

INGENIOUS FILM SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2005



Company Registration Number
5214060 (England and Wales)

INGENIOUS FILM SERVICES LIMITED

Directors P A McKenna
D M Reid
J L Boyton
K T J Mead
R H Patel

Secretary R H Patel

Registered Office 12 New Fetter Lane
London
EC4A 1AG

Registered Number 5214060 (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 DLA Piper Rudnick Gray Cary UK LLP
3 Noble Street
London
EC2V 7EE

INGENIOUS FILM SERVICES LIMITED

CONTENTS

Reports

Director's Report	1
Independent Auditors' Report	3

Accounts

Profit and Loss Account	5
Balance Sheet	6
Principal Accounting Policies	7
Notes to the Accounts	9

DIRECTORS' REPORT

31 MARCH 2005

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

Principal Activity and Review of the Business

The company was incorporated on 25 August 2004.

The principal activity of the company was that of the provision of services to the media, leisure and entertainment industry. Part of the services provided are under an agreement with Ingenious Film Partners LLP. These services are considered to be a joint arrangement and are treated in accordance with Financial Reporting Standard 9 as a joint arrangement that is not an entity (JANE).

The directors consider the results for the period 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 period are set out on page 5.

The directors do not propose to pay a final dividend.

Future Developments

The company intends to continue providing services to the media, leisure and entertainment industry.

Directors

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

	As at 31 March 2005	As at 25 August 2004
J L Boyton	-	-
P A McKenna	-	-
K T J Mead	-	-
R H Patel	-	-
D M Reid	-	-

All of the directors, except R H Patel, are directors of the ultimate parent company, Ingenious Media plc. All of the directors are beneficial shareholders of Ingenious Media plc and their interests in the share capital of that company are disclosed in the consolidated financial statements of that company.

DIRECTORS' REPORT

31 MARCH 2005

R H Patel's beneficial interests in the issued share capital of Ingenious Media plc were as follows:

As at 31 March 2005 and at 25 August 2004											
	Shares of Class										
	'B'	'C'	'D'	'E'	'F'	'G'	'H'	'I'	'J'	'K'	'L'
R H Patel	425	286	237	237	198	198	198	198	198	198	197

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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;
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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

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

Signed by order of the board of directors,



K T J MEAD
Director

Approved by the board on: 28 June 2005

INDEPEDENT AUDITORS REPORT TO THE SHAREHOLDERS OF INGENIOUS FILM SERVICES LIMITED
PERIOD ENDED 31 MARCH 2005

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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.

**INDEPEDENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF INGENIOUS FILM SERVICES
LIMITED**

PERIOD 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 as at 31 March 2005 and of the company's profit for the period 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

29 June 2005

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2005

	Notes	2005 £ '000s
Turnover	1	26
Cost of Sales		<u>(158)</u>
Gross Loss		(132)
Administrative Expenses		<u>(28)</u>
Operating Loss	2	(160)
Interest receivable and similar income	4	383
Interest payable and similar charges	5	-
Loss relating to JANE	11	<u>158</u>
Profit on ordinary activities before taxation		381
Taxation	6	<u>-</u>
Profit on ordinary activities after taxation		381
Dividends		<u>-</u>
Retained Profit for the financial period	13	381

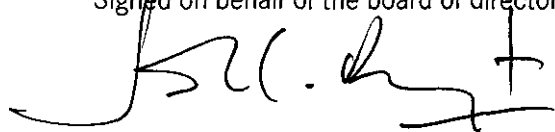
All of the company's activities are derived from continuing operations during the above financial period.

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

BALANCE SHEET
AS AT 31 MARCH 2005

	Notes	2005 £ '000s
Current Assets		
Stock	7	475
Debtors	8	<u>175,758</u>
		176,233
Creditors: Amounts falling due within 1 year	9	<u>(632)</u>
Net Current Assets		<u>175,601</u>
Total Assets less Current Liabilities		175,601
Creditors: Amounts falling due after more than 1 year	10	<u>(175,378)</u>
		223
Amounts relating to JANE	11	<u>158</u>
Net Assets		<u>381</u>
Capital and Reserves		
<i>Equity Interests:</i>		
Called up share capital	12	-
Profit and loss account	13	<u>381</u>
Shareholders' funds	14	<u>381</u>

Signed on behalf of the board of directors by:


J L BOYTON

Director

Approved by the Board, 28 June 2005

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.

Turnover

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

Stocks

Stocks and work in progress, other than long-term contracts, are stated at the lower of cost and net realisable value. Cost comprises contractual expenditure in respect of films being produced on behalf of commissioning distributors and producers. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Long-term contracts

Long-term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Provision is made for the full amount of foreseeable losses on contracts.

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 not discounted.

PRINCIPAL ACCOUNTING POLICIES

31 MARCH 2005

Joint Arrangement Not an Entity ('JANE')

During the year, the Company entered into a Film Services Agreement with Ingenious Film Partners LLP, to source and undertake various film-related activities on its behalf. The Partnership maintains a right of approval over any such transactions entered into on its behalf and also over the use of such funds advanced until suitable opportunities arise.

In the view of the directors of the company 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 recorded in the Partnership'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 £ '000s
This is stated after charging:	
Auditors' Remuneration	5

3. Staff costs and Directors' remuneration

The company incurred no staff costs nor paid any remuneration to directors during the period.

The company's only employees during the period were it's directors.

4. Interest receivable and similar income

	2005 £ '000s
Loan interest	383

5. Interest payable and similar charges

	2005 £ '000s
Interest payable on bank overdrafts and bank loans	-

6. Taxation

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

	2005 £ '000s
UK Corporation tax at 30% based on the adjusted results for the year	-
Current tax charge	-

NOTES TO THE ACCOUNTS

31 MARCH 2005

Factors affecting tax charge for the year:

	2005 £ '000s
Profit on ordinary activities before taxation	381
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30%	114
Effects of:	
Group relief claimed	(114)
Current tax charge	-

7. Stock

	2005 £ '000s
Work in progress	475

Work in progress represents expenditure incurred on film development.

8. Debtors

	2005 £ '000s
Falling due within one year:	
Trade debtors	30
Amount owed by group undertakings	175,724
Social security and other taxes	4
	175,758

Amounts owed to group undertakings represents balances due in respect of intra-group loans with the various other subsidiary companies within the Ingenious Media plc group. There are no fixed terms of repayment.

NOTES TO THE ACCOUNTS

31 MARCH 2005

9. Creditors: amounts falling due within one year

	2005 £ '000s
Bank loans and overdrafts	2
Amounts owed to group undertakings	23
Other creditors	602
Accruals and deferred income	5
	<u>632</u>

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

	2005 £ '000s
Trade Loans	<u>175,378</u>

The trade loans are in relation to amounts advanced under the Film Services Agreement with Ingenious Film Partners LLP. The agreement provides for repayment of the funds the earlier of: (a) five years from the signature of the agreement, and (b) on a winding up of the partnership. Accordingly the loans are deemed to be repayable after more than 1 year from the balance sheet date.

11. Joint Arrangement not an Entity ('JANE')

As described in the accounting policy note, the company 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 £ '000s
Profit & Loss Account	
Turnover	-
Cost of Sales	<u>158</u>
Gross Loss and Profit on ordinary activities before taxation	<u>158</u>

NOTES TO THE ACCOUNTS

31 MARCH 2005

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 Assets	<u>158</u>

12. Called up share capital

The company was incorporated on 25 August 2004 with share capital as follows:

	2005		On incorporation	
	£	No	£	No
Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>	10,000	10,000

	Allotted, called up and fully paid 2005		On incorporation	
	£	No	£	No
Ordinary Shares of £1 each	<u>1</u>	<u>1</u>	1	1

13. Statement of movements on profit and loss account

	Profit and loss account
	£ '000s
At 25 August 2004	-
Retained Profit for the financial period	<u>381</u>
At 31 March 2005	<u>381</u>

NOTES TO THE ACCOUNTS
31 MARCH 2005

14. Reconciliation of movements in shareholders funds

	2005 £ '000s
Equity Funds:	
Profit for the financial period after taxation	381
Dividends	-
Share capital issued for cash	-
	<hr/>
Net movement in shareholders' funds	381
Opening shareholders' funds at 25 August 2004	-
	<hr/>
Closing shareholders' funds at 31 March 2005	381

15. Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard Number 8 from the requirement to make disclosures concerning intercompany transactions.

During the period the company entered into a Film Services Agreement with Ingenious Film Partners LLP ('the LLP'). A fellow group subsidiary, Ingenious Film Partners Limited, is a member of the LLP, holding equity of 50% of the LLP's capital. Waterloo Film Partner 1 Limited and Waterloo Film Partner 2 Limited, both fellow group subsidiaries, are the two Designated Members of the LLP. Ingenious Films Limited, a fellow subsidiary, is operator of the LLP. P A McKenna, K T J Mead, J L Boyton and D M Reid, directors, are also members of the LLP and P A McKenna and D M Reid are members of the LLP's Executive Committee.

No fees were charged in the period under the agreement and at the year end £175.3m had been advanced.

16. Control

During the period ended 31 March 2005, the company was a wholly owned subsidiary of Ingenious Media plc, a company registered in England and Wales. Ingenious Media plc is the only parent undertaking for which group accounts are prepared.

The consolidated financial statements of Ingenious Media plc can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

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