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Ingenious Media plc

Group Annual Report and Financial Statements

31st March 2003



Company Registration Number
3573626 (England and Wales)

Ingenious Media plc

Directors	P A McKenna D M Reid G J Arkell J L Boyton K T Mead N J Harvey M Simkins N R Blackley
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
Bankers	HSBC Republic Bank (UK) Limited 31 Hill Street London W1J 5LS
Solicitors	Harbottle and Lewis Hanover House 14 Hanover Square London W1S 1HP

Ingenious Media plc

REPORT AND FINANCIAL STATEMENTS 2003

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Ingenious Media plc

DIRECTORS' REPORT

31st March 2003

The directors present their report with the financial statements of the group for the year ended 31st March 2003

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 are set out on page 5.

The directors do not recommend payment of a final dividend. An interim dividend paid during the year amounted to £200,000 at £4 per share (2002 - £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 directors in office during the year and their beneficial interests in the issued ordinary share capital were as follows:

	31 March 2003	1 April 2002
P A McKenna	50,000	50,000
D M Reid	-	-
G J Arkell	-	-
J L Boyton	-	-
K T Mead (appointed 1 April 2002)	-	-
N J Harvey (appointed 3 February 2003)	-	-
M Simkins (appointed 1 August 2003)	-	-
N R Blackley (appointed 1 August 2003)	-	-

Charitable contributions

During the year the group made charitable donations of £275,500 (2002 - £99,960)

Ingenious Media plc

DIRECTORS' REPORT (Continued)

31st March 2003

Creditors payment policy

On average, trade creditors at the year end represented 34 (2002 - 31) 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 suppliers meet their 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:

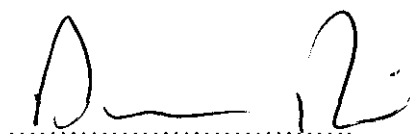
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern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

The directors are responsible for ensuring that proper accounting records are kept 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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

Signed on behalf of the board of directors:



D M Reid
Secretary

Approved by the board on: 23/10/03

Ingenious Media plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF INGENIOUS MEDIA PLC

We have audited the financial statements on pages 5 to 22 which have been prepared, under the historical cost convention, and in accordance with the accounting policies set out on pages 9 to 10.

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 the 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 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 misstatements 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 and the group's circumstances, consistently applied and adequately disclosed.

Ingenious Media plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF INGENIOUS MEDIA PLC (Continued)

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31st March 2003 and of its 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', written over a dotted line.

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

Date: 23 October 2003

Ingenious Media plc

GROUP PROFIT AND LOSS ACCOUNT Year ended 31st March 2003

	Notes	2003 £	2002 £
Turnover	1	33,994,638	17,257,851
Cost of sales		(8,665,214)	(5,086,320)
Gross profit		<u>25,329,424</u>	<u>12,171,531</u>
Administrative expenses		(7,634,525)	(3,102,934)
Operating profit	2	17,694,899	9,068,597
Share of profit/(loss) in associated partnership		103,566	(43,409)
Interest receivable and similar income	5	356,910	808,899
Interest payable and similar charges	6	(40,828)	(653,470)
Profit on ordinary activities before taxation		<u>18,114,547</u>	<u>9,180,617</u>
Taxation	7	(5,658,693)	(3,052,903)
Profit on ordinary activities after taxation		<u>12,455,854</u>	<u>6,127,714</u>
Dividends paid	8	(200,000)	(70,000)
Retained profit for the financial year	18	<u>12,255,854</u>	<u>6,057,714</u>

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

The group has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

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.

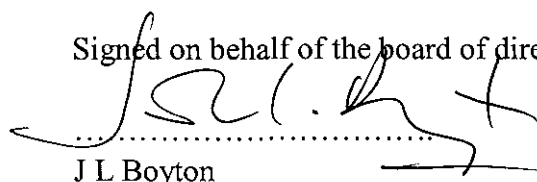
Ingenious Media plc

BALANCE SHEET

31st March 2003

	Notes	Group		Company	
		2003 £	2002 £	2003 £	2002 £
Fixed Assets					
Tangible assets	9	431,129	105,229	431,129	105,229
Investments	10	9,026,284	3,597,067	1,210,463	1,110,772
		<u>9,457,413</u>	<u>3,702,296</u>	<u>1,641,592</u>	<u>1,216,001</u>
Current assets					
Stock	11	-	748,329	-	-
Debtors	12	28,122,349	28,084,066	10,729,238	12,175,665
Investments	13	125,000	6,000	-	-
Cash at bank and in hand		<u>13,139,512</u>	<u>6,558,253</u>	<u>143,058</u>	<u>417,660</u>
		<u>41,386,861</u>	<u>35,396,648</u>	<u>10,872,296</u>	<u>12,593,325</u>
Creditors: amounts falling due within one year	14	<u>(11,519,493)</u>	<u>(26,685,273)</u>	<u>(3,909,183)</u>	<u>(4,620,687)</u>
Net current assets		<u>29,867,368</u>	<u>8,711,375</u>	<u>6,963,113</u>	<u>7,972,638</u>
Total assets less current liabilities		<u>39,324,781</u>	<u>12,413,671</u>	<u>8,604,705</u>	<u>9,188,639</u>
Creditors: amounts falling due after more than one year	15	<u>(11,514,285)</u>	<u>(1,900,688)</u>	<u>(4,160,295)</u>	-
Provision for liabilities and charges	16	<u>(6,139,880)</u>	<u>(1,098,221)</u>	-	<u>(45,338)</u>
Net Assets		<u>21,670,616</u>	<u>9,414,762</u>	<u>4,444,410</u>	<u>9,143,301</u>
Capital and reserves					
Equity interests:					
Called up share capital	17	50,000	50,000	50,000	50,000
Profit and loss account	18	<u>21,620,616</u>	<u>9,364,762</u>	<u>4,394,410</u>	<u>9,093,301</u>
Shareholders' funds	21	<u>21,670,616</u>	<u>9,414,762</u>	<u>4,444,410</u>	<u>9,143,301</u>

Signed on behalf of the board of directors:



J L Boyton
Director

Approved by the board on: 23/10/03

Ingenious Media plc

GROUP CASH FLOW STATEMENT

31st March 2003

	Notes	2003 £	2002 £
Cash inflow from operating activities	A	9,407,434	6,136,290
Returns on investments and servicing of finance	B	316,082	155,429
Taxation		(2,592)	(331,063)
Capital expenditure and financial investment	B	(5,969,076)	(1,405,935)
Equity dividends paid		(200,000)	(70,000)
Net cash inflow before management of liquid resources and financing		3,551,848	4,484,721
Financing	B	3,029,411	(1,605,571)
Increase in cash in the year	C	6,581,259	2,879,150

NOTES TO THE GROUP CASH FLOW STATEMENT

For the year ended 31st March 2003

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

	2003 £	2002 £
Operating profit	17,694,899	9,068,597
Depreciation charge	177,593	141,427
Loss on disposal of fixed assets	20,931	-
Permanent diminution of fixed assets	-	88,836
(Release)/charge for onerous lease	(45,338)	45,338
Decrease/(increase) in stock	748,329	(748,329)
Increase in debtors	(8,755,511)	(8,462,794)
(Decrease)/increase in creditors	(433,469)	6,003,215
Net cash inflow from operating activities	9,407,434	6,136,290

Ingenious Media plc

GROUP CASH FLOW STATEMENT 31st March 2003

	2003 £	2002 £
B Gross Cash Flows		
Returns on investment and servicing of finance		
Interest received	356,910	271,207
Interest paid	(40,828)	(115,778)
	<u>316,082</u>	<u>155,429</u>
Capital expenditure and financial investments		
Current asset investment	(119,000)	(6,000)
Payments to acquire tangible fixed assets	(524,425)	(29,266)
Payments to acquire investment in partnerships	(5,226,003)	(321,957)
Purchase of quoted investments	-	(25,000)
Loans to limited partnership	(99,648)	(1,023,687)
Purchase of investment in limited partnership	-	(25)
	<u>(5,969,076)</u>	<u>(1,405,935)</u>
Financing		
Other loans repaid/(issued)	8,717,229	(17,910,061)
Bank loans	(5,687,818)	16,304,490
	<u>3,029,411</u>	<u>(1,605,571)</u>

C Analysis of changes in net funds

	At 1 April 2002 £	Cash Flows £	At 31 March 2003 £
Cash at bank and in hand	6,558,253	6,581,259	13,139,512
Debt due after one year	(1,900,688)	(9,613,597)	(11,514,285)
Debt due within one year	(15,984,239)	15,301,415	(682,824)
	<u>(11,326,674)</u>	<u>12,269,077</u>	<u>942,403</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

	2003 £	2002 £
Increase in cash in the year	6,581,259	2,879,150
Cash outflow/(inflow) from decrease/(increase) in debt	5,687,818	(16,304,490)
Movement in net funds for the year	12,269,077	(13,425,340)
Opening net funds	(11,326,674)	2,098,666
Closing net funds	<u>942,403</u>	<u>(11,326,674)</u>

Ingenious Media plc

PRINCIPAL ACCOUNTING POLICIES

31st March 2003

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 loss for the financial year, after tax and dividends, amounted to £4,698,891 (2002 - profit £8,006,030)

Turnover

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

Tangible fixed assets

Tangible fixed assets are stated at historical cost less provision for depreciation and any permanent diminution in value. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Land and buildings leasehold	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.

Ingenious Media plc

PRINCIPAL ACCOUNTING POLICIES (Continued)

31st March 2003

Deferred taxation

Deferred tax is provided in full on timing differences which result 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 that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension

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

Stock

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

Production sale and leaseback

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

Ingenious Media plc

NOTES TO THE ACCOUNTS

31st March 2003

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

	2003 £	2002 £
This is stated after charging:		
Depreciation of fixed assets	177,593	141,427
Loss on disposal of fixed assets	20,931	-
Operating lease rentals - land and buildings	211,137	136,157
Provision for permanent diminution in the value of leasehold improvements	-	88,836
Onerous lease provision	(45,338)	45,338
Auditors' remuneration (company: £10,700 [2002 - £19,025])	<u>45,500</u>	<u>45,525</u>

Fees for non-audit services amounted to £105,990 (2002 - £44,865)

3 Staff costs

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

	2003 £	2002 £
Wages and salaries	4,351,617	1,803,365
Social security costs	506,486	197,707
Other pension costs	<u>8,080</u>	<u>7,480</u>
	<u>4,866,183</u>	<u>2,008,552</u>

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

Office and administration	<u>46</u>	<u>24</u>
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Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

4 Directors' remuneration

	2003 £	2002 £
Emoluments for qualifying services	1,929,194	363,098
Company pension contributions to money purchase scheme	<u>4,480</u>	<u>4,480</u>
	<u>1,933,674</u>	<u>367,578</u>

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

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

	2003 £	2002 £
Emoluments for qualifying services	<u>1,134,994</u>	<u>202,757</u>

5 Interest receivable and similar income

	2003 £	2002 £
Bank interest	256,004	125,101
Loan interest	<u>100,906</u>	<u>683,798</u>
	<u>356,910</u>	<u>808,899</u>

6 Interest payable and similar charges

	2003 £	2002 £
Interest payable on bank loans	<u>40,828</u>	<u>653,470</u>

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

7 Taxation

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

	2003 £	2002 £
UK Corporation tax at 30% (2002 - 30%) based on the adjusted results of the year	2,350,000	2,877,157
Adjustments in respect of prior years	<u>(1,778,304)</u>	<u>(330,137)</u>
Current tax charge	571,696	2,547,020
Provision for deferred taxation for the year (note 16)	<u>5,086,997</u>	<u>505,883</u>
	<u>5,658,693</u>	<u>3,052,903</u>
Factors affecting tax charge for the year:	2003 £	2002 £
Profit on ordinary activities before taxation	<u>18,114,547</u>	<u>9,180,617</u>
Profit on ordinary activities for the year multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	5,434,364	2,754,185
Effects of:		
Income not taxable	(240,594)	-
Expenses not deductible for tax purposes	1,884,890	88,675
Excess of depreciation over capital allowances	(8,036)	30,190
Short term timing differences	(5,096,981)	(176,426)
Sundry adjustments	376,356	180,533
Adjustments in respect of prior years	<u>(1,778,303)</u>	<u>(330,137)</u>
Current tax charge	<u>571,696</u>	<u>2,547,020</u>

8 Dividends

	2003 £	2002 £
Interim paid - £4.00 (2002 - £1.40) per ordinary share	<u>200,000</u>	<u>70,000</u>

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued) 31st March 2003

9 Tangible fixed assets

Group and company	Short leasehold land and buildings £	Fixtures, fitting and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2002	192,421	238,857	77,282	508,560
Additions	307,197	217,228	-	524,425
Disposals	(192,421)	(46,487)	(77,282)	(316,190)
At 31 March 2003	307,197	409,598	-	716,795
Depreciation				
At 1 April 2002	192,421	154,559	56,351	403,331
Disposals	(192,421)	(46,486)	(56,351)	(295,258)
Charge for year	76,031	101,562	-	177,593
At 31 March 2003	76,031	209,635	-	285,666
Net book values				
At 31 March 2003	231,166	199,963	-	431,129
At 31 March 2002	-	84,298	20,931	105,229

10 Fixed asset investments - Group

	Share of net assets of partnerships £	Shares in Limited Partnership £	Loans to Limited Partnership £	Quoted Investment £	Total £
Cost					
At 1 April 2002	2,548,355	25	1,023,687	25,000	3,597,067
Additions	5,329,569	-	99,648	-	5,429,217
At 31 March 2003	7,877,924	25	1,123,335	25,000	9,026,284

The share of net assets of partnerships represents the investment in unincorporated trading partnerships investing in British films. The principal place of business for these partnerships is 100 Pall Mall, London, SW1Y 5NQ. During the year the group's share of profit in these partnerships amounted to £103,566 (2002 - loss £43,409).

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

10 Fixed asset investments - Company

	Shares in subsidiary undertakings £	Shares in Limited Partnerships £	Loans to Limited Partnerships £	Quoted Investments £	Total £
Cost					
At 1 April 2002	62,060	25	1,023,687	25,000	1,110,772
Additions	43	-	99,648	-	99,691
At 31 March 2003	<u>62,103</u>	<u>25</u>	<u>1,123,335</u>	<u>25,000</u>	<u>1,210,463</u>

At the year end the market value of the quoted investment was £46,250 (2002 - £29,000). A tax liability of £6,375 (2002 - £1,200) would arise if the listed investment were sold at the stated market value.

Additional information on subsidiaries is detailed in note 28.

Ingenious Ventures Limited Partnership

The company is a partner in Ingenious Ventures Limited Partnership in which it owns a 7.5% equity share. At the year end the company had advanced £1,123,335 (2002 - £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 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 £207,199 (2002 - 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.

11 Stock

	2003 £	2002 £
Group		
Finished goods	<u>-</u>	<u>748,329</u>

During the year the group acted as a co-producer in an international film production.

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued) 31st March 2003

12 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	3,336,663	8,731,027	-	6,836
Amounts owed by group undertakings	-	-	5,752,913	5,050
Trade loans	9,827,245	18,544,474	4,780,379	2,653,450
Directors' current account	787	68,986	787	68,986
Prepayments and accrued income	14,611,623	580,624	156,210	42,932
Dividends receivable	-	-	-	9,300,000
Other debtors	346,031	158,955	38,949	98,411
	28,122,349	28,084,066	10,729,238	12,175,665

Included within trade loans is £4,780,379 which has no fixed repayment terms but is to be repaid by 5th April 2005.

13 Current asset investments

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Investments	125,000	6,000	-	-

During the year a net investment of £125,000 was made in a West End theatre production.

14 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts owed to group undertakings	-	-	695,004	4,008,500
Accruals and deferred income	4,535,748	5,471,319	1,012,166	482,041
Corporation tax	3,446,261	2,877,157	-	-
Trade creditors	816,416	436,858	124,611	73,768
Bank loans and overdrafts	682,824	15,984,239	620,084	-
Social security and other taxes	1,820,471	1,903,931	1,336,743	56,378
Director's current account	27,020	-	27,020	-
Other creditors	190,753	11,769	93,555	-
	11,519,493	26,685,273	3,909,183	4,620,687

The group held £1,284,920 (2002 - £3,130,538) in advances from customers to secure future film sale and lease back transactions. These funds have been placed in a client trust account and are not included in the group's cash at bank and in hand.

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank Loans	11,514,285	1,900,688	4,160,295	-

The bank loans are secured by the group's share of lease rental income receivable by partnerships in which the company has made investments (note 10), and are repayable over terms of 14 years. Of this £2,908,356 is due between 2 and 5 years, and £8,605,929 is due after 5 years by instalments. Interest of 5.5% per annum is payable on these loans.

16 Provisions for liabilities and charges

	Company	Group	2003	2002
	Other provision	Deferred Taxation		
Group	£	£	£	£
Balance as at 1 April 2002	45,338	1,052,883	1,098,221	547,000
Movement in the year	(45,338)	5,086,997	5,041,659	551,221
Balance as at 31 March 2003	-	6,139,880	6,139,880	1,098,221

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

During the year the company released a provision of £45,338 in respect of an onerous lease commitment relating to property vacated during the year.

17 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2003	2002	2003	2002
	£	£	£	£
Ordinary shares of £1 each	1,000,000	1,000,000	50,000	50,000

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued) 31st March 2003

18 Statement of movements on profit and loss account

Group	£
At 1 April 2002	9,364,762
Retained profit for the year	<u>12,255,854</u>
At 31 March 2003	<u>21,620,616</u>
 Company	
At 1 April 2002	9,093,301
Loss for the year	<u>(4,698,891)</u>
At 31 March 2003	<u>4,394,410</u>

19 Financial commitments

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

	Land and Buildings	
	2003	2002
	£	£
Group and company		
Operating leases which expire:		
Within 1 year	-	27,188
Within two to five years	-	-
Thereafter	<u>371,250</u>	<u>-</u>
	<u>371,250</u>	<u>27,188</u>

20 Capital commitments

At 31 March 2003 the company had capital commitments as follows:

	Land and Buildings	
	2003	2002
	£	£
Group and company		
Contracted for but not provided in the accounts	<u>28,527</u>	<u>322,207</u>

Under the partnership agreement with Ingenious Ventures Limited Partnership (note 10), the company has agreed to provide the partnership with loan facilities up to a maximum of £2,500,000, representing 10% of total loan facilities provided by all partners. At the year end the company had advanced £1,123,335 of this total commitment.

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

21 Reconciliation of movements in shareholder's funds

	2003	2002
Group	£	£
Equity funds		
Profit for the financial year after taxation	12,455,854	6,127,714
Dividends	(200,000)	(70,000)
Opening shareholders' funds at 1 April 2002	<u>9,414,762</u>	<u>3,357,048</u>
Closing shareholders' funds at 31st March 2003	<u>21,670,616</u>	<u>9,414,762</u>

22 Production sale and leaseback transactions

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

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

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

The group has no access to the bank deposit funds and these funds exist solely to meet the lease obligations. The funds do not confer any economic benefits to the group and therefore do not represent assets of the group. The lease obligations are guaranteed by the bank and therefore do not represent liabilities of the group. However, the group could be affected in the future by such lease obligations in the event of the bank collapsing whilst still holding the deposit funds. This eventuality is considered to be remote.

As a result of applying Financial Reporting Statement No 5: Reporting the Substance of Transactions, both the bank deposit funds and interest earned, amounting to £5,806,466 (2002 - £5,832,100) together with the corresponding lease obligations and lease rental charges, are excluded from the financial statements.

In accordance with Financial Reporting Statement 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 effectively result in the group not having rights to the principal future economic benefits, nor principal risks, associated with the ownership of the film.

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

23 Related party transactions

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

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

	Sub-note	<u>Fee income derived from</u> <u>entities listed below</u>		<u>Amounts due from</u> <u>entities listed below</u>	
		31 March	31 March	31 March	31 March
		2003	2002	2003	2002
		£	£	£	£
Amber Film Partners	1	701,248	1,394,360	6,420,690	1,018,704
Genius Film Partners	2	2,615,756	201,641	2,669,760	-
Ingenious Ventures LP	3	209,539	234,375	-	42,188
Inside Track Productions LLP	4	1,440,313	-	911,093	-
Jade Film Partners	1	4,169	-	5	-
Opal Film Partners	1	43,858	584,982	75,274	717,767
Reel Film Partners	1	910,763	253,086	787,969	-
Sapphire Film Partners	1	30,881	66,112	-	-
Vision Film Partners	5	652,218	-	652,791	-

	Sub-note	<u>Expenditure with entities</u> <u>listed below</u>		<u>Amounts due to entities</u> <u>listed below</u>	
		31 March	31 March	31 March	31 March
		2003	2002	2003	2002
		£	£	£	£
Ingenious Ventures LP	3	-	-	42,188	-
The McKenna Charitable Trust	6	270,000	25,000	-	-

Sub-notes

- 1 Some group undertakings are partners in these partnerships.
- 2 P A McKenna, a director, is a partner in Genius Film Partners.
- 3 Ingenious Partners Limited, a company owned by P A McKenna, a director, is a partner in Ingenious Ventures Limited Partnership
- 4 P A McKenna, K T Mead, J L Boyton and D M Reid, directors, are members of Inside Track Productions Limited Liability Partnership.
- 5 M E McKenna, the wife of P A McKenna, a director, is a partner in Vision Film Partners.
- 6 P A McKenna, a director, is a trustee and a settlor of The McKenna Charitable Trust.

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

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

24 Transactions with directors

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

	Maximum in year £	Amount owed to/(by) the company 2003 £	Amount owed to the company 2002 £
Directors' Loan accounts			
D M Reid	1,124	787	773
P A McKenna	631,031	(27,020)	68,213

During the year the director, P A McKenna acquired a motor vehicle from the company for £nil consideration. The net book value of the vehicle was £20,931.

25 Pension cost

The company made £8,080 (2002 - £7,480) 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 (2002 - £nil).

26 Control

During the two years ended 31 March 2003 the ultimate controlling party of the group and the company was, P A McKenna.

27 Contingent liability

The following security had been given to HSBC Republic Bank (UK) Limited in support of facilities of up to £7.5m available to Ingenious Films Limited. No amount of the facility was drawn down throughout the period to its expiry on 30 April 2003.

- a debenture over all present and future freehold and leasehold property
- a first fixed charge over, among other things, book and other debts, chattels, goodwill and uncalled capital both present and future
- a first floating charge over all assets and undertaking both present and future

An unlimited cross guarantee had been given to HSBC Republic Bank (UK) Limited, jointly with Ingenious Films Limited, Ingenious Corporate Finance Limited, Ingenious Ventures Limited and Ingenious Media Consulting Limited.

The balance of the loan under guarantee at 31 March 2003 was £nil.

Ingenious Media plc

NOTES TO THE ACCOUNTS (Continued)

31st March 2003

28 Additional information on subsidiaries

During the year the company had the following wholly owned principal operating subsidiaries which were all 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	Film investment	Ordinary	100
Amber Film Partner 1 Limited	Film investment	Ordinary	100