	7,517,428	5,434,364
Effects of:		
Adjustments resulting from investment in film partnerships	(5,152,450)	-
Adjustment in respect of investment in associated LLP	(7,873,402)	-
Income not taxable	(24,592)	(240,594)
Amounts carried forward to future periods	2,576,295	-
Amounts carried back to prior periods	2,585,723	-
Expenses not deductible for tax purposes	294,530	1,884,890
Excess of depreciation over capital allowances	37,025	(8,036)
Short term timing differences	-	(5,096,981)
Sundry adjustments	39,443	376,357
Adjustments in respect of prior years	(3,446,261)	(1,778,304)
Current tax charge	(3,446,261)	571,696

8. Dividends

	2004 £	2003 £
Interim paid - £3.00 (2003 - £4.00) per 'A' ordinary share	150,000	200,000
Final proposed - £60.00 (2003 - nil) per 'A' ordinary share	3,000,000	-
	3,150,000	200,000

NOTES TO THE ACCOUNTS

31 MARCH 2004

9. Tangible Fixed Assets

Group and Company	Short Leasehold Land and Buildings £	Fixtures, Fittings and Equipment £	Total £
Cost			
At 1 April 2003	307,197	409,598	716,795
Additions	163,113	171,372	334,485
Disposals	-	(163,104)	(163,104)
At 31 March 2004	<u>470,310</u>	<u>417,866</u>	<u>888,176</u>
Depreciation			
At 1 April 2003	76,031	209,635	285,666
Disposals	-	(163,104)	(163,104)
Charge for the year	<u>133,332</u>	<u>123,418</u>	<u>256,750</u>
At 31 March 2004	<u>209,363</u>	<u>169,949</u>	<u>379,312</u>
Net Book Values			
At 31 March 2004	<u>260,947</u>	<u>247,917</u>	<u>508,864</u>
At 31 March 2003	<u>231,166</u>	<u>199,963</u>	<u>431,129</u>

10. Fixed Asset Investments – Group

	Shares in associated undertakings £	Other loans £	Other investments £	Total £
Cost / Share of Net Assets				
At 1 April 2003	-	1,123,335	7,902,949	9,026,284
Transfer to Associates	7,450,199	-	(7,450,199)	-
Additions				
Capital	18,012,319	164,262	97,311	18,273,892
Drawings	(747,878)	-	(103,746)	(851,624)
Profits	219,175	-	-	219,175
Disposals	-	-	(264,925)	(264,925)
At 31 March 2004	<u>24,933,815</u>	<u>1,287,597</u>	<u>181,390</u>	<u>26,402,802</u>

NOTES TO THE ACCOUNTS

31 MARCH 2004

Fixed Asset Investments – Company

	Shares in subsidiary undertakings £	Shares in associated undertakings £	Other investments £	Other loans £	Total £
Cost / Share of Net Assets					
At 1 April 2003	62,103	-	25,025	1,123,335	1,210,463
Additions					
Capital	535,011	40,000	186,793	164,262	926,066
Drawings	-	-	(5,122)	-	(5,122)
Profits	-	-	(3,595)	-	(3,595)
Disposals	-	-	(25,000)	-	(25,000)
At 31 March 2004	597,114	40,000	178,101	1,287,597	2,102,812

Additional information on subsidiaries is detailed in note 28.

Ingenious Ventures Limited Partnership

The company is a partner in Ingenious Ventures Limited Partnership in which it owns a 7.5% equity share. At the year end the company had advanced £1,287,597 (2003 - £1,123,335) of loans to the partnership. Ingenious Ventures Limited Partnership was formed under the Limited Partnership Act 1907 to acquire and hold a portfolio of investments in media and entertainment companies. Its place of business and head office address is 100 Pall Mall, London, SW1Y 5NQ, United Kingdom. Ingenious Ventures Limited Partnership made a net profit of £818,592 (2003 - £207,199) during the year. As this interest represents an investment in a qualifying partnership, a copy of the accounts of Ingenious Ventures Limited Partnership accounts will be appended to the copy of the company's accounts to be sent to the Registrar of Companies in accordance with Section 242 of the Companies Act 1985.

Pall Mall Film Partners

The company is a partner in Pall Mall Film Partners in which it owns a 0.59% equity share. The partnership was formed to invest in a portfolio of films. Its place of business and head office address is 100 Pall Mall, London, SW1Y 5NQ, United Kingdom. Pall Mall Film Partners made a net loss of £586,418 during the year ended 5 April 2004. This interest represents an investment in a qualifying film partnership. Since the partnership is wholly owned by the group and has been consolidated, a copy of the accounts of Pall Mall Film Partners will not be appended to the copy of the company's accounts to be sent to the Registrar of Companies in accordance with exemptions of Section 242 of the Companies Act 1985.

NOTES TO THE ACCOUNTS
31 MARCH 2004

11. Stock

Group	2004 £	2003 £
Finished Goods	13,910,707	-

Stock represents films acquired for leasing and are stated at the lower of cost and net realisable value.

12. Debtors

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Falling due within one year:				
Trade Debtors	7,047,672	3,336,663	-	-
Amount owed by Group Undertaking	-	-	156,583	5,752,913
Amount due from undertakings in which the company has a participating interest	584,121	-	-	-
Trade Loans	9,024,345	9,827,245	6,095,478	4,780,379
Other debtors	1,012,687	346,031	974,877	38,949
Directors' Current Accounts (note 24)	2,380,505	787	2,380,505	787
Prepayments and accrued income	1,902,578	14,611,623	158,870	156,210
Net investment in film finance leases	53,725	-	-	-
	22,005,633	28,122,349	9,766,313	10,729,238
Falling due after more than one year:				
Net investment in film finance leases	1,316,516	-	-	-
Trade Loans	3,862,891	-	3,862,891	-
	5,179,407	-	3,862,891	-
	27,185,040	28,122,349	13,629,204	10,729,238

Included within trade loans is £3,862,891 which has no fixed repayment terms but is to be repaid by 5 April 2005.

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13. Current asset investments

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Other Investments	10,000,000	125,000	10,000,000	-

During 2003/2004 an investment was made in the Ingenious Enhanced Cash Fund. A further £8,400,000 has been invested since the year end in the Ingenious Fund of Hedge Funds. Both funds are managed by Ingenious Asset Management Limited.

14. Creditors: amounts falling due within one year

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Bank loan and overdrafts	477,179	682,824	115,193	620,084
Trade Creditors	555,983	816,416	117,063	124,611
Amounts owed to Group undertakings	-	-	29,747,873	695,004
Social security and other taxes	1,618,829	1,820,471	575,632	1,336,743
Corporation Tax	-	3,446,261	-	-
Other Creditors	822,932	190,753	68,009	93,555
Dividends payable	3,000,000	-	3,000,000	-
Accruals and deferred income	5,203,742	4,535,748	2,090,206	1,012,166
Balances in respect of film acquisition	13,913,644	-	-	-
Balances in respect of investment in associated undertaking	4,292,722	-	-	-
Directors' Current account	-	27,020	-	27,020
	29,885,031	11,519,493	35,713,976	3,909,183

15. Creditors: amounts falling due after more than one year

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Due within one to two years	769,433	731,691	139,186	120,223
Due within two to five years	3,141,243	2,176,665	578,888	313,900
Due thereafter	18,069,426	8,605,929	3,191,309	3,726,172
Bank Loans	21,980,102	11,514,285	3,909,383	4,160,295

The bank loans are secured by the group's share of lease rental income receivable by partnerships in which the company has made investments (note 10), and are repayable over terms of 14 years. Interest of 5.5% per annum is payable on these loans.

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16. Provisions for liabilities and charges

Group deferred taxation	2004 £	2003 (As restated) £
Undiscounted provision for deferred tax	10,754,931	6,139,880
Discount	<u>(2,150,762)</u>	<u>(1,500,106)</u>
Discounted provision for deferred tax	8,604,169	4,639,774
Balance at 1 April 2003	4,639,774	
Deferred Tax charge in profit and loss account	3,964,395	
	<hr/>	
Balance at 31 March 2003	8,604,169	

The deferred tax provision arises due to the investment in British film partnerships (note 10) and will reverse by 2019.

A deferred tax asset of £2,146,365, resulting from taxable losses carried forward, has not been recognised in the financial statements due to uncertainty regarding the availability of future profits arising from the same trade.

17. Called up share capital

On 12 September 2003, special resolutions were passed to convert the issued Ordinary share capital of 50,000 shares of £1 each into 50,000 "A" Shares of £1 each. The voting rights pertaining to those shares remained unchanged. In addition 5,500 of the 950,000 unissued Ordinary shares of £1 each were converted into 110,000 shares of £0.05 each, and divided into share classes "B" through "L", as shown below. None of the shares in these classes hold any voting rights or rights to dividends. The remaining authorised share capital of 944,500 Ordinary shares of £1 each was cancelled. The total issued and authorised share capital is shown below.

	Authorised				Allotted, called up and fully paid			
	2004		2003		2004		2003	
	£ '000s	No '000s	£ '000s	No '000s	£ '000s	No '000s	£ '000s	No '000s
Ordinary shares of £1 each			1,000	1,000			50	50
Class "A" Shares of £1 each	50	50			50	50		
Class "B" Shares of 5p each	0.5	10			0.46	9		
Class "C" Shares of 5p each	0.5	10			0.46	9.04		
Class "D" Shares of 5p each	0.5	10			0.45	9.04		
Class "E" Shares of 5p each	0.5	10			0.46	9.2		
Class "F" Shares of 5p each	0.5	10			0.45	9.04		
Class "G" Shares of 5p each	0.5	10			0.45	9.04		

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	Authorised				Allotted, called up and fully paid			
	2004		2003		2004		2003	
	£ '000s	No '000s	£ '000s	No '000s	£ '000s	No '000s	£ '000s	No '000s
Class "H" Shares of 5p each	0.5	10			0.45	9.04		
Class "I" Shares of 5p each	0.5	10			0.45	9.04		
Class "J" Shares of 5p each	0.5	10			0.45	9.04		
Class "K" Shares of 5p each	0.5	10			0.45	9.04		
Class "L" Shares of 5p each	0.5	10			0.45	9.04		
	55.5	160	1,000	1,000	54.98	149.56	50	50

During the year 99,562 class 'B' through 'L' shares at 5p each were issued. Of these shares, 59,920 shares were issued as a bonus issue for the par value of £2,995. The remaining 39,642 shares were issued at par for cash of £1,983 (see note 27 for details).

18. Statement of movements on profit and loss account

Group	Profit and loss account £
At 1 April 2003 as previously reported	21,620,616
Prior year adjustment (note 29)	1,500,106
At 1 April 2003 as restated	23,120,722
Bonus issue	(2,995)
Retained profit for the year	21,389,960
At 31 March 2004	44,507,687
Company	Profit and loss account £
At 1 April 2003	4,394,410
Bonus issue	(2,995)
Retained profit for the year	5,739,780
At 31 March 2004	10,131,195

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19. Financial Commitments

Annual commitments under non-cancellable operating leases were as follows:

Group and Company	Land and Buildings	
	2004 £	2003 £
Operating leases which expire:		
Within one year	-	-
Within two to five years	-	-
Thereafter	<u>505,850</u>	<u>371,250</u>
	<u>505,850</u>	<u>371,250</u>

20. Capital Commitments

At 31 March 2004 the group had capital commitments as follows:

Group and Company	Land and buildings	
	2004 £	2003 £
Contracted for but not provided in the accounts	-	<u>28,527</u>

Under the partnership agreement with Ingenious Ventures Limited Partnership (note 10), the company has agreed to provide the partnership with loan facilities representing 10% of the total loan facilities provided by all partners up to a maximum of £2,500,000. At the year end the company had provided a loan facility amounting to £1,287,597 of this total commitment.

At the year end the group had committed to invest a further £2,318,587 in unincorporated trading partnerships which has been paid since the year end.

Since the year end the group has committed to invest and subsequently paid a further £2,910,000 in an unincorporated trading partnership.

NOTES TO THE ACCOUNTS

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21. Reconciliation of movements in shareholders' funds

Group	2004 £	2003 (As restated) £
Equity Funds:		
Profit for the financial year after taxation	24,539,960	13,766,609
Dividends	(3,150,000)	(200,000)
Share capital issued for cash	1,983	-
Net movement in shareholders' funds	21,391,943	13,566,609
Opening Shareholders' funds at 1 April 2003 as previously reported	21,670,616	9,414,762
Prior year adjustment (note 29)	1,500,106	189,351
Opening shareholders' funds at 1 April 2003 as restated	23,170,722	9,604,113
Closing Shareholders' funds at 31 March 2004	44,562,665	23,170,722

22. Production sale and leaseback transactions

The group enters into arrangements with other producers whereby it acts as a co-producer and incurs film production costs in the UK in return for certain rights.

The group acquires full title and interest from the co-producer in return for a right to receive a sub-licence of this title and interest. The group subsequently sells its rights to the film and enters into leaseback arrangements with the purchaser and sub-licences these acquired rights to the co-producer.

The group's fee for entering into these transactions is credited to the profit and loss account and the balance of the sale proceeds is held on a bank deposit account and accrues interest over the lease period. The lease obligations, together with lease rental charges, equate to the bank deposit funds over the full term of the lease.

The group has no access to the bank deposit funds and these funds exist solely to meet the lease obligations. The funds do not confer any economic benefits to the group and therefore do not represent assets of the group. The lease obligations are guaranteed by the bank and therefore do not represent liabilities of the group.

As a result of applying Financial Reporting Standard No 5: Reporting the Substance of Transactions, both the bank deposit funds and interest earned, together amounting to £8,997,154 at 31 March 2004 (2003-£5,806,466) together with the corresponding lease obligations and lease rentals charges, are excluded from the financial statements.

In accordance with Financial Reporting Standard No 5, the acquisition of the film rights from the co-producer and the subsequent sub-licence are also not reflected in the financial statements because the series of transactions do not result in the group having rights to the principal future economic benefits, nor principal risks, associated with the ownership of the film.

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23. Related party transactions

The Company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning intercompany transactions.

During the year the group conducted transactions with related parties as follows:

	Sub-Note	Fee income derived from entities listed below		Amounts due from entities listed below	
		31 March 2004	31 March 2003	31 March 2004	31 March 2003
		£	£	£	£
Amber Film Partners	2	-	701,248	-	6,420,690
Gemini Film Partners	1	923,858	-	-	-
Genius Film Partners	4	-	2,615,756	-	2,669,760
Ingenious Television Plc	3	96,870	-	-	-
Ingenious Ventures LP	5	-	209,539	-	-
Inside Track Productions LLP	6	2,403,149	1,440,313	48,891	911,093
Inside Track 1 LLP	7	5,776,856	-	103,503	-
Inside Track 2 LLP	8	9,715,996	-	3,500,000	-
Inside Track 3 LLP	9	10,028,033	-	2,345,018	-
Jade Film Partners	1	-	4,169	-	5
Opal Film Partners	1	-	43,858	-	75,274
Reel Film Partners	1	-	910,763	-	787,969
Sapphire Film Partners	1	-	30,881	-	-
Vision Film Partners	10	-	652,218	-	652,791
Westbridge Consulting Limited	11	9,500	-	-	-

	Sub-Note	Expenditure paid to entities listed below		Amounts due to entities listed below	
		31 March 2004	31 March 2003	31 March 2004	31 March 2003
		£	£	£	£
Ingenious Ventures LP	5	-	-	-	42,188
The McKenna Charitable Trust	12	539,890	270,000	-	-

Sub-Notes

1. Some group undertakings are partners in these partnerships.
2. Ingenious Films Limited and Ingenious Ventures Limited hold combined interests equal to 48.5% of the capital of Amber Film Partners.
3. Ingenious Media plc owns 1.5% of the ordinary share capital of Ingenious Television plc. Ingenious Ventures Limited is the operator of Ingenious Television plc. P A McKenna, K T J Mead and J L Boyton

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are directors of Ingenious Ventures Limited and of Ingenious Media plc, and hold beneficial interests in that company; G J Arkell is a director and beneficial shareholder of Ingenious Media plc; ME McKenna is the wife of P A McKenna, a director; all of the above are shareholders in Ingenious Television plc, in addition P A McKenna, K T J Mead and J L Boyton are directors of that company.

4. P A McKenna, a director, was a partner in Genius Film Partners until May 2003.
5. Ingenious Partners Limited, a company owned by P A McKenna, a director, is a partner in Ingenious Ventures Limited Partnership.
6. P A McKenna, K T J Mead, J L Boyton and D M Reid, directors, are members of Inside Track Productions Limited Liability Partnership.
7. N R Blackley, a director, is a member of Inside Track 1 Limited Liability Partnership.
8. P A McKenna, K T J Mead, J L Boyton, G J Arkell, N R Blackley, directors, are members of Inside Track 2 Limited Liability Partnership.
9. P A McKenna, K T J Mead, D M Reid, G J Arkell, directors and J P F Bradley, a director of Ingenious Ventures Limited, are members of Inside Track 3 Limited Liability Partnership (note 28).
10. M E McKenna, the wife of P A McKenna, a director, was a partner in Vision Film Partners until May 2003.
11. Ingenious Media plc holds a 25% in the issued ordinary share capital of Westbridge Consulting Limited. P A McKenna, a director, is also a director of Westbridge Consulting Limited.
12. P A McKenna, a director, is a trustee and a settlor of The McKenna Charitable Trust.

All the above non-charitable transactions with related parties were carried out on a commercial basis.

24. Transactions with directors

The following directors had loans during the year as stated below:

	Maximum in Year	Amount owed to the Company 2004	Amount owed to /(by) the Company 2003
	£	£	£
Directors' Loan Accounts			
G J Arkell	50,701	50,701	-
J L Boyton	50,233	50,233	-
P A McKenna	2,537,751	2,229,468	(27,020)
D M Reid	50,103	50,103	787

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Interest at 5% per annum is payable on these loans. At 31 March 2004 £63,644 of unpaid interest was due. Subsequent to the year end, the loans to J L Boyton, P A McKenna and D M Reid were repaid in full.

25. Pension cost

The company made £8,260 (2003 - £8,080) of pension contributions to an employee's and a director's personal pension schemes. At the year end there were no accrued or prepaid pension costs (2003 - £nil).

26. Control

During the two years ended 31 March 2004 the ultimate controlling party of the group and the company was P A McKenna.

27. Employees' share purchase scheme

During the year 99,562 shares of 5p each of classes 'B' through 'L' were acquired by employees and are held in trust by Ingenious Nominees Limited on behalf of named employees. The shares do not carry voting rights or entitlements to dividends, but entitle the owner to a share of the proceeds on sale or public listing of the company. Finance costs relating to the scheme are borne by Ingenious Media plc. Employees can be made to surrender their shares if they cease to be employees of the company.

28. Additional information on subsidiaries and associated undertakings

During the year the company had the following wholly owned principal operating subsidiaries which were all registered in England and Wales:-

Subsidiary Undertakings	Activity	Class	%
Ingenious Films Limited	Services to media, leisure and entertainment (FSA Registered)	Ordinary	100
Ingenious Corporate Finance Limited	Corporate finance (FSA Registered)	Ordinary	100
Mercury Film Productions Limited	Film Production	Ordinary	100
Ingenious Ventures Limited	Investment management services (FSA Registered)	Ordinary	100
Ingenious Media Consulting Limited	Management Consultancy	Ordinary	100
Ingenious Asset Management Limited	Management of collective investment schemes (FSA Registered)	Ordinary	100
Pall Mall Film Partners *	Film partnership	Equity	100
Opal Film Partner 1 Limited	Film investment	Ordinary	100
Amber Film Partner 1 Limited	Film investment	Ordinary	100

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* The group's holding in Pall Mall Film Partners is made up of the shares held by the company and three of its subsidiary undertakings.

Associated Undertakings

During the year the group had interests in the following associates:

Associated Undertakings	Activity	Class	%
Amber Film Partners	Film Partnership	Equity	48.5
Inside Track 3 LLP	Film Partnership	Individual Member	0.1
Westbridge Consulting Limited	Business Consultancy	Ordinary	25

The interest in Inside Track 3 LLP ('the LLP') was purchased for £114,450 by Ingenious Films Limited. Under the terms of the member's agreement for the LLP, Ingenious Films Limited is entitled to 1% of cash drawings from the LLP but is allocated 26% of profits and losses arising in the LLP.

Ingenious Ventures Limited acts as operator to the LLP.

For the reasons stated above, the directors consider the LLP to be an associated undertaking of the group.

The group's share of the operating results of its associate undertaking is based on the cash entitlement of 1% of drawings from the LLP.

Inside Track 3 LLP's operating loss for the year ended 5 April 2004 was £103,955,522 resulting in a net asset position of £15,072,866 at that date.

The group's allocation of losses of the LLP, as disclosed in the accounts for the LLP for the period ended 5 April 2004 was £27,028,436. The allocation of the loss has not been recognised as a liability within the group's accounts as, the likelihood of a liability crystallising is considered to be remote and contingent on the LLP being wound up within six years from the period giving rise to the loss.

Negative goodwill of £8,144,810 arose on acquisition of the LLP. The amount was subsequently removed on recognition of taxable losses allocated to the company.

Amber Film Partners is an unincorporated partnership whose principal place of business is 100 Pall Mall, London, SW1Y 5NQ. Ingenious Films Limited and Ingenious Ventures Limited both hold interests in Amber Film Partners.

Inside Track 3 LLP and Amber Film Partners have an accounting reference date of 5 April 2004.

29. Prior year adjustment

The prior year adjustment has arisen as a result of a change in accounting policy. Deferred tax assets and liabilities were not previously discounted. It is now considered that discounting deferred tax assets and liabilities is a better reflection of their valuation, as deferred tax liabilities reverse over a period of up to fifteen years. The effect of this change in accounting policy has been to increase profit after tax for the year by £650,656 (2003 - £1,310,755).