

INGENIOUS FILM PARTNERS 2 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

5 APRIL 2012



Company Registration Number
5494946 (England and Wales)

INGENIOUS FILM PARTNERS 2 LIMITED

Directors J L Boyton
M T Bugden
J H M Clayton
N A Forster
D M Reid
S J Speight

Company Secretary S J Cruickshank

Registered Office 15 Golden Square
London
W1F 9JG

Registered Number 5494946 (England and Wales)

Auditor Deloitte LLP
Chartered Accountants
London

Business Address 15 Golden Square
London
W1F 9JG

Bankers HSBC Private Bank (UK) Limited
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London
SW1A 1JB

INGENIOUS FILM PARTNERS 2 LIMITED

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DIRECTORS' REPORT
5 APRIL 2012

The directors present the Annual Report and Financial Statements of Ingenious Film Partners 2 Limited ("the Company") for the period ended 5 April 2012

Principal activity

The Company is a wholly-owned subsidiary of Ingenious Media Limited, which is a wholly-owned subsidiary within the Ingenious Media Holdings plc group ("the Group"). The Company is a corporate member of Ingenious Film Partners 2 LLP ("the Partnership") which is an integrated film business. The directors are not aware of any major changes in the Company's activities in the next year.

The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of its development, performance or position.

Going concern

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Principal risks and uncertainties

The key business risks faced by the Company can be affected by a number of factors some of which may result from matters beyond the Company's control, such as conditions in the domestic and global financial markets and the wider economy. The financial risk and operational management policies are determined for the Group as a whole and are discussed in the Group's Annual Report and Financial Statements.

The Company operates a treasury policy to manage liquidity and credit risks as follows:

(a) Liquidity risk

The Group operates a group-wide treasury management strategy to manage the liquidity requirements of the Group as a whole (including the Company) and is discussed in the Group's Annual Report and Financial Statements.

(b) Credit risk

The Company's principal financial assets are bank balances and debtors with the Company's credit risk primarily attributable to its debtors. Where possible the Company reviews the credit rating of its partners and undertakes regular detailed reviews of any outstanding receivable balances. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables.

Results and dividends

The results for the year are set out on page 6.

The directors do not propose to pay a final dividend (year ended 5 April 2011: £nil).

An interim dividend of £10m was paid during the year (year ended 5 April 2011: £20m).

Future developments

The Company intends to continue to undertake its principal activity.

DIRECTORS' REPORT (CONTINUED)
5 APRIL 2012

Directors

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

J L Boyton
M T Bugden
J H M Clayton
N A Forster
D M Reid
S J Speight

Directors' indemnities

All directors were covered by directors and officers liability insurance throughout the year under review and this will continue to remain in force

Creditors payment policy

The Company does not follow any specific 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.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act 2006. 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.

DIRECTORS' REPORT (CONTINUED)
5 APRIL 2012

Auditor

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 auditor is unaware and the director has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

In the absence of a notice proposing that the appointment be terminated, the auditor, Deloitte LLP, will be deemed to be re-appointed in accordance with section 487 of the Companies Act 2006

Approved by the Board and signed on its behalf by



S J Cruickshank
Company Secretary
Date 09.08.2012

Registered office
15 Golden Square
London
W1F 9JG

Company Registration Number 5494946 (England and Wales)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS FILM PARTNERS 2 LIMITED

We have audited the financial statements of Ingenious Film Partners 2 Limited for the year ended 5 April 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 5 April 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS FILM PARTNERS 2 LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Calum Thomson (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

Date *9 August* 2012

PROFIT AND LOSS ACCOUNT
YEAR ENDED 5 APRIL 2012

	Notes	Year ended 5 April 2012 £'000s	Year ended 5 April 2011 £'000s
Turnover	1	8,934	97,634
Cost of sales		<u>(8,548)</u>	<u>(54,148)</u>
Gross profit		386	43,486
Administrative expenses		<u>(16)</u>	<u>(16,484)</u>
Operating profit	2	370	27,002
Interest receivable and similar income	4	<u>-</u>	<u>6</u>
Profit on ordinary activities before taxation		370	27,008
Taxation	5	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation	11	370	27,008

The accounting policies and notes to the financial statements on pages 8 to 13 form an integral part of the financial statements

All of the Company's profit is derived from continuing operations during the current and prior year

The Company has no recognised gains or losses other than those shown above and therefore no separate Statement of Total Recognised Gains and Losses has been presented

BALANCE SHEET
AS AT 5 APRIL 2012

	Notes	5 Aprl 2012 £'000	5 Aprl 2011 £'000
Fixed assets			
Investments	6	<u>666,173</u>	<u>674,721</u>
Current assets			
Debtors	7	8,864	44,991
Cash at bank and in hand		<u>98</u>	<u>457</u>
		8,962	45,448
Creditors: amounts falling due within one year	8	<u>(25,618)</u>	<u>(52,962)</u>
Net current liabilities		(16,656)	(7,514)
Total assets less current liabilities		649,517	667,207
Creditors: amounts falling due after more than one year	9	<u>(645,126)</u>	<u>(653,186)</u>
Net assets		<u>4,391</u>	<u>14,021</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	<u>4,391</u>	<u>14,021</u>
Shareholder's funds	12	<u>4,391</u>	<u>14,021</u>

The accounting policies and notes to the financial statements on pages 8 to 13 form an integral part of the financial statements

The financial statements were approved by the board of directors and authorised for issue on *9 August* 2012

They were signed on behalf of the board of directors by



N A Forster
 Director

Company Registration Number 5494946 (England and Wales)

STATEMENT OF ACCOUNTING POLICIES

5 APRIL 2012

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior year.

Basis of accounting

The Annual Report and Financial Statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, have been reviewed by the directors. As part of the Group, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

On the basis that the Group will not require repayment of amounts owed to Group undertakings until the Company is able to do so, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Cash flow

The Annual Report and 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 the Company's entitlement to drawings from its investment in the Partnership and is recorded at the value of consideration due. Drawings are recognised on an accruals basis when the Company's right to consideration is secured in accordance with the terms of the Partnership's Members' Agreement.

Cost of sales

Cost of sales represents direct costs attributable to turnover.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the Balance Sheet date. Exchange differences are taken to the Profit and Loss Account.

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 financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS
5 APRIL 2012

1. Turnover

The total turnover of the Company for the current and prior year has been derived from its principal activity wholly undertaken in the United Kingdom

2. Operating profit

	Year ended 5 April 2012 £ '000s	Year ended 5 April 2011 £ '000s
This is stated after charging		
Fees for the statutory audit of the Company	12	11

3. Staff costs

The Company incurred no staff costs nor paid any remuneration to its directors during the year (year ended 5 April 2011 £nil) The Company had no employees during the current and prior year

The emoluments of the directors were paid and borne by other Group undertakings and none of their remuneration was specifically attributable to their services to the Company

4. Interest receivable and similar income

	Year ended 5 April 2012 £ '000s	Year ended 5 April 2011 £ '000s
Bank interest	-	6

5. Taxation

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

	Year ended 5 April 2012 £ '000s	Year ended 5 April 2011 £ '000s
UK Corporation tax at 26% for the period from 6 April 2011 to 31 March 2012 and 24% for the period from 1 April 2012 to 5 April 2012 (period ended 5 April 2011 28%) based on the adjusted results for the year	-	-
Current tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5 APRIL 2012

5. Taxation (continued)

Factors affecting tax charge for the year

	Year ended 5 April 2012 £ '000s	Year ended 5 April 2011 £ '000s
Profit on ordinary activities before taxation	370	27,008
Profit on ordinary activities for the period multiplied by the average rate of corporation tax in the UK of 26% for the period from 6 April 2011 to 31 March 2012 and 24% for the period from 1 April 2012 to 5 April 2012 (period ended 5 April 2011 28%)	96	7,562
Effects of		
Adjustment resulting from investment the Partnership	148	(9,230)
Utilisation of tax losses brought forward	(64)	(2,943)
Group relief claimed	(180)	(2)
Expenses not deductible for tax purposes	-	4,613
Current tax charge	-	-

6. Fixed asset investments

	5 April 2012 £ '000s	5 April 2011 £ '000s
Share in Partnership undertakings		
Cost		
Balance brought forward	674,721	854,937
Additions	-	52,170
Disposal	-	(178,238)
Permanent diminution in value	(8,548)	(54,148)
Balance carried forward	666,173	674,721

Ingenious Film Partners 2 LLP

The Company is a member of the Partnership, holding 62% of the Partnership capital. At the year end the Company had a net investment of £666m (year ended 5 April 2011 £675m) in the Partnership, at the period end £nil (year ended 5 April 2011 £36m) remained unpaid. The Partnership is an integrated film business producing and distributing a portfolio of films worldwide. Its place of business and head office address is 15 Golden Square, London W1F 9JG, United Kingdom.

The Partnership made a net profit of £15m (year ended 5 April 2011 £83m) during the year. Further information on this investment is provided in note 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5 APRIL 2012

7. Debtors

	5 April 2012 £ '000s	5 April 2011 £ '000s
Amounts falling due within one year		
Other debtors	5	32,270
Amounts due from Group undertakings	<u>8,859</u>	<u>12,721</u>
	8,864	44,991

Amounts due from Group undertakings represents balances due in respect of intra-Group loans with the various other subsidiary companies within the Group. There are no fixed terms of repayment.

8. Creditors: amounts falling due within one year

	5 April 2012 £ '000s	5 April 2011 £ '000s
Amounts owed to Group undertakings	25,506	48,600
Other creditors	14	14
Accruals and deferred income	<u>98</u>	<u>4,348</u>
	25,618	52,962

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

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

	Year ended 5 April 2012 £ '000s	Year ended 5 April 2011 £ '000s
Trade loans	<u>645,126</u>	<u>653,186</u>

Trade loans relate to loans from commissioning distributors. The Company has granted security to the lenders for its obligations under the loan agreements. The security pledged is a charge over all of the Company's rights, title and interest in relation to the underlying film productions. No interest is payable and there are no terms of repayment.

10. Called up share capital

	Allotted, called up and fully paid			
	5 April 2012		5 April 2011	
	£	No	£	No
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5 APRIL 2012

11. Statement of movements on Profit and Loss Account

	5 April 2012 £ '000s	5 April 2011 £ '000s
Balance brought forward	14,021	7,013
Interim dividend paid	(10,000)	(20,000)
Profit for the financial year	370	27,008
Balance carried forward	4,391	14,021

12. Reconciliation of movements in shareholder's funds

	5 April 2012 £ '000s	5 April 2011 £ '000s
Profit for the financial year after taxation	370	27,008
Interim dividend paid	(10,000)	(20,000)
Net movement in shareholder's funds	(9,630)	7,008
Shareholder's funds brought forward	14,021	7,013
Shareholder's funds carried forward	4,391	14,021

13. Related party transactions

The financial statements do not include disclosure of transactions between the Company and entities that are wholly-owned within the Group. This is because, as a subsidiary whose voting rights are wholly-controlled within the Group, it is exempt from the requirement to disclose such transactions, under Financial Reporting Standard 8 'Related Party Disclosures'.

See note 15 for details of transactions between the Company and the Partnership during the current and prior year.

14. Controlling party

During the year ended 5 April 2012 the Company was a wholly-owned subsidiary of Ingenious Media Limited, a company registered in England and Wales. Ingenious Media Limited is a wholly-owned subsidiary within the Group. Ingenious Media Holdings plc is the only parent undertaking for which consolidated financial statements 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 is P A McKenna.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5 APRIL 2012

15. Additional information on partnership undertakings

Subsidiary undertakings

During the year the Company had an interest in the following subsidiary

Partnership Undertaking	Activity	Class	%
Ingenious Film Partners 2 LLP	Integrated film business	Corporate member	62

The net carrying value of the interest in the Partnership as at 5 April 2012 was £666m (year ended 5 April 2011 £675m). Under the terms of the revised Members' Agreement the Company exercises control over the Partnership.

Ingenious Media Investments Limited, a fellow Group subsidiary, acts as operator to the Partnership.

The Partnership's operating profit for the year ended 5 April 2012 was £15m (year ended 5 April 2011 £83m) resulting in a net asset position of £204m (year ended 5 April 2011 £716m) at that date.