

**INGENIOUS MEDIA PLC**  
**GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 MARCH 2005**



EDX \*EUTG00D\* 1179  
COMPANIES HOUSE 28/10/05  
LD7 \*L4BFC9W\* 239  
COMPANIES HOUSE 28/10/2005

Company Registration Number  
3573626 (England and Wales)

4.11.05  
267

## INGENIOUS MEDIA PLC

**Directors** P A McKenna  
G J Arkell  
N R Blackley  
G R Bowles  
J L Boyton  
N C Harvey  
K T J Mead  
D M Reid  
M Simkins

**Secretary** J L Boyton

**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) Limited  
78 St. James Street  
London  
SW1A 1JB

**Solicitors** Harbottle & Lewis  
Hanover House  
14 Hanover Square  
London  
W1S 1HP

## INGENIOUS MEDIA PLC

### CONTENTS

#### Reports

|                              |   |
|------------------------------|---|
| Directors' Report            | 1 |
| Independent Auditors' Report | 4 |

#### Accounts

|   |    |
|---|----|
| Group Profit and Loss Account                           | 6  |
| Balance Sheets  | 7  |
| Group Statement of Total<br>Recognised Gains and Losses | 8  |
| Group Cashflow Statement                                | 9  |
| Principal Accounting Policies                           | 12 |
| Notes to the Accounts                                   | 14 |

**DIRECTORS' REPORT****31 MARCH 2005**

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

**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 6.

An interim dividend paid during the year amounted to £500,000 at £10 per 'A' ordinary share (2004 - £150,000 at £3 per ordinary 'A' share). The directors do not propose to pay a final dividend (2004 - £3,000,000 at £60 per ordinary 'A' share).

**Future Developments**

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

**Directors**

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

|              | As at 31 March 2005 |       |       |       |       |       |       |       |       |       |       |       |
|--------------|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|              | Shares of Class     |       |       |       |       |       |       |       |       |       |       |       |
|              | '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   | 323   | 322   |
| N J Harvey   | -                   | -     | -     | 451   | 451   | 151   | 151   | 151   | 151   | 151   | 151   | 150   |
| P A McKenna  | 50,000              | 5,293 | 4,976 | 4,193 | 4,192 | 6,110 | 6,110 | 6,110 | 6,110 | 6,110 | 6,110 | 6,109 |
| 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    |

**DIRECTORS' REPORT**  
**31 MARCH 2005**

As at 31 March 2004

Shares of Class

|              | '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   | 323   | 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 |
| 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    |

Subsequent to the year end on 9 June 2005, G R Bowles was appointed as a director of Ingenious Media plc.

**Charitable Contributions**

During the year the group made charitable donations of £7,650 (2004 - £539,890).

**Creditors Payment Policy**

On average, trade creditors during the year represented 24 (2004 - 24) 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 the affairs of the company and group and of the profit or loss of the group for that period. In preparing the 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

**DIRECTORS' REPORT**  
**31 MARCH 2005**

**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,

A handwritten signature in black ink, appearing to read 'P. A. McKenna', written over a horizontal line.

**P A MCKENNA**  
Director

Approved by the board on: 28 June 2005

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INGENIOUS MEDIA PLC  
YEAR ENDED 31 MARCH 2005**

We have audited the financial statements on pages 6 to 33 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 13.

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 2005**

**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 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Buzzacott', with a long horizontal stroke extending to the right.

**BUZZACOTT**

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

29 June 2005



**GROUP PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 MARCH 2005**

|  | Notes | 2005<br>£ '000s       | 2004<br>£ '000s |
|--|-------|-----------------------|-----------------|
| <b>Turnover</b>                                      | 1     | <b>54,895</b>         | 43,099          |
| Cost of Sales  |       | <u>(10,909)</u>       | <u>(8,436)</u>  |
| <b>Gross Profit</b>                                  |       | <b>43,986</b>         | 34,663          |
| Administrative Expenses                              |       | <u>(10,496)</u>       | <u>(9,126)</u>  |
| <b>Operating Profit</b>                              | 2     | <b>33,490</b>         | 25,537          |
| Share of profit of associated undertakings           | 10    | <b>763</b>            | 219             |
| Loss relating to JANE                                | 17    | <b>158</b>            | -               |
| Loss on disposal of investments                      |       | -                     | (220)           |
| Income from participating interests                  |       | <b>1,349</b>          | 82              |
| Interest receivable and similar income               | 5     | <b>3,168</b>          | 792             |
| Interest payable and similar charges                 | 6     | <b>(3,695)</b>        | (1,352)         |
| <b>Profit on ordinary activities before taxation</b> |       | <u><b>35,233</b></u>  | <u>25,058</u>   |
| Taxation   | 7     | <u><b>(4,380)</b></u> | <u>(518)</u>    |
| <b>Profit on ordinary activities after taxation</b>  |       | <b>30,853</b>         | 24,540          |
| Dividends  | 8     | <u><b>(500)</b></u>   | <u>(3,150)</u>  |
| <b>Retained Profit for the financial year</b>        | 19    | <u><b>30,353</b></u>  | <u>21,390</u>   |

All of the group's activities are 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 2005**

|  | Notes | Group            |                 | Company         |                 |
|--|-------|------------------|-----------------|-----------------|-----------------|
|  |       | 2005<br>£ '000s  | 2004<br>£ '000s | 2005<br>£ '000s | 2004<br>£ '000s |
| <b>Fixed Assets</b>  |       |                  |                 |                 |                 |
| Tangible Assets  | 9     | 186              | 509             | 186             | 509             |
| Investments  | 10    | 332,344          | 26,403          | 2,789           | 2,103           |
|  |       | <u>332,530</u>   | <u>26,912</u>   | <u>2,975</u>    | <u>2,612</u>    |
| <b>Current Assets</b>  |       |                  |                 |                 |                 |
| Stock  | 11    | 475              | 13,911          | -               | -               |
| Debtors :  |       |                  |                 |                 |                 |
| Due within 1 year  | 12    | 266,205          | 22,006          | 23,757          | 9,766           |
| Due after 1 year   | 12    | 201,533          | 5,179           | -               | 3,863           |
| Investments  | 13    | 21,221           | 10,000          | 19,196          | 10,000          |
| Cash at bank and in hand                                     |       | 205,968          | 27,024          | 214             | 23,569          |
|  |       | <u>695,402</u>   | <u>78,120</u>   | <u>43,167</u>   | <u>47,198</u>   |
| <b>Creditors: Amounts falling due within 1 year</b>          | 14    | <u>(503,616)</u> | <u>(29,885)</u> | <u>(6,085)</u>  | <u>(35,714)</u> |
| <b>Net Current Assets</b>                                    |       | <u>191,786</u>   | <u>48,235</u>   | <u>37,082</u>   | <u>11,484</u>   |
| <b>Total Assets less Current Liabilities</b>                 |       | <u>524,316</u>   | <u>75,147</u>   | <u>40,057</u>   | <u>14,096</u>   |
| <b>Creditors: Amounts falling due after more than 1 year</b> | 15    | <u>(437,399)</u> | <u>(21,980)</u> | <u>(75)</u>     | <u>(3,910)</u>  |
| <b>Provision for liabilities and charges</b>                 | 16    | <u>(12,159)</u>  | <u>(8,604)</u>  | <u>-</u>        | <u>-</u>        |
| <b>Amounts relating to JANE</b>                              | 17    | <u>158</u>       | <u>-</u>        | <u>-</u>        | <u>-</u>        |
| <b>Net Assets</b>  |       | <u>74,916</u>    | <u>44,563</u>   | <u>39,982</u>   | <u>10,186</u>   |
| <b>Capital and Reserves</b>                                  |       |                  |                 |                 |                 |
| <i>Equity Interests:</i>                                     |       |                  |                 |                 |                 |
| Called up share capital                                      | 18    | 55               | 55              | 55              | 55              |
| Profit and loss account                                      | 19    | 74,861           | 44,508          | 39,927          | 10,131          |
| <b>Shareholders' funds</b>                                   | 22    | <u>74,916</u>    | <u>44,563</u>   | <u>39,982</u>   | <u>10,186</u>   |

  
**J L BOYTON**  
 Director

Approved by the Board, 28 June 2005

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
AS AT 31 MARCH 2005**

|   | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-----------------|-----------------|
| <b>Profit for the year</b>                                    | <b>30,353</b>   | 21,390          |
| Prior Year Adjustment   | -               | 1,500           |
| <b>Total recognised gains and losses relating to the year</b> | <b>30,353</b>   | 22,890          |

**GROUP CASHFLOW STATEMENT**  
**YEAR ENDED 31 MARCH 2005**

|   | Notes | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-------|-----------------|-----------------|
| Cash inflow from operating activities   | A     | 15,020          | 27,670          |
| Dividends received from associates  |       | -               | -               |
| Returns on investment and servicing of finance                                  | B     | 596             | 373             |
| Taxation  |       | -               | -               |
| Capital expenditure and financial investment                                    | B     | (27,371)        | (10,551)        |
| Acquisitions and disposals  | B     | (8,012)         | (13,719)        |
| Equity Dividends paid   |       | <u>(3,500)</u>  | <u>(150)</u>    |
| Net cash (outflow) / inflow before management of liquid resources and financing |       | (23,267)        | 3,623           |
| Financing   | B     | <u>18,178</u>   | <u>10,262</u>   |
| (Decrease) / Increase in cash in the year                                       | C     | <u>(5,089)</u>  | 13,885          |

**NOTES TO THE CASHFLOW STATEMENT**  
**YEAR ENDED 31 MARCH 2005**

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

|   | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-----------------|-----------------|
| <b>Operating Profit</b>   | <b>33,490</b>   | <b>25,537</b>   |
| Depreciation Charge   | 336             | 257             |
| Diminution/(Appreciation) in value of current asset investments | -               | 125             |
| Increase in stock   | 13,436          | (13,911)        |
| (Increase)/Decrease in debtors                                  | (41,181)        | 937             |
| Increase in creditors   | 8,939           | 14,725          |
| <b>Net cash inflow from operating activities</b>                | <b>15,020</b>   | <b>27,670</b>   |

**B) Gross cash flows**

|  | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-----------------|-----------------|
| <b>Returns on investment and servicing of finance</b>    |                 |                 |
| Dividends received                                       | -               | 82              |
| Interest received  | 2,752           | 791             |
| Interest paid  | (3,695)         | (1,352)         |
| Amounts received from associates and other investments   | 1,539           | 852             |
|  | <b>596</b>      | <b>373</b>      |
| <b>Capital expenditure and financial investments</b>     |                 |                 |
| Current asset investment                                 | (10,400)        | (10,000)        |
| Payments to acquire tangible fixed assets                | (13)            | (335)           |
| Payments to acquire investment in partnerships           | -               | -               |
| Receipt on sale of other investments                     | -               | 45              |
| Purchase of other investments                            | (16,270)        | (97)            |
| Loans to limited partnership investment                  | (688)           | (164)           |
|  | <b>(27,371)</b> | <b>(10,551)</b> |
| <b>Acquisitions and disposals</b>                        |                 |                 |
| Payments to acquire investment in associated undertaking | (8,012)         | (13,719)        |
|  | <b>(8,012)</b>  | <b>(13,719)</b> |

**NOTES TO THE CASHFLOW STATEMENT**  
**YEAR ENDED 31 MARCH 2005**

**Financing**

|                        |               |          |
|------------------------|---------------|----------|
| Bank loans             | <b>13,418</b> | 10,260   |
| Other loans            | <b>4,760</b>  | -        |
| Issue of share capital | <b>-</b>      | <b>2</b> |
|                        | <b>18,178</b> | 10,262   |

**C) Analysis of changes in net cash / (debt)**

|   | At 1 April<br>2004<br>£ '000s | Cash flows<br>£ '000s | Other changes<br>£ '000s | At 31 March<br>2005<br>£ '000s |
|---|-------------------------------|-----------------------|--------------------------|--------------------------------|
| Cash at bank and in hand and overdrafts | 27,024                        | (5,089)               | -                        | <b>21,935</b>                  |
| Debt due after one year - loans         | (21,980)                      | (16,941)              | (398,478)                | <b>(437,399)</b>               |
| Debt due within one year -<br>loans     | (477)                         | (1,237)               | -                        | <b>(1,714)</b>                 |
|   | <b>4,567</b>                  | <b>(23,267)</b>       | <b>(398,478)</b>         | <b>(417,178)</b>               |

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**

|   | 2005<br>£ '000s  | 2004<br>£ '000s |
|---|------------------|-----------------|
| (Decrease) / increase in cash in the year | <b>(5,089)</b>   | 13,885          |
| Cash inflow from increase in debt         | <b>(18,178)</b>  | (10,260)        |
| Changes resulting from cashflows          | <b>(23,267)</b>  | 3,625           |
| Other changes                             | <b>(398,478)</b> | -               |
| Net cash at 1 April 2004                  | <b>4,567</b>     | 942             |
| <b>Net debt at 31 March 2005</b>          | <b>(417,178)</b> | <b>4,567</b>    |

**PRINCIPAL ACCOUNTING POLICIES****31 MARCH 2005****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 £30m (2004 - £6m).

**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***Interest 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 partnership's or associated undertaking's profit or loss is included within the profit and loss account

*Other investments*

Other investments are stated at cost, less any provision for permanent diminution in value.

*Current asset investments*

Where current asset investments have a readily ascertainable market value that can be realised at any time, they are recorded at that market value. In the event that there is no readily ascertainable market value they are stated at the lower of cost and the directors' best estimate of their net realisable value.

**Trade loans**

Trade loans entered into are recorded at the full extent of their legal liability at the date that the loan agreement was signed, less any repayments to date.

**PRINCIPAL ACCOUNTING POLICIES****31 MARCH 2005****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 date, 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 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 fees receivable for entering into sale and leaseback transactions are credited to the profit and loss account in the year during which the contracts are fulfilled. The balance of sale proceeds and the corresponding lease obligations are not brought into the accounts, as explained in note 23.

**Foreign Currencies**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

**Joint Arrangement Not an Entity ('JANE')**

During the year, Ingenious Film Services Limited, a wholly owned subsidiary, entered into a Film Services Agreement with Ingenious Film Partners LLP ('LLP'), to source and undertake various film production and development activities on the LLP's behalf. The LLP maintains a right of approval over any such activities and also over the use of such funds advanced until suitable opportunities arise. The risks and rewards of the activities conducted rest with the LLP.

In the opinion of the directors the above arrangement constitutes a JANE, as defined by FRS 9, *Associates and Joint Ventures*. Accordingly all transactions entered into by the company under the Film Services Agreement are adjusted for within the group's accounts and recorded in the LLP's accounts to correctly reflect the substance of those transactions.



**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**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**

|   | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-----------------|-----------------|
| This is stated after charging:                              |                 |                 |
| Depreciation of fixed assets                                | 336             | 257             |
| Operating lease rentals - land and buildings                | 600             | 450             |
| Auditors' Remuneration (company - £20,000 (2004 - £10,700)) | 93              | 57              |

Fees for non-audit services amounted to £154,000 (2004 - £136,270).

**3. Staff costs**

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

|                       | 2005<br>£ '000s | 2004<br>£ '000s |
|-----------------------|-----------------|-----------------|
| Wages and salaries    | 6,184           | 5,072           |
| Social security costs | 756             | 608             |
| Other pension costs   | 8               | 8               |
|                       | <b>6,948</b>    | <b>5,688</b>    |

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

|                           | 2005 | 2004 |
|---------------------------|------|------|
| Office and administration | 64   | 62   |

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**4. Directors remuneration**

|  | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-----------------|-----------------|
| Emoluments for qualifying services                     | 2,199           | 1,216           |
| Company pension contributions to money purchase scheme | 4               | 5               |
|  | <b>2,203</b>    | <b>1,221</b>    |

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 group were as follows:

|                                    | 2005<br>£ '000s | 2004<br>£ '000s |
|------------------------------------|-----------------|-----------------|
| Emoluments for qualifying services | 525             | 306             |

**5. Interest receivable and similar income**

|               | 2005<br>£ '000s | 2004<br>£ '000s |
|---------------|-----------------|-----------------|
| Bank interest | 971             | 537             |
| Loan interest | 2,197           | 255             |
|               | <b>3,168</b>    | <b>792</b>      |

**6. Interest payable and similar charges**

|  | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-----------------|-----------------|
| Interest payable on bank overdrafts and bank loans | 3,695           | 1,352           |

## NOTES TO THE ACCOUNTS

31 MARCH 2005

## 7. Taxation

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

|   | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-----------------|-----------------|
| UK Corporation tax at 30% (2004 - 30%) based on the adjusted results for the year | 825             | -               |
| Adjustments in respect of prior years   | -               | (3,446)         |
| Current tax charge / (credit)   | 825             | (3,446)         |
| Provision for deferred taxation for the year (note 16)                            | 3,555           | 3,964           |
|   | <b>4,380</b>    | <b>518</b>      |

Factors affecting tax charge for the year:

|   | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-----------------|-----------------|
| <b>Profit on ordinary activities before taxation</b>  | <b>35,233</b>   | <b>25,058</b>   |
| Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%) | 10,570          | 7,517           |
| Effects of:   |                 |                 |
| Adjustments resulting from investment in film partnerships  | (5,055)         | (5,152)         |
| Adjustment in respect of investment in associated LLP   | (12,877)        | (7,873)         |
| Income not taxable  | -               | (25)            |
| Amounts carried forward to future periods   | -               | 2,576           |
| Amounts carried back to prior periods   | -               | 2,586           |
| Unrelieved tax losses in period   | 8,179           | -               |
| Utilisation of tax losses brought forward   | (75)            | -               |
| Expenses not deductible for tax purposes  | 27              | 295             |
| Excess of depreciation over capital allowances  | 18              | 37              |
| Short term timing differences   | 6               | -               |
| Sundry adjustments  | 32              | 39              |
| Adjustments in respect of prior years   | -               | (3,446)         |
| <b>Current tax charge</b>   | <b>825</b>      | <b>(3,446)</b>  |

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**8. Dividends**

|   | <b>2005</b><br><b>£ '000s</b> | <b>2004</b><br><b>£ '000s</b> |
|---|-------------------------------|-------------------------------|
| Interim paid - £10 (2004 - £3) per 'A' ordinary share     | <b>500</b>                    | 150                           |
| Final proposed - £Nil (2004 - £60) per 'A' ordinary share | <b>-</b>                      | 3,000                         |
|   | <b>500</b>                    | 3,150                         |

**9. Tangible Fixed Assets**

| <i>Group and company</i> | Short<br>leasehold<br>land and<br>buildings<br>£ '000s | Fixtures,<br>fittings and<br>equipment<br>£ '000s | <b>Total</b><br><br>£ '000s |
|--------------------------|--|---|-----------------------------|
| <b>Cost</b>              |  |   |                             |
| At 1 April 2004          | 470  | 418   | <b>888</b>                  |
| Additions                | -  | 13  | <b>13</b>                   |
| Disposals                | -  | (28)  | <b>(28)</b>                 |
| At 31 March 2005         | <b>470</b>   | <b>403</b>  | <b>873</b>                  |
| <b>Depreciation</b>      |  |   |                             |
| At 1 April 2004          | 209  | 170   | <b>379</b>                  |
| Disposals                | -  | (28)  | <b>(28)</b>                 |
| Charge for the year      | 201  | 135   | <b>336</b>                  |
| At 31 March 2005         | <b>410</b>   | <b>277</b>  | <b>687</b>                  |
| <b>Net Book Values</b>   |  |   |                             |
| At 31 March 2005         | <b>60</b>  | <b>126</b>  | <b>186</b>                  |
| At 31 March 2004         | 261  | 248   | <b>509</b>                  |

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**10. Fixed Asset Investments - Group**

|                                   | Shares in<br>associated<br>undertakings<br>£ '000s | Other loans<br>£ '000s | Other<br>investments<br>£ '000s | Total<br>£ '000s |
|-----------------------------------|--|------------------------|---------------------------------|------------------|
| <b>Cost / Share of Net Assets</b> |  |                        |                                 |                  |
| At 1 April 2004                   | 24,934   | 1,288                  | 181                             | <b>26,403</b>    |
| Additions                         |  |                        |                                 |                  |
| Capital                           | 289,708  | 688                    | 16,270                          | <b>306,666</b>   |
| Drawings                          | (1,281)  | -                      | (173)                           | <b>(1,454)</b>   |
| Profits / (losses)                | 763  | -                      | (34)                            | <b>729</b>       |
| <b>At 31 March 2005</b>           | <b>314,124</b>                                     | <b>1,976</b>           | <b>16,244</b>                   | <b>332,344</b>   |

**Fixed Asset Investments - Company**

|                                   | Shares in<br>subsidiary<br>undertakings<br>£ '000s | Shares in<br>associated<br>undertakings<br>£ '000s | Other<br>Investments<br>£ '000s | Other Loans<br>£ '000s | Total<br>£ '000s |
|-----------------------------------|--|--|---------------------------------|------------------------|------------------|
| <b>Cost / Share of Net Assets</b> |  |  |                                 |                        |                  |
| At 1 April 2004                   | 597  | 40   | 178                             | 1,288                  | <b>2,103</b>     |
| Additions                         |  |  |                                 |                        |                  |
| Capital                           | -  | -  | -                               | 689                    | <b>689</b>       |
| Drawings                          | -  | -  | (5)                             | -                      | <b>(5)</b>       |
| Profits                           | -  | -  | 2                               | -                      | <b>2</b>         |
| <b>At 31 March 2005</b>           | <b>597</b>   | <b>40</b>  | <b>175</b>                      | <b>1,977</b>           | <b>2,789</b>     |

Additional information on subsidiaries is detailed in note 29.

**NOTES TO THE ACCOUNTS****31 MARCH 2005****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 £1.98m (2004 - £1.28m) 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 £18.71m (2004 - £0.82m) 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 is 100 Pall Mall, London, SW1Y 5NQ, United Kingdom. Pall Mall Film Partners made a net loss of £0.358m (2004 - £0.586m) during the year ended 5 April 2005. 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.

**11. Stock**

|                | Group   |         | Company |         |
|----------------|---------|---------|---------|---------|
|                | 2005    | 2004    | 2005    | 2004    |
|                | £ '000s | £ '000s | £ '000s | £ '000s |
| Finished Goods | 475     | 13,911  | -       | -       |

Stock represents films in production and development and is stated at the lower of cost and net realisable value.

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**12. Debtors**

|   | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2005<br>£ '000s | 2004<br>£ '000s | 2005<br>£ '000s | 2004<br>£ '000s |
| Falling due within one year:  |                 |                 |                 |                 |
| Trade debtors   | 40,217          | 7,048           | 9,145           | -               |
| Amounts owed by group undertakings  | -               | -               | 13,532          | 157             |
| Amounts due from undertakings in which the company has a participating interest | 566             | 584             | 894             | -               |
| Trade loans   | -               | 9,024           | -               | 6,095           |
| Other loans   | 224,140         | -               | -               | -               |
| Other debtors   | 51              | 1,013           | 32              | 975             |
| Directors' current accounts (note 25)   | -               | 2,380           | -               | 2,380           |
| Prepayments and accrued income  | 695             | 1,903           | 154             | 159             |
| Net investment in film finance leases   | 536             | 54              | -               | -               |
|   | <b>266,205</b>  | <b>22,006</b>   | <b>23,757</b>   | <b>9,766</b>    |
| Falling due after more than one year:   |                 |                 |                 |                 |
| Net investment in film finance leases   | 14,308          | 1,316           | -               | -               |
| Other loans   | 187,225         | 3,863           | -               | 3,863           |
|   | <b>201,533</b>  | <b>5,179</b>    | <b>-</b>        | <b>3,863</b>    |
|   | <b>467,738</b>  | <b>27,185</b>   | <b>23,757</b>   | <b>13,629</b>   |

**13. Current asset investments**

|                   | Group           |                 | Company         |                 |
|-------------------|-----------------|-----------------|-----------------|-----------------|
|                   | 2005<br>£ '000s | 2004<br>£ '000s | 2005<br>£ '000s | 2004<br>£ '000s |
| Other investments | 21,221          | 10,000          | 19,196          | 10,000          |

The balances represent investments in funds managed by Ingenious Asset Management Limited, a wholly owned subsidiary.

During the year the group invested an additional £10.4m in investment funds. The total historical cost of current asset investments at the year end was £20.4m (company - £18.4m). During the year the investments were revalued at market value resulting in an upward valuation of £0.8m.

## NOTES TO THE ACCOUNTS

31 MARCH 2005

## 14. Creditors: amounts falling due within one year

|  | Group          |               | Company      |               |
|--|----------------|---------------|--------------|---------------|
|  | 2005           | 2004          | 2005         | 2004          |
|  | £ '000s        | £ '000s       | £ '000s      | £ '000s       |
| Bank loans and overdrafts                                    | 185,747        | 477           | 3            | 115           |
| Trade creditors  | 903            | 556           | 166          | 117           |
| Amounts owed to group undertakings                           | -              | -             | 4,158        | 29,748        |
| Social security and other taxes                              | 3,330          | 1,619         | 223          | 576           |
| Corporation tax  | 825            | -             | -            | -             |
| Other creditors  | 3,029          | 823           | 16           | 68            |
| Dividends payable  | -              | 3,000         | -            | 3,000         |
| Accruals and deferred income                                 | 10,434         | 5,204         | 1,512        | 2,090         |
| Balances in respect of film acquisition                      | 13,352         | 13,913        | -            | -             |
| Balances in respect of investment in associated undertakings | 285,989        | 4,293         | -            | -             |
| Directors' current account (note 25)                         | 7              | -             | 7            | -             |
|  | <b>503,616</b> | <b>29,885</b> | <b>6,085</b> | <b>35,714</b> |

Included within bank loans and overdrafts are balances amounting to £184m representing a short-term facility from HSBC Private Bank (UK) Limited and secured by cash held in bank accounts of other group companies. The remaining bank loans and overdrafts are secured on lease rentals receivable from sale and leaseback partnerships in which the group has an interest.

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

|             | Group          |               | Company   |              |
|-------------|----------------|---------------|-----------|--------------|
|             | 2005           | 2004          | 2005      | 2004         |
|             | £ '000s        | £ '000s       | £ '000s   | £ '000s      |
| Bank Loans  | 34,161         | 21,980        | 75        | 3,910        |
| Trade Loans | 403,238        | -             | -         | -            |
|             | <b>437,399</b> | <b>21,980</b> | <b>75</b> | <b>3,910</b> |



**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

Bank loans fall due for repayment as follows:

|                              | Group           |                 | Company         |                 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
|                              | 2005<br>£ '000s | 2004<br>£ '000s | 2005<br>£ '000s | 2004<br>£ '000s |
| Due within one to two years  | <b>1,265</b>    | 770             | <b>3</b>        | 139             |
| Due within two to five years | <b>5,925</b>    | 3,141           | <b>14</b>       | 579             |
| Due thereafter               | <b>26,971</b>   | 18,069          | <b>58</b>       | 3,192           |
|                              | <b>34,161</b>   | 21,980          | <b>75</b>       | 3,910           |

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 13 years. Interest of 5.5% per annum is payable on these loans.

Trade loans represent amounts loaned by film distributors. Repayment is on a limited recourse basis from contracted proportions of the group's share of drawings from Ingenious Film Partners LLP.

As drawings are not anticipated until at least one year from 31 March 2005, the loans have been classed as due after more than one year.

**16. Provisions for liabilities and charges**

| <i>Group deferred taxation</i>                 | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-----------------|-----------------|
| Undiscounted provision for deferred tax        | <b>15,100</b>   | 10,755          |
| Discount                                       | <b>(2,941)</b>  | (2,151)         |
| Discounted provision for deferred tax          | <b>12,159</b>   | 8,604           |
| Balance at 1 April 2004                        | <b>8,604</b>    |                 |
| Deferred Tax charge in profit and loss account | <b>3,555</b>    |                 |
| Balance at 31 March 2005                       | <b>12,159</b>   |                 |

The deferred tax provision arises due to the investment in British film partnerships (note 10) and will reverse by 2017.

## NOTES TO THE ACCOUNTS

31 MARCH 2005

**17. Joint Arrangement not an Entity ('JANE')**

As described in the accounting policy note, Ingenious Film Services Limited entered into a JANE with Ingenious Film Partners LLP during the year. The transactions under this arrangement have been removed from these accounts in order to properly reflect their substance. The net adjustment was as follows:

|  | 2005<br>£ '000s |
|--|-----------------|
| Profit & Loss Account                                      |                 |
| Turnover   | -               |
| Cost of Sales  | <u>158</u>      |
| Gross loss and loss on ordinary activities before taxation | <u>158</u>      |
| Balance Sheet  |                 |
| Current Assets   | (175,824)       |
| Creditors: Amounts falling due within 1 year               | 604             |
| Creditors: Amounts falling due after more than 1 year      | <u>175,378</u>  |
| Net liabilities  | <u>158</u>      |

**18. 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.

## NOTES TO THE ACCOUNTS

31 MARCH 2005

|                             | 2005         |               | 2004         |               |
|-----------------------------|--------------|---------------|--------------|---------------|
|                             | £ '000s      | No '000s      | £ '000s      | No '000s      |
| Class 'A' shares of £1 each | 50.00        | 50.00         | 50.00        | 50.00         |
| Class 'B' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'C' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'D' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'E' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'F' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'G' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'H' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'I' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'J' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'K' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
| Class 'L' shares of 5p each | 0.50         | 10.00         | 0.50         | 10.00         |
|                             | <b>55.50</b> | <b>160.00</b> | <b>55.50</b> | <b>160.00</b> |

|                             | 2005         |               | 2004         |               |
|-----------------------------|--------------|---------------|--------------|---------------|
|                             | £ '000s      | No '000s      | £ '000s      | No '000s      |
| Class 'A' shares of £1 each | 50.00        | 50.00         | 50.00        | 50.00         |
| Class 'B' shares of 5p each | 0.46         | 9.00          | 0.46         | 9.00          |
| Class 'C' shares of 5p each | 0.46         | 9.04          | 0.46         | 9.04          |
| Class 'D' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
| Class 'E' shares of 5p each | 0.46         | 9.20          | 0.46         | 9.20          |
| Class 'F' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
| Class 'G' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
| Class 'H' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
| Class 'I' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
| Class 'J' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
| Class 'K' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
| Class 'L' shares of 5p each | 0.45         | 9.04          | 0.45         | 9.04          |
|                             | <b>54.98</b> | <b>149.56</b> | <b>54.98</b> | <b>149.56</b> |

During the previous year 99,562 class 'B' through 'L' share at 5p each were issued. Of these shares, 59,920 shares were issued as a bonus issue for the par value of £2,996. The remaining 39,642 shares were issued at par for cash of £1,982 (see note 28 for details).

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**19. Statement of movements on profit and loss account**

| <i>Group</i>                 | <b>Profit and<br/>loss account</b> |
|------------------------------|------------------------------------|
|                              | <b>£ '000s</b>                     |
| At 1 April 2004              | 44,508                             |
| Retained profit for the year | <u>30,353</u>                      |
| <b>At 31 March 2005</b>      | <b>74,861</b>                      |

| <i>Company</i>               | <b>Profit and<br/>loss account</b> |
|------------------------------|------------------------------------|
|                              | <b>£ '000s</b>                     |
| At 1 April 2004              | 10,131                             |
| Retained profit for the year | <u>29,796</u>                      |
| <b>At 31 March 2005</b>      | <b>39,927</b>                      |

**20. Financial commitments**

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

| <i>Group and company</i>       | <b>Land and buildings</b> |                |
|--------------------------------|---------------------------|----------------|
|                                | <b>2005</b>               | <b>2004</b>    |
|                                | <b>£ '000s</b>            | <b>£ '000s</b> |
| Operating leases which expire: |                           |                |
| Within one year                | -                         | -              |
| Within two to five years       | -                         | -              |
| Thereafter                     | <u>506</u>                | <u>506</u>     |
|                                | <b>506</b>                | <b>506</b>     |

**21. Capital commitments**

At 31 March 2005 the group had capital commitments as follows:

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 £2.5m. At the year end the company had provided a loan facility amounting to £1.98m (2004 - £1.29m) of this total commitment.

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**22. Reconciliation of movements in shareholders' funds**

| <i>Group</i>  | <b>2005</b><br><b>£ '000s</b> | <b>2004</b><br><b>£ '000s</b> |
|---|-------------------------------|-------------------------------|
| Equity Funds:                                       |                               |                               |
| Profit for the financial year after taxation        | <b>30,853</b>                 | 24,540                        |
| Dividends   | <b>(500)</b>                  | (3,150)                       |
| Share capital issued for cash                       | <u>-</u>                      | <u>2</u>                      |
| Net movement in shareholders' funds                 | <b>30,353</b>                 | 21,392                        |
| Opening shareholders' funds at 1 April 2004         | <u><b>44,563</b></u>          | <u>23,171</u>                 |
| <b>Closing shareholders' funds at 31 March 2005</b> | <b>74,916</b>                 | 44,563                        |

**23. 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 £8.5m at 31 March 2005 (2004 - £9m) 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.

## NOTES TO THE ACCOUNTS

31 MARCH 2005

## 24. 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<br>entities listed below |         | Amounts due from entities<br>listed below |         |
|----------------------------------|----------|--|---------|---|---------|
|                                  |          | 2005   | 2004    | 2005                                      | 2004    |
|                                  |          | £ '000s  | £ '000s | £ '000s                                   | £ '000s |
| 19 Entertainment Ltd             | 1        | 1,198  | 200     | 58  | 39      |
| Amber Film Partners              | 3        | -  | 475     | -   | 584     |
| Cherwell Films LLP               | 2        | 5,628  | -       | 5,558                                     | -       |
| Cream Holdings Ltd               | 1        | 120  | 120     | 12  | 24      |
| Gemini Film Partners             | 2        | -  | 929     | -   | 733     |
| ID Distribution Ltd              | 1        | 78   | -       | -   | -       |
| Ingenious Film Partners LLP      | 6        | 18,872   | -       | 178,274                                   | -       |
| Ingenious Music VCT plc          | 5        | 247  | -       | 247                                       | -       |
| Ingenious Television Plc         | 4        | 35   | 97      | -   | -       |
| Ingenious Ventures LP            | 7        | 200  | 188     | -   | -       |
| Inside Track Productions LLP     | 8        | -  | 2,403   | -   | 49      |
| Inside Track 1 LLP               | 9        | -  | 5,777   | 350                                       | 104     |
| Inside Track 2 LLP               | 10       | -  | 9,716   | -   | 3,500   |
| Inside Track 3 LLP               | 11       | -  | 10,028  | -   | 2,345   |
| Jade Film Partners               | 2        | -  | -       | -   | 1       |
| Orwell Films LLP                 | 2        | 2,531  | -       | -   | -       |
| Stage Three Music Ltd            | 1        | 85   | 44      | 12  | 7       |
| Westbridge Consulting<br>Limited | 12       | -  | 10      | -   | -       |
|                                  | Sub-note | Expenditure paid to entities<br>listed below     |         | Amounts due to entities listed<br>below   |         |
|                                  |          | 2005   | 2004    | 2005                                      | 2004    |
|                                  |          | £ '000s  | £ '000s | £ '000s                                   | £ '000s |
| Ingenious Film Partners          | 6        | -  | -       | 403,239                                   | -       |
| Orwell Films LLP                 | 2        | -  | -       | 11,814                                    | -       |
| The McKenna Charitable<br>Trust  | 13       | -  | 540     | -   | -       |

## NOTES TO THE ACCOUNTS

### 31 MARCH 2005

#### Sub-notes

1. Ingenious Media plc is a partner in Ingenious Ventures LP, which holds an equity stake in ID Distribution Limited, 19 Entertainment Limited, Cream Holdings Limited and Stage Three Music Limited. P A McKenna, a director, is also a director of all those companies except 19 Entertainment Limited from which he resigned on 17 March 2005.
2. Some group undertakings are partners in these partnerships.
3. Ingenious Films Limited and Ingenious Ventures Limited hold combined interests equal to 45.1% of the capital of Amber Film Partners.
4. 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 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; M E 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.
5. P A McKenna, K T J Mead, J L Boyton and D M Reid are directors of both Ingenious Ventures Limited and of Ingenious Media plc, and hold beneficial interests in Ingenious Media plc. They are also shareholders of Ingenious Music VCT plc. P A McKenna is also a non-executive director of that company.
6. Ingenious Film Partners Limited holds a 50% equity share in Ingenious Film Partners LLP, purchased for £290m during the year. Of this amount, £286m remained outstanding at the year end. Waterloo Film Partner 1 Limited and Waterloo Film Partner 2 Limited are the Designated Members of the LLP. Ingenious Films Limited is the operator of Ingenious Film Partners LLP. All of the above companies are wholly owned subsidiaries. P A McKenna, K T J Mead, J L Boyton, D M Reid, N C Harvey, G J Arkell and N R Blackley, directors and beneficial shareholders, are all members of the LLP. Two of the five members of the LLP's Executive Committee are P A McKenna and D M Reid. Ingenious Film Services Limited has entered into a Film Services Agreement with the LLP under which £175.3m had been committed, but not paid, at the year end.  
  
Income from the LLP represents operator fees receivable during the year. Of this amount, £3m remained outstanding at the year end.
7. Ingenious Partners Limited, a company owned by P A McKenna, a director, is a partner in Ingenious Ventures Limited Partnership, as is Ingenious Media plc.
8. P A McKenna, K T J Mead, J L Boyton and D M Reid, directors, are members of Inside Track Productions Limited Liability Partnership. Ingenious Ventures Limited is the operator of the LLP, Trafalgar Film Partner 1 Limited and Trafalgar Film Partner 2 Limited are the designated members. All of the above companies are wholly owned subsidiaries.
9. N R Blackley, a director, is a member of Inside Track 1 Limited Liability Partnership. Ingenious Ventures Limited is the operator of the LLP, Trafalgar Film Partner 1 Limited and Trafalgar Film Partner 2 Limited are the designated members. All of the above companies are wholly owned subsidiaries.

## NOTES TO THE ACCOUNTS

31 MARCH 2005

10. P A McKenna, K T J Mead, J L Boyton, D M Reid, G J Arkell, N R Blackley, directors, are members of Inside Track 2 Limited Liability Partnership. Ingenious Ventures Limited is the operator of the LLP, Trafalgar Film Partner 1 Limited and Trafalgar Film Partner 2 Limited are the designated members. All of the above companies are wholly owned subsidiaries.
11. 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 29). Ingenious Ventures Limited is the operator of the LLP, Trafalgar Film Partner 1 Limited and Trafalgar Film Partner 2 Limited are the designated members. All of the above companies are wholly owned subsidiaries.
12. Ingenious Media plc holds a 25% stake in the issued ordinary share capital of Westbridge Consulting Limited. P A McKenna, a director, is also a director of Westbridge Consulting Limited.
13. P A McKenna, a director, is a trustee and settlor of The McKenna Charitable Trust.
14. During the period, the group made loans of £185m to individuals investing in Ingenious Film Partners LLP. The LLP is operated by Ingenious Films Limited and Ingenious Film Partners Limited holds a 50% share in the LLP. Waterloo Film Partner 1 Limited and Waterloo Film Partner 2 Limited are the Designated Members of the LLP. All of the above companies are fellow subsidiaries of the Ingenious Media plc. At the year end, £185m remained outstanding.
15. Ingenious Asset Management Limited, a wholly owned subsidiary, receives a fee based on all funds under management during the year. The following entities had invested in the Ingenious Enhanced Cash Fund, a fund administered by the company:

*Ingenious Television LLP*

During the year Ingenious Television LLP invested a total of £5m in the Fund. At the year end, £2.8m remained in the Fund.

Ingenious Ventures Limited, a group company, is operator of the partnership.

P A McKenna, K T J Mead, J L Boyton and G J Arkell, directors and beneficial shareholders of Ingenious Media plc, the parent company; M E McKenna, the wife of P A McKenna, a director; are all shareholders in Ingenious Television plc, a member of the partnership, in addition P A McKenna, K T J Mead and J L Boyton are directors of that company.

*Ingenious Film Partners LLP*

During the year Ingenious Film Partners LLP (see sub-note 6 above) invested a total of £45m in the Fund. At the year end, £45m remained in the Fund.

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



**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**25. Directors' Current Accounts**

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

|                                 |                                | Maximum in<br>Year | Amount<br>owed to /<br>(by) the<br>company | Amount<br>owed to the<br>company |
|---------------------------------|--------------------------------|--------------------|--|----------------------------------|
|                                 |                                | £ '000s            | 2005<br>£ '000s                            | 2004<br>£ '000s                  |
| <b>Directors' Loan Accounts</b> |                                |                    |  |                                  |
| G J Arkell                      | (with Ingenious Resources Ltd) | 100                | <b>100</b>                                 | 51                               |
| J L Boyton                      | (with Ingenious Resources Ltd) | 100                | <b>100</b>                                 | 50                               |
| N R Blackley                    | (with Ingenious Resources Ltd) | 100                | <b>100</b>                                 | -                                |
| K T J Mead                      | (with Ingenious Resources Ltd) | 100                | <b>100</b>                                 | -                                |
| N C Harvey                      | (with Ingenious Resources Ltd) | 100                | <b>100</b>                                 | -                                |
| P A McKenna                     | (with Ingenious Resources Ltd) | 100                | <b>100</b>                                 | -                                |
|                                 | (to Ingenious Media plc)       | 2,229              | <b>(7)</b>                                 | 2,229                            |
| D M Reid                        | (with Ingenious Resources Ltd) | 100                | <b>100</b>                                 | 50                               |

The loans from Ingenious Resources Limited are provided on the same basis as is provided to other individuals in the ordinary course of that company's trade.

Interest on the balances loaned from Ingenious Media plc accrues at 5% per annum. At 31 March 2005 £Nil (2004 - £63,644) of unpaid interest was due.

**26. Pension cost**

The company made £8,380 (2004 - £8,260) 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 (2004 - £Nil).

**27. Control**

During the two years ended 31 March 2005 the ultimate controlling party of the group and the company was P A McKenna.

## NOTES TO THE ACCOUNTS

31 MARCH 2005

**28. Employees' share purchase scheme**

Shares of 5p each of classes 'B' through 'L' acquired by employees are held in trust by Ingenious Nominees Limited, a wholly owned subsidiary, 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.

**29. 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, and were included within the consolidated accounts:-

| Subsidiary Undertakings         | Activity   | Class    | %   |
|---------------------------------|--|----------|-----|
| Ingenious Films Ltd             | Services to media, leisure and entertainment sector (FSA registered) | Ordinary | 100 |
| Ingenious Corporate Finance Ltd | Corporate finance (FSA Registered)                                   | Ordinary | 100 |
| Ingenious Resources Ltd         | Provision of investment capital                                      | Ordinary | 100 |
| Ingenious Treasury Services Ltd | Group Treasury function  | Ordinary | 100 |
| Ingenious Film Services Ltd     | Services to film industry  | Ordinary | 100 |
| Ingenious Film Partners Ltd     | Film Production  | Ordinary | 100 |
| Mercury Film Productions Ltd    | Film Production  | Ordinary | 100 |
| Ingenious Ventures Ltd          | Investment management services (FSA)                                 | Ordinary | 100 |
| Ingenious Media Consulting Ltd  | Management Consultancy   | Ordinary | 100 |
| Ingenious Asset Management Ltd  | Administration of Collective investment schemes (FSA registered)     | Ordinary | 100 |
| Pall Mall Film Partners *       | Film partnership   | Equity   | 100 |
| Opal Film Partner 1 Ltd         | Film investment  | Ordinary | 100 |
| Amber Film Partner 1 Ltd        | Film investment  | Ordinary | 100 |

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

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

*Ingenious Film Partners LLP*

The interest in Ingenious Film Partners LLP ('the LLP') was purchased for £290m by Ingenious Film Partners Limited. Under the terms of the members' agreement for the LLP, Ingenious Film Partners Limited is entitled to 50% of cash drawings from the LLP. Profits and losses of the LLP are allocated in accordance with the members' agreement.

Ingenious Films Limited acts as operator to the LLP.

The LLP is controlled by its Executive Committee, two of the five members of which include P A McKenna and D M Reid who are also members. Both are also directors of Ingenious Media plc.

The directors consider the LLP to be an associated undertaking of the group.

Ingenious Film Partners LLP's operating loss for the period from 16 July 2004 to 5 April 2005, as shown in the audited accounts, was £350m, resulting in a net asset position of £322m at that date. The LLP had current assets at its balance sheet date of £660m, with liabilities due within one year of £338m. Turnover for the period was £Nil.

The group's allocation of losses of the LLP for the above period was £48m.

Ingenious Film Partners LLP value its interest in film stock on a line by line basis, resulting in a writedown of stock in its first year of trading.

The group accounts for its interest in its associate based on the value of the associate's assets, including film stock determined on a portfolio basis. On this basis, no reduction in the value of the assets has taken place and therefore the allocation of the loss of £48m has not been recognised within the group's accounts nor has the group's share of the net assets of the associate been reduced by the same amount in the group balance sheet. This treatment is considered necessary to reflect the differences in accounting policies and present a true and fair view of the position of the group and its interests in associate undertakings at the year end.

Inside Track 3 LLP, Amber Film Partners and Ingenious Film Partners LLP all have an accounting reference date of 5 April 2005.

### **30. Contingent Liabilities**

During the year Ingenious Media plc was commissioned to undertake development work by Domino Pictures Limited, to a maximum value of £0.633m. Ingenious Media plc subcontracted this work to Ingenious Film Services Limited, a wholly owned subsidiary, and transferred the risks and rewards of the project to that company. Ingenious Media plc therefore has a contractual liability to Domino Pictures Limited, however this liability has not been recognised as the likelihood of it crystallising an economic outflow in Ingenious Media plc is considered to be remote. The full extent of the liability has instead been recognised in the accounts of Ingenious Film Services Limited.

**INGENIOUS VENTURES LIMITED PARTNERSHIP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 2005**

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No. 3573626

Company Registration Number  
LP7762 (England and Wales)

17.05.05  
165

## INGENIOUS VENTURES LIMITED PARTNERSHIP

|                          |   |
|--------------------------|---|
| <b>Partners</b>          | UBS Capital (Jersey) Limited<br>Ingenious Media plc<br>Ingenious Partners Limited<br>Ingenious Ventures Limited |
| <b>Registered Office</b> | 12 New Fetter Lane<br>London<br>EC4A 1AG  |
| <b>Registered Number</b> | LP7762 (England and Wales)  |
| <b>Auditors</b>          | Buzzacott<br>12 New Fetter Lane<br>London<br>EC4A 1AG   |
| <b>Business Address</b>  | 100 Pall Mall<br>London<br>SW1Y 5NQ   |
| <b>Bankers</b>           | HSBC Private Bank (UK) Limited<br>78 St. James Street<br>London<br>SW1A 1JB                                     |

## **INGENIOUS VENTURES LIMITED PARTNERSHIP**

### ***CONTENTS***

#### ***Reports***

|                              |   |
|------------------------------|---|
| Partners' Report             | 1 |
| Independent Auditors' Report | 2 |

#### ***Accounts***

|   |    |
|---|----|
| Profit and Loss Account                           | 4  |
| Statement of Total Recognised<br>Gains and Losses | 5  |
| Balance Sheet                                     | 6  |
| Cashflow Statement                                | 7  |
| Principal Accounting Policies                     | 10 |
| Notes to the Accounts                             | 11 |

## **INGENIOUS VENTURES LIMITED PARTNERSHIP**

### **PARTNERS' REPORT**

#### **YEAR ENDED 31 MARCH 2005**

The participating companies in Ingenious Ventures Limited Partnership submit their report and audited financial statements of the partnership for the year ended 31 March 2005, which have been prepared in accordance with The Limited Partnership Act 1907 and under regulation 4 of The Partnerships and Unlimited Companies (Accounts) Regulations 1993.

#### **Principal Activity and Review of the Business**

The principal activity of the partnership for the year under review was to make investments in media, leisure and entertainment companies.

During the year the partnership committed to a further investment of £7.5 million, of which £6.7 million had been invested at 31 March 2005. Details of these investments are set out in note 3 to the accounts.

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

#### **Statement of Partners' Responsibilities**

The partners are required by United Kingdom law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In doing so, the partners are required to:

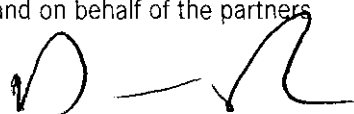
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- Prepare the financial statements on the going concern basis unless it is deemed to be inappropriate.

The partners are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the partnership and to enable them to ensure that the financial statements comply with the partnership agreement, The Limited Partnership Act 1907 and the Partnership and Unlimited Companies (Accounts) Regulations 1993. They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

Buzzacott will be proposed for reappointment as auditors of the partnership.

For and on behalf of the partners



**For and on behalf of Ingenious Ventures Limited**

Manager and General Partner

Approved on: 28 September 2005

***INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF INGENIOUS VENTURES  
LIMITED PARTNERSHIP  
YEAR ENDED 31 MARCH 2005***

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention, as modified by the revaluation of fixed assets and in accordance with the accounting policies set out on page 10.

This report is made solely to the partners. Our audit work has been undertaken so that we might state to the partners 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 partnership and the partners as a body, for our audit work, for this report, or for the opinions we have formed.

***Respective Responsibilities of Partners and Auditors***

As described on page 1, the partners 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 accounts give a true and fair view and are properly prepared in accordance with The Limited Partnership Act 1907 and under regulation 4 of The Partnership and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the Partners' report is not consistent with the financial statements, if the partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Partners' 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 partners in the preparation of the financial statements, and of whether the accounting policies are appropriate to the partnership'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.

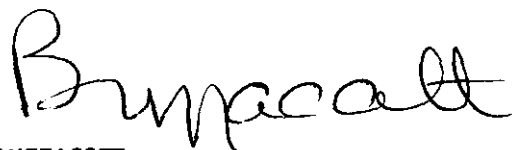


**INGENIOUS VENTURES LIMITED PARTNERSHIP**

**INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF INGENIOUS VENTURES  
LIMITED PARTNERSHIP  
YEAR ENDED 31 MARCH 2005**

***Opinion***

In our opinion the financial statements give a true and fair view of the state of affairs of the partnership as at 31 March 2005 and of the partnership's profit for the year then ended and have been properly prepared in accordance with The Limited Partnership Act 1907 and under regulation 4 of The Partnership and Unlimited Companies (Accounts) Regulations 1993.



**BUZZACOTT**

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

5<sup>th</sup> October 2005

**INGENIOUS VENTURES LIMITED PARTNERSHIP**

**PROFIT AND LOSS ACCOUNT  
YEAR ENDED 31 MARCH 2005**

|  | Notes | <b>2005</b><br><b>£ '000s</b> | 2004<br>£ '000s |
|--|-------|-------------------------------|-----------------|
| <b>Turnover</b>                        |       | <b>18,456</b>                 | 820             |
| Cost of Sales                          |       | -                             | -               |
| <b>Gross Profit</b>                    |       | <b>18,456</b>                 | 820             |
| Administrative Expenses                |       | <b>(5,010)</b>                | (2)             |
| <b>Operating Profit</b>                | 1     | <b>13,446</b>                 | 818             |
| Interest receivable and similar income | 2     | <b>262</b>                    | -               |
| <b>Retained Profit for the year</b>    | 7     | <b>13,708</b>                 | 818             |

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

There is no difference between the operating profit and the retained profit for the years stated above, and their historical cost equivalent.

**INGENIOUS VENTURES LIMITED PARTNERSHIP**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 MARCH 2005**

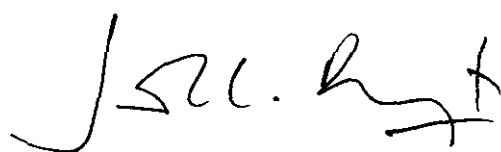
|  | <b>2005</b><br><b>£ '000s</b> | <b>2004</b><br><b>£ '000s</b> |
|--|-------------------------------|-------------------------------|
| <b><i>Profit for the year</i></b>                                    | <b>13,708</b>                 | 818                           |
| Realisation of revaluation of investments                            | <b>(9,247)</b>                | -                             |
| Net unrealised gain on revaluation of investments                    | <u>-</u>                      | <u>9,247</u>                  |
| <b><i>Total recognised gains and losses relating to the year</i></b> | <b>4,461</b>                  | 10,065                        |

**INGENIOUS VENTURES LIMITED PARTNERSHIP**

**BALANCE SHEET**  
**31 MARCH 2005**

|   | Notes | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-------|-----------------|-----------------|
| <b>Fixed Assets</b>                                 |       |                 |                 |
| Investments   | 3     | <u>8,936</u>    | <u>21,500</u>   |
| <b>Current Assets</b>                               |       |                 |                 |
| Debtors   | 4     | <u>4,621</u>    | <u>-</u>        |
| Cash at bank and in hand                            |       | <u>18,218</u>   | <u>-</u>        |
|   |       | <b>22,839</b>   | <b>-</b>        |
| <b>Creditors: Amounts falling due within 1 year</b> | 5     | <u>(6)</u>      | <u>(4)</u>      |
| <b>Net Current Assets / (Liabilities)</b>           |       | <u>22,833</u>   | <u>(4)</u>      |
| <b>Net Assets</b>                                   |       | <u>31,769</u>   | <u>21,496</u>   |
| <b>Capital and Reserves</b>                         |       |                 |                 |
| Equity Interests:                                   |       |                 |                 |
| Partners' capital contribution account              | 6     | -               | -               |
| Revaluation reserve                                 | 6     | -               | 9,247           |
| Partners' loan accounts                             | 6     | <u>19,767</u>   | <u>12,876</u>   |
| Partners' income accounts                           | 6     | <u>12,002</u>   | <u>(627)</u>    |
| <b>Partners' funds</b>                              | 7     | <u>31,769</u>   | <u>21,496</u>   |

For and on behalf of the partners:



**For and on behalf of Ingenious Ventures Limited**  
Manager and General Partner  
Approved on 28 September 2005

**INGENIOUS VENTURES LIMITED PARTNERSHIP**

**CASHFLOW STATEMENT**  
**YEAR ENDED 31 MARCH 2005**

|  | Notes | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-------|-----------------|-----------------|
| <i>Cash (outflow) / inflow from operating activities</i>                               | A     | (6)             | 814             |
| <i>Returns on investment and servicing of finance</i>                                  | B     | 19,098          | -               |
| <i>Capital expenditure and financial investment</i>                                    | B     | (6,686)         | (1,450)         |
| <i>Partners' drawings</i>  |       | <u>(1,079)</u>  | <u>(1,007)</u>  |
| <i>Net cash inflow / (outflow) before management of liquid resources and financing</i> |       | 11,327          | (1,643)         |
| <i>Financing</i>   | B     | <u>6,891</u>    | <u>1,642</u>    |
| <i>Increase / (Decrease) in cash in the year</i>                                       | C     | <u>18,218</u>   | <u>(1)</u>      |

## NOTES TO THE CASHFLOW STATEMENT

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

|  | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-----------------|-----------------|
| <b>Operating Profit</b>                                      | <b>13,446</b>   | <b>818</b>      |
| Decrease/(Increase) in debtors                               | -               | -               |
| Increase/(Decrease) in creditors                             | 2               | (4)             |
| Profit on disposal of investment                             | (17,556)        | -               |
| Realisation of revaluation of investments                    | 5,001           | -               |
| Dividends received   | (899)           | -               |
| <b>Net cash (outflow) / inflow from operating activities</b> | <b>(6)</b>      | <b>814</b>      |

## B) Gross cash flows

|   | 2005<br>£ '000s | 2004<br>£ '000s |
|---|-----------------|-----------------|
| <b>Returns on investment and servicing of finance</b> |                 |                 |
| Dividends received                                    | 899             | -               |
| Income from disposal of investments                   | 18,199          | -               |
|   | <b>19,098</b>   | <b>-</b>        |
| <b>Capital expenditure and financial investments</b>  |                 |                 |
| Payments to acquire investments                       | (2,740)         | -               |
| Loans to investee undertakings                        | (3,946)         | (1,450)         |
|   | <b>(6,686)</b>  | <b>(1,450)</b>  |
| <b>Financing</b>                                      |                 |                 |
| Loans advanced from partners                          | 6,891           | 1,643           |

**NOTES TO THE CASHFLOW STATEMENT**

**C) Analysis of changes in net cash**

|                                       | At 1 April<br>2004 | Cash flows | At 31<br>March 2005 |
|---------------------------------------|--------------------|------------|---------------------|
|                                       | £ '000s            | £ '000s    | £ '000s             |
| Cash at bank and in hand              | -                  | 18,218     | <b>18,218</b>       |
| Debt due after one year - bank loans  | -                  | -          | -                   |
| Debt due within one year - bank loans | -                  | -          | -                   |
|                                       | -                  | 18,218     | <b>18,218</b>       |

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

|  | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-----------------|-----------------|
| Increase in cash in the year                           | <b>18,218</b>   | -               |
| Cash (inflow)/outflow from decrease/(increase) in debt | -               | -               |
| Movement in funds for the year                         | <b>18,218</b>   | -               |
| Net cash at 1 April 2004                               | -               | -               |
| <b>Net cash at 31 March 2005</b>                       | <b>18,218</b>   | -               |

**ACCOUNTING POLICIES**  
**31 MARCH 2005**

***Basis of accounting***

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, The Limited Partnership Act 1907, and under regulation 4 of The Partnership and Unlimited Companies (Accounts) Regulations 1993.

**Turnover**

Turnover represents income from investments and realised gains on disposal of investments.

**Consolidation**

The partnership and its subsidiaries comprise a small group. The partnership has therefore taken advantage of the exemption laid out in FRS 2, Accounting for Subsidiary Undertakings, not to prepare group accounts. Therefore the accounts show results of the partnership only.

***Unquoted investments***

Unquoted investments are stated at partners' valuations in accordance with the British Venture Capital Association's guidelines. The partners' policy in valuing unquoted investments is to carry them at cost except in the following circumstances.

- Where a company's under-performance against plan indicates a diminution in the value of the investment, a provision against cost is made as appropriate.
- Where a company is well established and profitable, the investments are valued by applying a suitable price earnings ratio of a comparable listed company but discounted where necessary.
- Where a value for the investments is indicated by a material arms-length transaction undertaken by a third party.

Venture capital investments deemed to be associated undertakings are carried at cost or valuation in accordance with the partnership's normal accounting policy and Financial Reporting Standard (FRS) 9.

***Gains and losses on investments***

When the partnership revalues its investments during the year, any gains and losses arising are credited / (charged) to the revaluation reserve. When an investment is sold or written-off, any balance held on the revaluation reserve is transferred to the profit and loss account as a movement on reserves.

***Expenses***

All expenses are accounted for on an accruals basis. Expenses are charged wholly to the profit and loss account, with the exception of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate.

***Taxation***

Under tax legislation, any taxable profits of the partnership are assessed on each of the equity partners and therefore no taxation provision are necessary in these accounts.



**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**1. Operating profit**

|  | 2005<br>£ '000s | 2004<br>£ '000s |
|--|-----------------|-----------------|
| This is stated after charging:           |                 |                 |
| Auditors' Remuneration                   | 5               | 3               |
| Realisation of revaluation of investment | 5,001           | -               |

Fees for non-audit services amounted to £ Nil (2004 - £ Nil).

**2. Interest receivable and similar income**

|               | 2005<br>£ '000s | 2004<br>£ '000s |
|---------------|-----------------|-----------------|
| Loan interest | 262             | -               |

**3. Fixed Asset Investments**

|                          | Shares in<br>group<br>undertaking<br>£ '000s | Loans to<br>group<br>undertaking<br>£ '000s | Shares in<br>participating<br>interest<br>£ '000s | Loans to<br>participating<br>interest<br>£ '000s | <b>Total</b><br>£ '000s |
|--------------------------|--|---|---|--|-------------------------|
| <b>Cost</b>              |  |   |   |  |                         |
| At 1 April 2004          | 140  | 2,110                                       | 10,003  | -  | 12,253                  |
| Additions                | 240  | 875   | 2,500   | 3,071  | 6,686                   |
| Disposal                 | -  | -   | (5,002)   | -  | (5,002)                 |
| Reclassification         | (140)  | (2,110)                                     | 140   | 2,110  | -                       |
| <b>At 31 March 2005</b>  | <b>240</b>                                   | <b>875</b>                                  | <b>7,641</b>                                      | <b>5,181</b>                                     | <b>13,937</b>           |
| <b>Revaluation</b>       |  |   |   |  |                         |
| At 1 April 2004          | -  | -   | 9,247   | -  | 9,247                   |
| Disposal                 | -  | -   | (13,798)  | -  | (13,798)                |
| Realised loss            | -  | -   | (450)   | -  | (450)                   |
| <b>At 31 March 2005</b>  | <b>-</b>                                     | <b>-</b>                                    | <b>(5,001)</b>                                    | <b>-</b>   | <b>(5,001)</b>          |
| <b>Cost or valuation</b> |  |   |   |  |                         |
| <b>At 31 March 2005</b>  | <b>240</b>                                   | <b>875</b>                                  | <b>2,640</b>                                      | <b>5,181</b>                                     | <b>8,936</b>            |
| <b>At 1 April 2004</b>   | <b>140</b>                                   | <b>2,110</b>                                | <b>19,250</b>                                     | <b>-</b>   | <b>21,500</b>           |

# INGENIOUS VENTURES LIMITED PARTNERSHIP

## NOTES TO THE ACCOUNTS 31 MARCH 2005

|  | Year end         | Net assets /<br>(liabilities)<br>£ '000s         | Profit /<br>(loss) for the<br>£ '000s | Class of<br>Shares      | Percentage<br>Holding | Principal<br>Activity             |
|--|------------------|--|---------------------------------------|-------------------------|-----------------------|-----------------------------------|
| <b>Group undertakings</b>                        |                  |  |                                       |                         |                       |                                   |
| ID Distribution Limited                          | 31 December      | First accounting period ends<br>31 December 2005 |                                       | A Ordinary £1 each      | 88.90%                | Television programme distribution |
| <b>Participating Interests</b>                   |                  |  |                                       |                         |                       |                                   |
| Cream Holdings Limited<br>(Result for the Group) | 31 January 2005  | (4,080)  | (33)                                  | Ordinary £0.01 each     | 45.50%                | Media and entertainment           |
| Lionhead Limited                                 | 31 March 2005    | 219  | (829)                                 | A' Preferred £0.01 each | 10.41%                | Development of interactive games  |
| Stage Three Music Limited                        | 31 December 2004 | (3,442)  | (2,482)                               | A Ordinary £1 each      | 26.30%                | Music publisher                   |

All of the above companies are incorporated in Great Britain, registered in England and Wales and operating in the United Kingdom.

### 4. Debtors

|                                | 2005<br>£ '000s | 2004<br>£ '000s |
|--------------------------------|-----------------|-----------------|
| Falling due within one year:   |                 |                 |
| Deferred Consideration         | 4,359           | -               |
| Prepayments and accrued income | 262             | -               |
|                                | <b>4,621</b>    | -               |

### 5. Creditors: amounts falling due within one year

|                              | 2005<br>£ '000s | 2004<br>£ '000s |
|------------------------------|-----------------|-----------------|
| Accruals and deferred income | 6               | 4               |

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**6. Partners' accounts**

|  | Ingenious<br>Ventures<br>Limited<br>£ 000s | Ingenious<br>Partners<br>Limited<br>£ 000s | UBS Capital<br>(Jersey)<br>Limited<br>£ 000s | ingenious<br>Media plc<br>£ 000s | Total<br>£ 000s |
|--|--|--|--|----------------------------------|-----------------|
| <b>Loan Accounts</b>                     |  |  |  |                                  |                 |
| At 1 April 2004                          | -  | -  | 11,588                                       | 1,288                            | 12,876          |
| Further Advances                         | -  | -  | 6,202  | 689                              | 6,891           |
| At 31 March 2005                         | -  | -  | 17,790                                       | 1,977                            | 19,767          |
| <b>Capital Contribution</b>              |  |  |  |                                  |                 |
| At 1 April 2004 and 31<br>March 2005     | -  | -  | -  | -                                | -               |
| <b>Revaluation Reserve</b>               |  |  |  |                                  |                 |
| At 1 April 2004                          | -  | -  | 8,322  | 925                              | 9,247           |
| Realised Gain / Loss                     | -  | -  | (8,322)                                      | (925)                            | (9,247)         |
| At 31 March 2005                         | -  | -  | -  | -                                | -               |
| <b>Income Accounts</b>                   |  |  |  |                                  |                 |
| At 1 April 2004                          | -  | -  | (564)  | (63)                             | (627)           |
| Share of net profit<br>during the period | -  | 3,624                                      | 9,076  | 1,008                            | 13,708          |
| General partner's share                  | 181  | -  | (163)  | (18)                             | -               |
| Drawings                                 | (181)                                      | -  | (808)  | (90)                             | (1,079)         |
| As at 31 March 2005                      | -  | 3,624                                      | 7,541  | 837                              | 12,002          |

Partners' loans are interest free and are repayable when the partnership has sufficient cash funds or at the termination of the partnership.

Under the partnership agreement Ingenious Ventures Limited, the General Partner acting as manager of the partnership's investment funds, is entitled to an annual charge on net income representing 0.75% of the total commitments.

If the partnership's net income and any capital gains are less than the General Partner's Share, the deficiency to the extent not already drawn, shall be paid to the General Partner as an interest free loan. In no circumstances can this loan be recovered from Ingenious Ventures Limited other than by allocation of net income or capital gains when investments are subsequently realised.

During the period Ingenious Ventures Limited was entitled to receive a General Partner's Share of £0.18 million (2004 - £0.19 million) of which none (2004 - none) was outstanding at 31 March 2005.

Profits and losses are shared in accordance with the partnership agreement dated 7 August 2001.

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2005**

**7. Reconciliation of movements in partners' funds**

|   | <b>2005</b><br><b>£ '000s</b> | <b>2004</b><br><b>£ '000s</b> |
|---|-------------------------------|-------------------------------|
| Equity Funds:   |                               |                               |
| Capital introduced  | -                             | -                             |
| Loans advanced  | <b>6,891</b>                  | 1,642                         |
| Profit for the period   | <b>13,708</b>                 | 818                           |
| Drawings  | <b>(1,079)</b>                | (1,007)                       |
| Net (decrease) / increase in unrealised gains on revaluation of investments | <b>(9,247)</b>                | 8,700                         |
| Net movement in partners' funds   | <b>10,273</b>                 | 10,153                        |
| Opening partners' funds at 1 April 2004                                     | <b>21,496</b>                 | 11,343                        |
| <b>Closing partners' funds at 31 March 2005</b>                             | <b>31,769</b>                 | 21,496                        |

**8. Related party transactions**

Ingenious Ventures Limited, a wholly owned subsidiary of Ingenious Media plc and a general partner and manager of Ingenious Ventures Limited Partnership, was entitled to the General Partner's share, which amounted to £180,937 (2004 - £187,500).

P A McKenna is a director and holds a beneficial interest in Ingenious Media plc and Ingenious Partners Limited, and both companies are partners in Ingenious Ventures Limited Partnership.

During the year Ingenious Ventures Limited received fees amounting to £0.029m (2004 - £ 0.02m) from Stage Three Limited, and fees amounting to £0.078m (2004 - £ Nil) from ID Distribution Limited.

**9. Capital commitment**

At 31 March 2005 the partnership had committed to invest further sums totalling £2.2m in Stage Three Music Limited. Since 31 March 2005 £0.125m of this has been invested by way of fixed rate unsecured loan notes.

**10. Ultimate Controlling Party**

The ultimate controlling party is UBS Capital (Jersey) Limited.