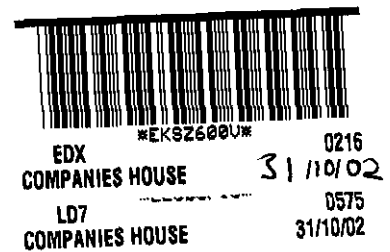


**Ingenious
Media
plc**

**Group Annual Report and
Financial Statements**

31 March 2002



Buzzacott

4-11-02 162

Company Registration Number
3573626 (England and Wales)

Directors	P A McKenna D M Reid G Arkell J L Boyton K T Mead
Secretary	D M Reid
Registered office	12 New Fetter Lane London EC4A 1AG
Registered number	3573626 (England and Wales)
Auditors	Buzzacott 12 New Fetter Lane London EC4A 1AG
Business address	100 Pall Mall London SW1Y 5NQ
Bankers	HSBC Republic Bank (UK) 31 Hill Street London W1J 5LS
Solicitors	Harbottle and Lewis Hanover House 14 Hanover Square London W1S 1HP

Contents

Reports

Directors' report	1 - 2
Independent auditors' report	3

Accounts

Group profit and loss account	4
Balance sheet	5
Group cash flow statement	6
Principal accounting policies	8
Notes to the accounts	10 - 23

Directors' report 31 March 2002

The directors present their report and audited financial statements of the group for the year ended 31 March 2002.

Principal activity and review of the business

The principal activity of the group continued to be that of provision of 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 4.

The directors do not recommend payment of a final dividend. An interim dividend paid during the year amounted to £70,000 at £1.40 per share.

Future developments

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

Directors

The following directors have held office during the year:

P A McKenna
D M Reid
J L Boyton (Appointed 2 April 2001)
D Wilson (Resigned 31 December 2001)
G Arkell

In addition to the above board members who served during the year, Mr K T Mead has been appointed as a director on 1 April 2002.

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary share of £1 each	
	31 March 2002	1 April 2001
P A McKenna	50,000	50,000
D M Reid	—	—
J L Boyton (Appointed 2 April 2001)	—	—
D Wilson (Resigned 31 December 2001)	—	—
G Arkell	—	—

Charitable contributions

During the year the group made charitable donations of £99,960 (2001 - £2,000).

Creditors' payment policy

On average, trade creditors at the year end represented 37 (2001 - 43) days' purchases.

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

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

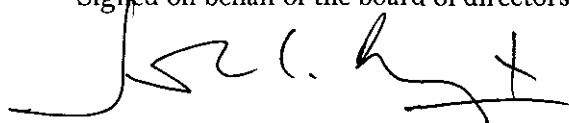
- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Buzzacott be reappointed as auditors of the company will be put to the Annual General Meeting.

Signed on behalf of the board of directors:



J L Boyton

Director

Approved by the board on: 31 October 2002

Independent auditors' report Year ended 31 March 2002

Independent auditors' report to the shareholders of Ingenious Media plc

We have audited the financial statements on pages 4 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the accounts 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 Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 is not disclosed.

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

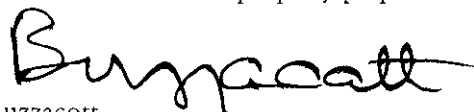
Basis of opinion

We conducted our audit in accordance with 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 group's and company's circumstances, consistently applied and adequately disclosed.

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

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 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Buzzacott

Chartered Accountants and Registered Auditors

12 New Fetter Lane

London

EC4A 1AG

31 October 2002

Group profit and loss account Year ended 31 March 2002

	Notes	2002 £	2001 £
Turnover	1	17,257,851	6,142,857
Cost of sales		(5,086,320)	(862,607)
Gross profit		12,171,531	5,280,250
Administrative expenses		(3,102,934)	(1,292,993)
Operating profit	2	9,068,597	3,987,257
Share of loss in associated partnership		(43,409)	(53,093)
		9,025,188	3,934,164
Interest receivable and similar income	5	808,899	110,898
Interest payable and similar charges	6	(653,470)	(43,930)
Profit on ordinary activities before taxation		9,180,617	4,001,132
Taxation	7	(3,052,903)	(1,208,000)
Profit on ordinary activities after taxation		6,127,714	2,793,132
Dividends paid	8	(70,000)	—
Retained profit for the year	18	6,057,714	2,793,132

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

There are no recognised gains and losses other than those passing through the profit and loss account.

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 2002

	Notes	Group		Company	
		31 March 2002 £	31 March 2001 £	31 March 2002 £	31 March 2001 £
Fixed assets					
Tangible assets	9	105,229	306,226	105,229	306,226
Investments	10	3,597,067	1,782,333	1,110,772	12
		<u>3,702,296</u>	<u>2,088,559</u>	<u>1,216,001</u>	<u>306,238</u>
Current assets					
Stock	11	748,329	—	—	—
Debtors	12	28,084,066	1,173,318	12,175,665	762,363
Investments	13	6,000	—	—	—
Cash at bank and in hand		6,558,253	3,679,103	417,660	3,679,103
		<u>35,396,648</u>	<u>4,852,421</u>	<u>12,593,325</u>	<u>4,441,466</u>
Creditors: amounts falling due within one year	14	(26,685,273)	(1,492,403)	(4,620,687)	(3,610,433)
Net current assets		<u>8,711,375</u>	<u>3,360,018</u>	<u>7,972,638</u>	<u>831,033</u>
Total assets less current liabilities		<u>12,413,671</u>	<u>5,448,577</u>	<u>9,188,639</u>	<u>1,137,271</u>
Creditors: amounts falling due after more than one year	15	(1,900,688)	(1,544,529)	—	—
Provision for liabilities and charges	16	(1,098,221)	(547,000)	(45,338)	—
Net assets		<u>9,414,762</u>	<u>3,357,048</u>	<u>9,143,301</u>	<u>1,137,271</u>
Capital and reserves					
Equity interests:					
Called up share capital	17	50,000	50,000	50,000	50,000
Profit and loss account	18	9,364,762	3,307,048	9,093,301	1,087,271
Shareholders' funds	21	<u>9,414,762</u>	<u>3,357,048</u>	<u>9,143,301</u>	<u>1,137,271</u>

Signed on behalf of the board of directors by:



P A McKenna
Director

Approved by the board on: 31 October 2002

Group cash flow statement Year ended 31 March 2002

	Notes	2002 £	2001 £
Cash inflow from operating activities	A	6,136,290	4,581,981
Returns on investments and servicing of finance	B	155,429	66,968
Taxation		(331,063)	(217,223)
Capital expenditure and financial investment	B	(1,405,935)	(2,117,685)
Equity dividends paid		(70,000)	—
Net cash inflow before management of liquid resources and financing		4,484,721	2,314,041
Financing	B	(1,605,571)	946,024
Increase in cash in the year	C	2,879,150	3,260,065

Notes to the group cash flow statement for the year ended 31 March 2002.

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

	2002 £	2001 £
Operating profit	9,068,597	3,987,257
Depreciation charge	141,427	113,742
Permanent diminution of fixed assets	88,836	—
Onerous lease provision	45,338	—
Diminution in value of current asset investments	—	29,712
Increase in stock	(748,329)	—
Increase in debtors	(8,462,794)	(104,569)
Increase in creditors	6,003,215	555,839
Net cash inflow from operating activities	6,136,290	4,581,981

Group cash flow statement Year ended 31 March 2002

B Gross cash flows

	2002 £	2001 £
Returns on investment and servicing of finance		
Interest received	271,207	110,898
Interest paid	(115,778)	(43,930)
	<u>155,429</u>	<u>66,968</u>
Capital expenditure and financial investments		
Current asset investment	(6,000)	(24,712)
Payments to acquire tangible fixed assets	(29,266)	(257,547)
Payments to acquire investment in partnership	(321,957)	(1,835,426)
Purchase of quoted investments	(25,000)	—
Loans to limited partnership	(1,023,687)	—
Purchase of investment in limited partnership	(25)	—
	<u>(1,405,935)</u>	<u>(2,117,685)</u>
Financing		
Other loans issued	(17,910,061)	(634,413)
Bank loans	16,304,490	1,580,437
	<u>(1,605,571)</u>	<u>946,024</u>

C Analysis of changes in net cash

	At 1 April 2001 £	Cash flows £	Acquisitions and disposals (excl. cash and overdrafts) £	Other changes £	At 31 March 2002 £
Cash in hand and at bank	3,679,103	2,879,150	—	—	6,558,253
Debt due after one year	(1,544,529)	(356,159)	—	—	(1,900,688)
Debt due within one year	(35,908)	(15,948,331)	—	—	(15,984,239)
	<u>2,098,666</u>	<u>(13,425,340)</u>	<u>—</u>	<u>—</u>	<u>(11,326,674)</u>

Short term deposits are treated as liquid resources in the statement 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

	£
Increase in cash in the year	2,879,150
Cash inflow from increase in debt	(16,304,490)
Change in net cash	(13,425,340)
Net cash at 1 April 2001	2,098,666
Net cash at 31 March 2002	<u>(11,326,674)</u>

Principal accounting policies 31 March 2002

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 £8,006,030 (2001 - £747,577).

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
◆ Motor vehicles	25% on cost

Leased assets

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

Investments

Interests in partnerships

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

Current asset investments

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

Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS 19 "Deferred tax". Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

This amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. This has no material effect on the accounts.

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.

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

	2002 £	2001 £
This is stated after charging:		
Depreciation of fixed assets	141,427	113,742
Operating lease rentals - land and buildings	136,157	113,660
Provision for permanent diminution in the value of leasehold improvements (note 9)	88,836	—
Onerous lease provision (note 16)	45,338	—
Auditors' remuneration (company - £19,025)	45,525	11,225

Fees for non-audit services amounted to £44,865 (2001 - £26,345).

3 Staff costs

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

	2002 £	2001 £
Wages and salaries	1,803,365	620,537
Social security costs	197,707	72,689
Other pension costs	7,480	15,980
	2,008,552	709,206

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

	2002	2001
Office and administration	24	13

4 Directors' remuneration

	2002 £	2001 £
Emoluments for qualifying services	363,098	176,416
Company pension contributions to money purchase scheme	4,480	15,480
	367,578	191,896

The above pension contributions were paid to one of the director's personal pension schemes.

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

	2002 £	2001 £
Emoluments for qualifying services	202,757	131,000
Company pension contributions to money purchase scheme	—	15,480
	202,757	146,480

5 Interest receivable and similar income

	2002 £	2001 £
Bank interest	125,101	88,485
Loan interest	683,798	22,413
	<u>808,899</u>	<u>110,898</u>

6 Interest payable and similar charges

	2002 £	2001 £
Interest payable on bank overdrafts and bank loans	<u>653,470</u>	<u>43,930</u>

7 Taxation

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

	2002 £	2001 £
UK corporation tax at 30% (2001 – 30%) based on the adjusted results of the year	2,877,157	661,000
Adjustments in respect of prior years	(330,137)	—
Current tax charge	<u>2,547,020</u>	<u>661,000</u>
Provision for deferred taxation for the year (note 16)	505,883	547,000
	<u>3,052,903</u>	<u>1,208,000</u>

Factors effecting tax charge for the year:

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>9,180,617</u>	<u>4,001,132</u>
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30% (2001 – 30%)	2,754,185	1,200,340
Effects of:		
Non deductible expenses	88,675	11,745
Excess of depreciation over capital allowances	30,190	12,822
Utilisation of tax losses	(176,426)	(539,474)
Sundry adjustments	180,533	(24,433)
Adjustments in respect of prior years	(330,137)	—
Current tax charge	<u>2,547,020</u>	<u>661,000</u>

8 Dividends

	2002 £	2001 £
Interim paid - £1.40 per ordinary share (2001 - £nil)	70,000	—

9 Tangible fixed assets

Group and company	Short leasehold land and buildings	Fixtures, fitting and equipment	Motor vehicles	Total £
Cost				
At 1 April 2001	192,421	209,591	77,282	479,294
Additions	—	29,266	—	29,266
At 31 March 2002	192,421	238,857	77,282	508,560
Depreciation				
At 1 April 2001	50,390	85,648	37,030	173,068
Charge for year	53,195	68,911	19,321	141,427
Provision for permanent diminution in value	88,836	—	—	88,836
At 31 March 2002	192,421	154,559	56,351	403,331
Net book values				
At 31 March 2002	—	84,298	20,931	105,229
At 31 March 2001	142,031	123,943	40,252	306,226

In June 2002 the company vacated previously occupied short leasehold land and buildings. As this was before the leases on this property expired, a provision of £88,836 was made to reduce capitalised leasehold improvements to £nil at the year end to account for this permanent diminution in value.

10 Fixed asset investments- Company

	Shares in subsidiary undertakings £	Shares in Limited Partnerships £	Loans to Limited Partnerships £	Quoted Investments £	Total £
Cost					
At 1 April 2001	12	—	—	—	12
Additions	62,048	25	1,023,687	25,000	1,110,760
At 31 March 2002	62,060	25	1,023,687	25,000	1,110,772

During the year, the company bought shares in a company listed on the London Stock Exchange. At the year end the market value of this investment was £29,000. A tax liability of £1,200 would arise if the listed investment were sold at the stated market value.

Additional information on subsidiaries is detailed in note 28.

10 Fixed asset investments (continued)

Ingenious Ventures Limited Partnership

During the year, the company entered into a limited partnership, Ingenious Ventures Limited Partnership in which it acquired a 7.5% equity share. At the year end the company had advanced £1,023,687 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 principal place of business and head office address is 100 Pall Mall, London SW1Y 5NQ, United Kingdom.

Ingenious Ventures Limited Partnership had no turnover and incurred a loss of £ 3,000 during the year. As this interest represents a qualifying partnership, a copy of the accounts of Ingenious Ventures Limited Partnership accounts has been appended to the copy of the company's accounts sent to the Registrar of Companies in accordance with Section 242 of the Companies Act 1985.

Fixed asset investments- Group

	Share of net assets of partnerships £	Share in Limited Partnerships £	Loans to Limited Partnerships £	Quoted Investments £	Total £
Cost					
At 1 April 2001	1,782,333	—	—	—	1,782,333
Additions	766,022	25	1,023,687	25,000	1,814,734
At 31 March 2002	<u>2,548,355</u>	<u>25</u>	<u>1,023,687</u>	<u>25,000</u>	<u>3,597,067</u>

The share of net assets of partnerships represents the investment in unincorporated trading partnerships involving qualifying British films. At the year end the group held investments in Amber Film Partners 4.5%, Opal Film Partners 0.6%, and Reel Film Partners 10%. The principal place of business for these partnerships is 100 Pall Mall, London SW1Y 5NQ. During the year, the group also incurred a share of loss in these partnerships amounting to £43,409 which has been deducted from the additions above.

Details of the group's interest in Limited Partnerships and quoted investments are detailed above.

11 Stock

Group	2002 £
Finished goods	748,329

During the year the group acted as a co-producer in an international film production. Finished goods represent the group's costs incurred in this production including £95,799 of finance charges.

12 Debtors

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Due within one year				
Other loans	18,544,474	634,413	2,653,450	422,323
Trade debtors	8,731,027	120,456	6,836	80,013
Other debtors	158,955	99,795	98,411	74,795
Amount owed by group undertaking	—	—	5,050	—
Directors' current account	68,986	99,077	68,986	99,077
Prepayments and accrued income	580,624	219,577	42,932	86,155
Dividends receivable	—	—	9,300,000	—
	28,084,066	1,173,318	12,175,665	762,363

13 Current asset investments

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Other investments	6,000	—	—	—

The investment was in an unquoted television programme production company.

14 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loan and overdrafts	15,984,239	35,908	—	—
Trade creditors	436,858	101,517	73,768	88,743
Amounts owed to group undertakings	—	—	4,008,500	2,913,247
Other creditors	11,769	160,206	—	160,206
Social security and other taxes	1,903,931	268,046	56,378	71,428
Corporation tax	2,877,157	661,000	—	354,000
Accruals and deferred income	5,471,319	265,726	482,041	22,809
	26,685,273	1,492,403	4,620,687	3,610,433

The group received £3,130,538 in advance from customers to secure film sale and lease back deals. These funds have been placed in a client trust account and are not included in the group's cash at bank and in hand.

At the year end a bank loan amounting to £874,859 was secured on the group's share of rights in a film.

The company has also given an unlimited guarantee to HSBC Republic Bank (UK) Limited and Barclays Bank Plc on behalf of Ingenious Films Limited, Opal Film Partner 1 Limited, Jade Film Partner 1 Limited and Sapphire Film Partner 1 Limited, to secure all the present and future indebtedness and liabilities to the bank howsoever arising of these companies.

15 Creditors: amounts falling due after more than one year

	2002	2001
Group	£	£
Bank loans	1,900,688	1,544,529

The bank loans are secured by the group's share of lease rental income receivable by a partnership in which the company has made an investment (note 10), and are repayable over a term of 14 years. Of this £292,245 is due between 2 and 5 years, and £1,608,443 is due after 5 years by instalments. Interest of 5.5% per annum is payable on these loans.

16 Provisions for liabilities and charges

Group	Deferred taxation £	Other provision £	2002 Total £	2001 Total £
Balance as at 1 April 2001	547,000	—	547,000	—
Movement in the year	505,883	45,338	551,221	547,000
Balance as at 31 March 2002	1,052,883	45,338	1,098,221	547,000

Deferred tax movements arise due to investments in British film partnerships (note 10). Of this £547,000 will reverse over the next 14 years and £505,883 will reverse over the next 15 years.

At the year end the company also recognised a provision of £45,338 in respect of an onerous lease commitment relating to property vacated since the year end. This provision is expected to be released to profit and loss account in 2003.

17 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2002 £	2001 £	2002 £	2001 £
Authorised 1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000		
Allotted, called up and fully paid 50,000 ordinary shares of £1 each			50,000	50,000

18 Statement of movements on profit and loss account

Group	Profit and loss account £
At 1 April 2001	3,307,048
Retained profit for the year	6,057,714
At 31 March 2002	9,364,762
Company	Profit and loss account £
At 1 April 2001	1,087,271
Retained profit for the year	8,006,030
At 31 March 2002	9,093,301

19 Financial commitments

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

	Land and buildings	
	2002	2001
Group and company	£	£
Operating leases which expire:		
Within one year	27,188	—
Within two to five years	—	81,564
Thereafter	—	56,592
	<u>27,188</u>	<u>138,156</u>

20 Capital commitments

At 31 March 2002 the company had capital commitments as follows:

	Land and buildings	
	2002	2001
Group and company	£	£
Contracted for but not provided in the accounts	<u>322,207</u>	<u>—</u>

Under the partnership agreement with Ingenious Ventures Limited Partnership (note 10), the company has agreed to provide the partnership with loan facilities representing 10% of total loan facilities provided by all partners up to a maximum of £2,500,000. At the year end the company had provided a loan facility amounting to £1,023,687 of this total commitment.

21 Reconciliation of movements in shareholder's funds

	2002	2001
Group	£	£
Equity funds		
Profit for the financial year	6,057,714	2,793,132
Opening shareholders' funds at 1 April 2001	3,357,048	563,916
Closing shareholders' funds at 31 March 2002	<u>9,414,762</u>	<u>3,357,048</u>

22 Production sale and leaseback transactions

During the year the group acted as co producer with two other producers in an international film co production. Under the co producer agreement the group agreed to incur all UK film costs and the carrying value attributable to these rights has been included in stock in accordance with the group's accounting policy.

On 28th March 2002 the other two co producers granted and assigned to the group full title and their interest in the film with a right to receive a sub licence of this title and interest. The group then sold its rights to the film for £7,009,975. It also entered into a leaseback arrangement with the purchaser and sub licensed a share of these acquired rights to the other two producers. Of the £7,009,975 received under the leaseback arrangement, £784,454 has been treated as income of the group representing the producer's fee and has been matched with a corresponding proportion of the UK costs incurred.

After deducting the first rental payment, the balance of £5,832,100 receivable from the leaseback arrangement is held on a bank deposit account and accrues interest over a fifteen-year lease period. The lease obligations, together with lease rental charges, will be an equal and opposite amount to the bank deposit funds over the full term of the lease.

The group will have no access to the bank deposit funds and these funds will exist solely to meet the lease obligations. The funds will not confer any economic benefit to the group and therefore have not been shown as assets of the group. The lease obligations are guaranteed by an AA rated bank and therefore have not been shown as liabilities of the group. However, the group could be affected in the future by such lease obligations in the event of the AA rated bank collapsing whilst still holding the deposit funds. This is considered to be remote.

As a result, applying Financial Reporting Statement No 5: Reporting The Substance of Transactions, both the bank deposit funds receivable and interest earned, which at 31 March 2002 amounted to a total of £5,832,100, together with the equivalent of the lease obligations and lease rental charges, are excluded from the financial statements.

The acquisition of the film rights from the co producers and the subsequent sub-licence has also not been reflected in the accounts because the series of transactions effectively resulted in the company not having rights and other access to the principal future economic benefits associated with the ownership of the film or exposure to the principal risks inherent in the ownership of that film in accordance with Financial Reporting Statement No 5.

23 Related party transactions

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

During the year the group entered into the following related party transactions: -

Film partnerships

The group received fees of £nil (2001 - £479,919) from Vision Film Partners. One of the partners in this partnership is M E McKenna, the wife of P A McKenna, a director.

The group received fees of £201,641 (2001 - £760,624) from Genius Film Partners. At the year end £nil (2001 - £25,000) was owed by Genius Film Partners. One of the partners in this partnership is P A McKenna.

At the year end, some of the group undertakings were partners in Opal Film Partners, Amber Film Partners, and Reel Film Partners.

The group advanced loans to Opal Film Partners and Amber Film Partners of £685,000 and £990,000 respectively. Interest received on these loans by the group was £32,767 and £28,704 respectively. At the year end loans of £717,767 were due from Opal Film Partners and £1,018,704 from Amber Film Partners.

During the year, the group entered into an agreement with Amber Film Partners to provide a loan facility of £13,222,620. At the same time, the group entered into an agreement with Barclays Bank plc to finance this facility. After the year end, the group advanced £11,317,184 to Amber Film Partners under this facility, all of which was financed by way of a bank loan from Barclays Bank plc. The loan to the partnership was repayable by no later than 5 April 2005. The loan from Barclays Bank plc was secured by the partnership's share of lease rental income receivable.

The group also received fees of £552,215, £1,365,656, and £253,086 from Opal Film Partners, Amber Film Partners, and Reel Film Partners, respectively for film sale and lease back arrangements.

The group received a fee of £280,399 for arranging the sale and leaseback transaction detailed in note 22.

Ingenious Ventures Limited Partnership

The group entered into a partnership agreement with UBS and Ingenious Partners Limited, a company owned by P A McKenna, a director (note 10) to form Ingenious Ventures Limited Partnership.

The group recognised a profit share of £234,375 from Ingenious Ventures Limited Partnership for managing the investments owned by the partnership. At the year end £42,188 of this profit share was outstanding.

Others

During the year, the company made a donation to the McKenna Charitable Trust of £25,000. The director, P A McKenna is a trustee and a settlor of McKenna Charitable Trust.

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

24 Transactions with directors

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

	Maximum in year £	Amount owed to the company 2002 £	Amount owed to the company 2001 £
Directors' loan accounts			
D M Reid	773	773	900
P A McKenna	98,177	68,213	98,177

25 Pension cost

The company made £7,480 (2001 - £15,980) of pension contributions to an employee's and a director's personal pension scheme. At the year end there were no accrued or prepaid pension costs (2001 - £nil).

26 Post balance sheet events

During the year, the group entered into an agreement with Amber Film Partners to provide a loan facility of £13,222,620. At the same time, the group entered into an agreement with Barclays Bank plc to finance the loan to Amber Film Partners.

After the year end, the group advanced £11,317,184 to Amber Film Partners, all of which was financed by way of a bank loan from Barclays Bank plc.

The bank loan was secured over the film lease rentals receivable by Amber Film Partners from the films acquired from the funding provided.

After the year end, Sapphire Film Partners, Jade Film Partners, Amber Film Partners and Opal Film Partners repaid loans owed to the group at the year end amounting to £15,060,700. The group used these funds to repay the bank loans outstanding at the year end.

27 Control

During the two years ended 31 March 2002 the ultimate controlling party of the group and the company was a director, P A McKenna.

28 Additional information on subsidiaries

During the year the company had the following wholly owned principal operating subsidiaries incorporated in England and Wales:-

Subsidiary undertakings	Activity	Class	%
Ingenious Films Limited	Services to media, leisure and entertainment	Ordinary	100
Ingenious Corporate Finance Limited	Corporate finance (FSA registered)	Ordinary	100
Mercury Film Productions Limited	Film production	Ordinary	100
Ingenious Ventures Limited	Investment management services (FSA registered)	Ordinary	100
Ingenious Media Consulting Limited	Management consultancy	Ordinary	100
Opal Film Partner 1 Limited	Partner in film partnership	Ordinary	100
Jade Film Partner 1 Limited	Partner in film partnership	Ordinary	100
Amber Film Partner 1 Limited	Partner in film partnership	Ordinary	100
Sapphire Film Partner 1 Limited	Partner in film partnership	Ordinary	100