

INGENIOUS FILM PARTNERS 2 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

5 APRIL 2010



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)
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

INGENIOUS FILM PARTNERS 2 LIMITED

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DIRECTORS' REPORT 5 APRIL 2010

The directors present the Annual Report and Financial Statements of Ingenious Film Partners 2 Limited ("the Company") for the year ended 5 April 2010

Principal activity and review of the business

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 Group manages its operations on a divisional basis. The principal activity of the Company was as a member of Ingenious Film Partners 2 LLP ("the Partnership") which is an integrated film business.

The directors consider the results for the year and the financial position at the end of it to be satisfactory and believe the Company is well positioned for the future.

Going concern

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.

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

Principal risks and uncertainties

The general economic downturn is a continuing risk for the Company. The risks of the Group are discussed in the Ingenious Media Holdings plc Annual Report and Financial Statements.

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are:

(a) Credit risk

The settlement of trade debtors is the Company's primary credit risk. The corresponding debtor position in the Company's Balance Sheet is monitored regularly.

(b) Price risk

Price risk is the current or prospective risk to earnings or capital arising from adverse movements in the value of funds managed or investments held.

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 2009: £nil).

An interim dividend of £34m was paid during the year (year ended 5 April 2009: £nil).

DIRECTORS' REPORT (CONTINUED)**5 APRIL 2010****Directors**

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

	Appointment date	Resignation date
J L Boyton		
M T Bugden	1 June 2009	
J H M Clayton	1 June 2009	
N A Forster		
P A McKenna		1 June 2009
D M Reid		
S J Speight	1 June 2009	

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 these 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 2010

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 section 418 of the Companies Act 2006

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 487 of the Companies Act 2006

This report was approved and signed on behalf of the board of directors on 8/12/10 by



S J CRUICKSHANK
Company Secretary

Registered office
15 Golden Square
London
W1F 9JG

INDEPENDENT AUDITORS' 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 2010 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 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 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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.

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 2010 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 AUDITORS' 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 Auditors

London, United Kingdom

Date 8/12/2010

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 5 APRIL 2010**

	Notes	Year ended 5 April 2010 £'000s	Year ended 5 April 2009 £'000s
Turnover	1	18,575	37,699
Cost of sales		<u>(11,021)</u>	<u>(24,369)</u>
Gross profit		7,554	13,330
Administrative expenses		<u>(2,531)</u>	<u>(3,210)</u>
Operating profit	2	5,023	10,120
Interest receivable and similar income	4	<u>-</u>	<u>47</u>
Profit on ordinary activities before taxation		5,023	10,167
Taxation	5	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation	11	5,023	10,167

The accounting policies and notes on pages 8 to 14 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 and 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 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	6	<u>854,937</u>	<u>866,538</u>
Current assets			
Debtors	7	<u>10,911</u>	<u>21,317</u>
Cash at bank and in hand		<u>935</u>	<u>16</u>
		11,846	21,333
Creditors: amounts falling due within one year	8	<u>(199,390)</u>	<u>(180,480)</u>
Net current liabilities		<u>(187,544)</u>	<u>(159,147)</u>
Total assets less current liabilities		667,393	707,391
Creditors: amounts falling due after more than one year	9	<u>(660,380)</u>	<u>(671,401)</u>
Net assets		<u>7,013</u>	<u>35,990</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	<u>7,013</u>	<u>35,990</u>
Shareholders' funds	12	<u>7,013</u>	<u>35,990</u>

The accounting policies and notes on pages 8 to 14 form an integral part of the financial statements

The financial statements were approved by the board of directors and authorised for issue on 8/12/ 2010

They were signed on behalf of the board of directors by



N A Forster
 Director

Company Registration Number 5494946 (England & Wales)

STATEMENT OF ACCOUNTING POLICIES

5 APRIL 2010

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 and key risks are set out in the Directors' Report. 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. The Company expects to continue to generate income derived from its entitlement to future partnership distributions. These funds will also be used to mitigate any liabilities arising in the current and future periods. The terms of the liabilities of the loans meant that these are repayable when funds are received from investments.

Ingenious Media Holdings plc has agreed to provide financial support to the Company, if required, for at least 12 months post approval of these financial statements.

On that basis, 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 amounts receivable for services net of VAT and trade discounts derived from the Company's principal activity.

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.

Investments

Interests in partnerships

Investments in limited liability partnerships are recorded at cost adjusted for any permanent diminution in value. The allocated LLP's profit or loss is included within 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
5 APRIL 2010

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 2010 £ '000s	Year ended 5 April 2009 £ '000s
This is stated after charging		
Fees for the audit of the Company	11	7

3. Staff costs and directors' remuneration

The Company incurred no staff costs nor paid any remuneration to its directors during the year (year ended 5 April 2009 £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 2010 £ '000s	Year ended 5 April 2009 £ '000s
Bank interest	-	47

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5 APRIL 2010

5. Taxation

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

	Year ended 5 April 2010 £ '000s	Year ended 5 April 2009 £ '000s
UK corporation tax at 28% (year ended 5 April 2009 28%) based on the adjusted results for the year	-	-
Current tax charge	-	-

Factors affecting tax charge for the year

	Year ended 5 April 2010 £ '000s	Year ended 5 April 2009 £ '000s
Profit on ordinary activities before taxation	5,023	10,167
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 28% (year ended 5 April 2009 28%)	1,406	2,847
Effects of		
Adjustment resulting from investment in film partnerships	(2,130)	2,357
Group relief surrendered/(claimed)	18	(13)
Expenses not deductible for tax purposes	706	896
Utilisation of tax losses brought forward	-	(6,087)
Current tax charge	-	-

A potential deferred tax asset of £2.9m in respect of tax losses carried forward has not been recognised due to uncertainty over the availability of taxable profits in future chargeable accounting periods

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 APRIL 2010

6. Fixed asset investments

	5 April 2010 £ '000s	5 April 2009 £ '000s
Shares in subsidiary undertakings		
Cost		
Balance brought forward	866,538	890,907
Additions		
Capital	-	(24,369)
Drawings	(11,601)	-
Share of net assets	854,937	866,538

Ingenious Film Partners 2 LLP

The Company is a member of the Partnership, holding 53% of the Partnership capital. At the year end the Company had a net investment of £855m (year ended 5 April 2009 £867m) in the Partnership, of which £179m (year ended 5 April 2009 £179m) remained unpaid at the year end. 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 an operating profit of £16m (year ended 5 April 2009 £23m) during the year. Further information on this investment is provided in note 15.

7. Debtors

	5 April 2010 £ '000s	5 April 2009 £ '000s
Amounts falling due within one year		
Other debtors	5	-
Amount due from group undertakings	10,906	21,317
	10,911	21,317

8. Creditors: amounts falling due within one year

	5 April 2010 £ '000s	5 April 2008 £ '000s
Amounts owed to group undertakings	198,813	178,819
Accruals and deferred income	577	1,661
	199,390	180,480

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5 APRIL 2010

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

	5 April 2010 £ '000s	5 April 2009 £ '000s
Trade loans	660,380	671,401

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 2010		5 April 2009	
	£	No	£	No
Ordinary shares of £1 each issued at par	1	1	1	1

11. Statement of movements on Profit and Loss Account

	5 April 2010 £ '000s	5 April 2009 £ '000s
Balance brought forward	35,990	25,823
Dividends paid	(34,000)	-
Profit for the financial year	5,023	10,167
Balance carried forward	7,013	35,990

During the year an interim dividend of £34m was paid (year ended 5 April 2009: £nil). The directors do not propose to pay a final dividend (year ended 5 April 2009: £nil).

12. Reconciliation of movements in shareholders' funds

	5 April 2010 £ '000s	5 April 2009 £ '000s
Profit for the financial year after taxation	5,023	10,167
Dividends	(34,000)	-
Net movement in shareholders' funds	(28,977)	10,167
Opening shareholders' funds	35,990	25,823
Closing shareholders' funds	7,013	35,990

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 APRIL 2010

13. Related party transactions

The financial statements do not include disclosure of transactions between the Company and entities that are wholly-owned by the Group. This is because, as a subsidiary whose shares are wholly-owned by 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 during the year (year ended 5 April 2009: none).

14. Controlling party

During the year ended 5 April 2010 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 2010

15. Additional information on subsidiary undertakings

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

Subsidiary Undertaking	Activity	Class	%
Ingenious Film Partners 2 LLP	Integrated Film Business	Corporate Member	53

The net carrying value of the interest in the Partnership is £855m (year ended 5 April 2009 £867m) Under the terms of the revised members' agreement the Company exercises control over the Partnership

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

The Partnership's operating profit for the year ended 5 April 2010 was £16m (year ended 5 April 2009 £23m) resulting in a net asset position of £738m (year ended 5 April 2009 £750m) at that date

The Company's allocation of profits of the Partnership, as disclosed in the financial statements for the Partnership for the year ended 5 April 2010 was £14m (year ended 5 April 2009 £22m)

The allocation of a prior year loss has not been reflected as a permanent diminution in the value of the investment as the directors believe that the losses represents an initial loss and over the long term, assessing the portfolio of investments held by the Partnership, amounts invested will be recoverable