

MERCURY FILM PRODUCTIONS LIMITED

REPORT AND FINANCIAL STATEMENTS

5 APRIL 2008

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COMPANIES HOUSE

Company Registration Number
04212056 (England and Wales)

MERCURY FILM PRODUCTIONS LIMITED

Directors J L Boyton
N A Forster
D M Reid

Secretary S J Cruickshank

Registered Office 15 Golden Square
London
W1F 9JG

Registered Number 04212056 (England and Wales)

Auditors Deloitte LLP
Chartered Accountants
London

Business Address 15 Golden Square
London
W1F 9JG

Bankers HSBC Private Bank (UK) Limited
78 St. James's Street
London
SW1A 1JB

MERCURY FILM PRODUCTIONS LIMITED

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DIRECTORS' REPORT
5 APRIL 2008

The directors present their report and audited financial statements of the Company for the year ended 5 April 2008.

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

Principal Activity

The principal activity of the Company continued to be film production.

The Company did not enter into any film distribution deals during the year. As a result the directors consider the results for the year and the financial position at the end of it to be as expected.

Directors

The directors in office during the year and subsequently were as follows:

	Appointment date	Resignation date
J L Boyton		
S E Ford		9 May 2008
N A Forster	18 August 2008	
K T J Mead		31 August 2007
D M Reid		

Creditors Payment Policy

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' REPORT

5 APRIL 2008

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company 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;
- state whether applicable United Kingdom accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Acts. 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

Each of the persons who is a director at the date of approval of this report confirms that so far as the director is aware there is no relevant audit information of which the Company's auditors are unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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

Approved by the Board and signed on its behalf by



S J CRUICKSHANK

Secretary

27 January 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MERCURY FILM PRODUCTIONS LIMITED

We have audited the financial statements of Mercury Film Productions Limited for the year ended 5 April 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Acts. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MERCURY FILM PRODUCTIONS LIMITED

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 5 April 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



DELOITTE LLP

Chartered Accountants and Registered Auditors
London, UK

27 January 2009

PROFIT AND LOSS ACCOUNT
For the year ended 5 April 2008

	Notes	Year ended 5 April 2008 £ '000s	Period ended 5 April 2007 £ '000s
Turnover	1	-	4,093
Cost of sales		-	(4,093)
Gross profit		-	-
Operating profit		-	-
Interest receivable and similar income	3	5	117
Interest payable and similar charges	4	-	(2)
Profit on ordinary activities before taxation		5	115
Taxation	5	-	-
Profit for the financial year/period	10	5	115

The Company's result was derived from continuing operations during the current year and prior periods.

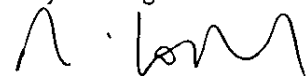
The Company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

Fees payable to the Company's auditors, Deloitte LLP, of £5k (period ended 5 April 2007 - £5k) are borne and disclosed by the parent company.

BALANCE SHEET
As at 5 April 2008

	Notes	5 April 2008 £ '000s	5 April 2007 £ '000s
Current assets			
Stock	6	354	-
Debtors	7	372	1,128
Cash at bank and in hand		9	2
		<u>735</u>	<u>1,130</u>
Creditors: Amounts falling due within one year	8	<u>(609)</u>	<u>(1,009)</u>
Net current assets		<u>126</u>	<u>121</u>
Total assets less current liabilities		<u>126</u>	<u>121</u>
Net assets		<u>126</u>	<u>121</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	<u>126</u>	<u>121</u>
Shareholders' funds	11	<u>126</u>	<u>121</u>

The financial statements were approved by the Board and authorised for issue on 27 January 2009
 They were signed on behalf of the Board of directors by:



N A Forster

Director

27 January 2009

STATEMENT OF ACCOUNTING POLICIES
5 APRIL 2008

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding period. The comparative figures are for the period from 1 April 2006 to 5 April 2007.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Company's business activities and key risks are set out in the Directors' Report. As part of the Ingenious group, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Cash flow

The financial statements do not include a cash flow statement because the Company, as a wholly owned subsidiary, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 '*Cash flow statements*'.

Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of VAT when recognised.

Cost of sales

Cost of sales represents direct costs attributable to turnover when recognised.

Stock

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

Taxation

Current tax, including United Kingdom corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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.

STATEMENT OF ACCOUNTING POLICIES

5 APRIL 2008

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 not discounted.

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 completed. The balance of the proceeds and the corresponding lease obligations are not brought into the accounts, as explained in note 14.

NOTES TO THE ACCOUNTS

5 APRIL 2008

1. Segmental analysis of turnover, profit and net assets

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom (period ended 5 April 2007 - United Kingdom).

2. Staff costs

The Company incurred no staff costs nor paid any remuneration to its directors during the year (2007: nil).

The emoluments of the directors were paid and borne by other Ingenious group undertakings in the current year and prior period and none of their remuneration was specifically attributable to their services to the Company.

3. Interest receivable and similar income

	Year ended 5 April 2008 £ '000s	Period ended 5 April 2007 £ '000s
Bank interest	5	4
Interest receivable from group undertakings	-	113
	5	117

4. Interest payable and similar charges

	Year ended 5 April 2008 £ '000s	Period ended 5 April 2007 £ '000s
Interest payable to group undertakings	-	2

NOTES TO THE ACCOUNTS
5 APRIL 2008

5. Taxation

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

	Year ended 5 April 2008 £ '000s	Period ended 5 April 2007 £ '000s
UK Corporation tax at 30% (period ended 5 April 2007 - 30%) based on the adjusted results for the year	-	-
Current tax charge	-	-

Factors affecting tax charge for the year:

	Year ended 5 April 2008 £ '000s	Period ended 5 April 2007 £ '000s
Profit on ordinary activities before taxation	5	115
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30% (period ended 5 April 2007 - 30%)	2	35
Effects of:		
Group relief claimed	(2)	(35)
Current tax charge	-	-

6. Stock

	5 April 2008 £ '000s	5 April 2007 £ '000s
Work in progress	354	-

NOTES TO THE ACCOUNTS
5 APRIL 2008

7. Debtors

	5 April 2008 £ '000s	5 April 2007 £ '000s
Amounts falling due within one year:		
Trade debtors	-	37
Amounts owed by group undertakings	372	374
Other debtors	-	717
	372	1,128

8. Creditors: amounts falling due within one year

	5 April 2008 £ '000s	5 April 2007 £ '000s
Trade creditors	-	727
Amounts owed to group undertakings	-	81
Other creditors	609	201
	609	1,009

9. Called up share capital

	Authorised			
	5 April 2008		5 April 2007	
	£	No	£	No
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

	Allotted, called up and fully paid			
	5 April 2008		5 April 2007	
	£	No	£	No
Ordinary shares of £1 each	1	1	1	1

NOTES TO THE ACCOUNTS
5 APRIL 2008

10. Statement of movements on profit and loss account

	Year ended 5 April 2008 £ '000s	Period ended 5 April 2007 £ '000s
Balance brought forward	121	6
Profit for the financial year/period	5	115
Balance carried forward	126	121

11. Reconciliation of movements in shareholders funds

	Year ended 5 April 2008 £ '000s	Period ended 5 April 2007 £ '000s
Profit for the financial year / period after taxation	5	115
Net movement in shareholders' funds	5	115
Opening shareholders' funds	121	6
Closing shareholders' funds	126	121

12. Related party transactions

The accounts do not include disclosure of transactions between the Company and entities that are part of the Ingenious Media Holdings plc group. This is because, as a subsidiary whose shares are more than 90% controlled within the group, it is exempt from the requirement to disclose such transactions, under Financial Reporting Standard 8 'Related Party Disclosures'.

There were no other related party transactions or balances requiring disclosure (period ended 5 April 2007 - none).

NOTES TO THE ACCOUNTS
5 APRIL 2008

13. Controlling party

During the year ended 5 April 2008 the Company was a wholly owned subsidiary of Ingenious Media Ltd (formerly Ingenious Media plc), a company registered in England and Wales. Ingenious Media Ltd is a wholly owned subsidiary of Ingenious Media Holdings plc, the ultimate parent company. Ingenious Media Holdings plc is the only parent undertaking for which group accounts are prepared.

The consolidated financial statements of Ingenious Media Holdings plc can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The controlling shareholder of Ingenious Media Holdings plc was P A McKenna.

14. Contingent Liability

During the prior period Mercury Film Productions Limited was commissioned to undertake development work by Ealing Studios Enterprises Limited, to a maximum value of £473m. Mercury Film Productions Limited subcontracted this work to Ingenious Media Services Limited, a company within the Ingenious Media Holdings plc group, and transferred the risks and rewards of the project to that company. Mercury Film Productions Limited therefore has a contractual liability to Ealing Studios Enterprises Limited, however this liability has not been recognised as the likelihood of it crystallising an economic outflow in Mercury Film Productions Limited is considered to be remote. The full extent of the liability has instead been recognised in the accounts of Ingenious Media Services Limited.