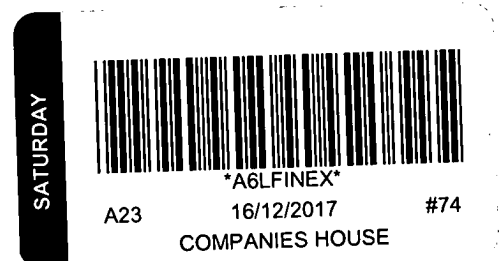


**INGENIOUS FILM PARTNERS 2 LLP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2017**



Limited Liability Partnership Number: OC314069

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 30 APRIL 2017**

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**MEMBERS' REPORT  
30 APRIL 2017**

The members submit the Annual Report and Financial Statements of Ingenious Film Partners 2 LLP ("the Partnership") for the year ended 30 April 2017.

**Principal activities**

The Partnership was formed to conduct an integrated film business. Based in the UK, it draws on a deep pool of talent, both on and off screen, to produce and deliver a 'slate' of theatrical films in association with a mix of leading independent producers and studios.

The Partnership has adopted a sophisticated project selection procedure to manage risks from the outset and will only produce films where there is a strong likelihood of distribution and where it is able to secure a participation in gross sales receipts arising from that distribution. The Partnership has also operated in other aspects of the film production and distribution value chain thereby deploying capital across activities with differing risk profiles.

**Review of the year**

Waterloo Film Partner 1 Limited and Waterloo Film Partner 2 Limited ("the Designated Members") served as Designated Members during the year.

The Partnership continues to receive distribution income as remuneration for previous film production activities.

On 2 August 2016 Ingenious Film Partners 2 LLP received the decision of the First-tier Tribunal ("FTT") in respect of its appeal and the appeals brought by Ingenious Film Partners LLP and Ingenious Film Partners 3 LLP against the enquiry closure notices issued by HMRC. The decision was complex and a clarification of aspects of the decision was received on 17 May 2017. An application for permission to appeal the decision was lodged on 13 July 2017.

Any financial impact of the final decision will not be reflected in the financial statements of the Partnership because it is a tax transparent entity and therefore any impact on the tax position of the members will be reflected in their individual tax calculations only.

**Future developments**

The Partnership is well placed to benefit from its ongoing production activities and from its relationship with Ingenious Media Holdings Limited and its subsidiaries ("the Group").

**Going concern**

The members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Policy regarding members' drawings and capital**

The Designated Members are not entitled to drawings. In accordance with the Members' Agreement, no ordinary member shall be entitled to make any drawings on account of profits to which they are entitled, unless permitted under the Members' Agreement.

The capital of the remaining six ordinary members who elected not to retire from the Partnership is retained by the Partnership until such time as they retire.

The operating cash requirements of the Partnership shall be met out of the members' initial contributions and no member shall be required to make any further funding available after their admission as a member (save to the extent of their liability on a winding up).

**MEMBERS' REPORT (CONTINUED)**  
**30 APRIL 2017**

**Statement of members' responsibilities**

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

Company law, as applied to LLPs, requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Partnership law, as applied to LLPs, the members 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 Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the members 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the entity's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the members are aware:

- there is no relevant audit information of which the Partnership's auditor is unaware; and
- the members have taken all steps they should have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

These responsibilities are exercised by the Designated Members on behalf of the Partnership.

**Auditor**

Shipleys LLP are deemed to be re-appointed under s487(2) of the Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

This report was approved by the Designated Members and signed on their behalf by:



Director of:

**Waterloo Film Partner 1 Limited**

Designated Member

Date: 14/12/2017

Registered office

15 Golden Square

London W1F 9JG

Limited Liability Partnership Number: OC314069

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

We have audited the financial statements of Ingenious Film Partners 2 LLP for the year ended 30 April 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash flows and the related notes 1 to 8. 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) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Partnership's members in accordance with the Companies Act 2006, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the members and auditor**

As explained more fully in the statement of members' responsibilities, the members 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 the Financial Reporting Council's Ethical Standards for Auditors.

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 the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the 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 Partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; 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 Partnership's affairs as at 30 April 2017 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 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

**Opinion on other matters prescribed by the Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008**

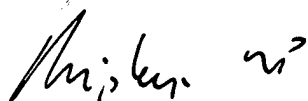
In our opinion the information given in the Members' Report for the year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS FILM PARTNERS 2 LLP (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, as applicable to limited liability partnerships, 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 members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Stephen Joberns (Senior Statutory Auditor)**  
for and on behalf of Shipleys LLP (Statutory Auditor)  
10 Orange Street, Haymarket, London, WC2H 7DQ

Date: 14/12/17

**STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 30 APRIL 2017**

	Notes	Year ended 30 April 2017 £ '000s	Year ended 30 April 2016 £ '000s
Turnover	1	13,223	11,379
Cost of sales		<u>(85)</u>	<u>-</u>
<b>Gross profit</b>		<b>13,138</b>	<b>11,379</b>
Operating income		21	480
Operating expenses		<u>(275)</u>	<u>(210)</u>
<b>Operating profit</b>	3	<b><u>12,884</u></b>	<b><u>11,649</u></b>
<b>Total comprehensive income for the year</b>	7	<b><u>12,884</u></b>	<b><u>11,649</u></b>

All of the Partnership's results are derived from continuing operations during the current and prior year.

The Partnership 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.

The notes on pages 9 to 12 form an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 APRIL 2017**

	Notes	30 April 2017 £ '000s	30 April 2016 £ '000s
<b>Current assets</b>			
Debtors	5	8,123	6,247
Cash at bank		<u>2,957</u>	<u>9,879</u>
		11,080	16,126
<b>Creditors: Amounts falling due within one year</b>	6	<u>(8,647)</u>	<u>(13,509)</u>
<b>Net assets</b>		<u>2,433</u>	<u>2,617</u>
<b>Net assets attributable to members</b>		<u>2,433</u>	<u>2,617</u>
<b>Represented by:</b>			
<b>Members' interests</b>			
Members' capital accounts		1,151,974	1,151,974
Other reserves		<u>(1,149,541)</u>	<u>(1,149,357)</u>
<b>Total members' interests</b>		<u>2,433</u>	<u>2,617</u>
<b>Memorandum of members' total interests</b>			
Members' other interests		<u>2,433</u>	<u>2,617</u>
<b>Total members' interests</b>		<u>2,433</u>	<u>2,617</u>

The notes on pages 9 to 12 form an integral part of the financial statements.

The financial statements were approved by the Designated Members and authorised for issue and signed on their behalf by:

  
 Director of:  
**Waterloo Film Partner 1 Limited**  
 Designated Member  
 Date: 14/12/2017

Limited Liability Partnership Number: OC314069



**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 30 APRIL 2017**

	Year ended 30 April 2017 £ '000s	Year ended 30 April 2016 £ '000s
<b>Cash Flows from Operating Activities</b>		
Operating profit	12,884	11,649
Adjustments for:		
(Increase)/decrease in debtors	(1,876)	978
(Decrease)/increase in creditors	(4,862)	4,014
<b>Net cash from operating activities</b>	<b>6,146</b>	<b>16,641</b>
<b>Cash Flows from Financing Activities</b>		
Members' drawings	(13,068)	(11,824)
Capital repaid to members	-	-
<b>Net cash used in financing activities</b>	<b>(13,068)</b>	<b>(11,824)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(6,922)</b>	<b>4,817</b>
<b>Opening cash and cash equivalents</b>	<b>9,879</b>	<b>5,062</b>
<b>Closing cash and cash equivalents</b>	<b>2,957</b>	<b>9,879</b>

Cash and cash equivalents comprise cash in hand and cash at bank.

**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 APRIL 2017**

	Members' capital £ '000s	Other reserves £ '000s	Total £ '000s
<b>At 1 May 2015</b>	1,151,974	(1,149,182)	2,792
Profit for the financial year	-	11,649	11,649
Members' drawings	-	(11,824)	(11,824)
Capital repaid to members	-	-	-
<b>At 30 April 2016</b>	1,151,974	(1,149,357)	2,617
Profit for the financial year	-	12,884	12,884
Members' drawings	-	(13,068)	(13,068)
Capital repaid to members	-	-	-
<b>At 30 April 2017</b>	<b>1,151,974</b>	<b>(1,149,541)</b>	<b>2,433</b>

## NOTES TO THE FINANCIAL STATEMENTS 30 APRIL 2017

### 1. Accounting policies

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

#### Basis of preparation

The Partnership was incorporated in England and Wales as a limited liability partnership under the Limited Liability Partnerships Act 2000. Its place of business and registered office address is 15 Golden Square, London, W1F 9JG. The nature of the Partnership's operations and principal activity are set out in the Members' Report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 issued by the Financial Reporting Council.

The functional currency of the Partnership is considered to be pound sterling which is the currency of the primary economic environment in which the Partnership operates.

#### Turnover

Turnover derives from one class of business, the production of films and participation in distribution receipts arising from the sale of those films by commissioning distributors, and is stated net of Value Added Tax.

Turnover is recognised at the fair value of the right to consideration and is not recognised until there is certainty over the right to that consideration.

#### Taxation

No current or deferred taxation is provided in the financial statements as the liability for taxation falls on the members.

#### 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.

#### Going concern

The Partnership's business activities, together with the factors likely to affect its future development, performance and position has been reviewed by the members. The Partnership is in a net assets position and the members believe that the Partnership will be able to maintain positive cash flows for the foreseeable future. As a result the going concern basis of accounting has been adopted.

#### 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 Statement of Financial Position date. Exchange differences are taken to the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**30 APRIL 2017**

**1. Accounting policies (continued)**

**Joint Arrangement Not an Entity ("JANE")**

In a prior year the Partnership entered into film services agreements with Ingenious Media Services Limited ("IMSL"), to source and undertake various film-related activities on its behalf.

The film services agreements with IMSL were terminated during the year ended 30 April 2011. Following termination, funds of £403,201k were returned to the Partnership. During the year ended 30 April 2015, funds of £178,238k were returned to the Partnership. Further details of amounts owed to the Partnership as at the year end under these agreements can be found in note 7 'Related party disclosures'.

**2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Partnership's accounting policies, which are described in Note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical accounting judgements in applying the accounting policies**

The following are the critical judgements that the members have made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

**Impairment of investments**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

**Financial assets**

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**3. Operating profit**

Year ended	Year ended
30 April	30 April
2017	2016
£ '000s	£ '000s

The operating profit is stated after charging:

Auditor's remuneration for audit services	9	9
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**30 APRIL 2017**

**4. Information relating to members**

No members received remuneration from the Partnership during the current or prior year.

The total number of members in the year was 10 (year ended 30 April 2016: 10). The average allocation of profit was therefore £1,249,599 (year ended 30 April 2016: £1,164,900) and the largest allocation of profit to any single member was £12,495,989 (year ended 30 April 2016: £11,649,002).

**5. Debtors**

	30 April 2017 £ '000s	30 April 2016 £ '000s
Accrued income receivable	6,201	4,270
Amounts owed by Group companies	1,717	1,717
Trade debtors	205	260
	<b>8,123</b>	<b>6,247</b>

**6. Creditors: Amounts falling due within one year**

	30 April 2017 £ '000s	30 April 2016 £ '000s
Amounts owed to Group companies	8,008	12,903
Other creditors	630	597
Accruals	9	9
	<b>8,647</b>	<b>13,509</b>

**7. Related party disclosures**

Ingenious Film Partners 2 Limited ("the First Corporate Member"), IFP2 Corporate Partner Limited ("the Second Corporate Member"), Ingenious Media Investments Limited, Ingenious Media Services Limited, Ingenious Resources Limited, Ingenious Treasury Services Limited, and the Designated Members are all wholly-owned subsidiaries of Ingenious Media Limited, a company registered in England and Wales. Ingenious Media Limited is a wholly-owned subsidiary by Ingenious Media Holdings Limited.

Patrick A McKenna is a member of the Partnership and is also a director of the Operator and Ingenious Media Limited, as well as a director and shareholder of Ingenious Media Holdings Limited.

During the year, operator fees charged by Ingenious Media Investments Limited of £214k (year ended 30 April 2016: £199k) were included in operating expenses. As at the year end, an amount of £149k due to Ingenious Media Investments Limited was included in creditors (year ended 30 April 2016: £213k).

During a prior period, Ingenious Resources Limited made loans totalling £510m to the ordinary members of the Partnership. These loans fall due for repayment after more than one year. As at the year end £1,717k (year ended 30 April 2016: £1,717k) remained outstanding.

As at 30 April 2017, £687k was owed to Ingenious Film Partners 2 Limited (year ended 30 April 2016: £1,458k).

As at 30 April 2017, £7,172k was owed to IFP2 Corporate Partner Limited (year ended 30 April 2016: £11,232k).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**30 APRIL 2017**

**7. Related party disclosures (continued)**

During a prior period, the Partnership entered into a film services agreement with Ingenious Media Services Limited. Any unspent funds awaiting expenditure under this agreement are invested with Ingenious Treasury Services Limited, the balance of which at the year end is £1,717k (year ended 30 April 2016: £1,717k).

**8. Controlling party**

The First Corporate Member controls the financial and operating policies of the Partnership. The ultimate parent company of the First Corporate Member is Ingenious Media Holdings Limited. The results of the Partnership have been consolidated in the financial statements of Ingenious Media Holdings Limited.

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

The controlling shareholder of Ingenious Media Holdings Limited in the year was Patrick A. McKenna.