

**INGENIOUS GAMES LLP**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 5 APRIL 2009**

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Limited Liability Partnership Number: OC 314073

REPORT AND FINANCIAL STATEMENTS 2009

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**MEMBERS' REPORT**

Year ended 5 April 2009

The Members submit their Annual Report and the audited Financial Statements for the year ended 5 April 2009.

**PRINCIPAL ACTIVITIES**

Ingenious Games LLP ("the Partnership") was formed to conduct an integrated games development business. Based in the UK, it draws on a deep pool of talent to develop quality video games. Its strategy has been designed to enable it to operate in the global marketplace through a combination of scale and participation in all aspects of the games development and publishing value chain whilst at the same time adopting a conservative approach to managing risks.

The Partnership has extended the scope of its business to include marketing activities, thus enabling it to increase its return from individual games and deploy capital across activities with different risk profiles.

The Partnership adopts a sophisticated project selection procedure to manage risks from the outset and only develops games where there is a strong likelihood of distribution and where it is able to secure a participation in gross sales receipts from the exploitation of the developed games by games publishers.

**REVIEW OF THE YEAR**

The Designated Members who served during the year were Hastings Games 1 Limited and Hastings Games 2 Limited.

The Partnership's Executive Committee consisted of Patrick A. McKenna, Duncan M. Reid, David Austin, Andrew Pisker and Michael Thomas. The membership of the Committee was unchanged throughout the year.

The Partnership has released a commercially successful game and entered into contracts to develop four other games. These games are due to be delivered in subsequent financial years. During the year the Partnership also entered into three marketing deals.

**FUTURE DEVELOPMENTS**

Completion of the games under development will occur in subsequent financial years, with the Partnership well placed to benefit from the future exploitation of these games by games publishers through participation in gross sales receipts.

The Partnership benefits from its relationship with the Ingenious Media group to identify, source and undertake games projects that have the potential to generate additional returns.

**MEMBERS' REPORT (Continued)**

Year ended 5 April 2009

**POLICY REGARDING MEMBERS' DRAWINGS AND CAPITAL**

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 that Agreement.

Members' capital is subscribed in accordance with the current Members' Agreement and retained by the Partnership until such time as the Members agree to repay that capital. There were no transfers of Members' capital to debt during the year.

The operating cash requirements of the Partnership shall be met out of the Members' initial contributions, no Member shall be required to make any further funding available after his or her admission as a Member.

This report was approved by the Members on 25/9/2009 and signed on their behalf by:



**HASTINGS GAMES 1 LIMITED**

Designated Member



**HASTINGS GAMES 2 LIMITED**

Designated Member

## **STATEMENT OF MEMBERS' RESPONSIBILITIES**

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

Legislation applicable to limited liability partnerships requires the Members to prepare Financial Statements for each financial period. Under that law the Members 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 affairs of the limited liability 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; 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 proper accounting records that 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 Companies Act 1985 as modified by the Limited Liability Partnerships Regulations 2001. The Members are also responsible for the system of internal control, 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INGENIOUS GAMES LLP**

We have audited the Financial Statements of Ingenious Games LLP for the year ended 5 April 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 10. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Partnership's Members, as a body, in accordance with Section 235 of the Companies Act 1985 as modified by the Limited Liability Partnerships Regulations 2001. 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 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 Partnership and the Partnership's Members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of the Members and Auditors**

The Members' 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 Statement of Members' Responsibilities.

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 Act 1985 as modified by the Limited Liability Partnerships Regulations 2001. We also report to you if, in our opinion, the information given in the Members' Report is not consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Partnership 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 Members' remuneration and other transactions is not disclosed.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**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 Members in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Partnership's circumstances, consistently applied and adequately disclosed.

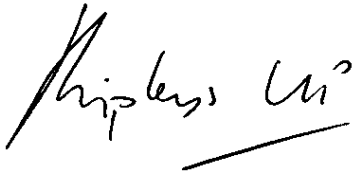
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INGENIOUS GAMES LLP (Continued)**

**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 Partnership's affairs as at 5 April 2009 and of its profit for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985 as modified by the Limited Liability Partnerships Regulations 2001; and
- the information given in the Members' Report is consistent with the Financial Statements.



**SHIPLEYS LLP**

Chartered Accountants and Registered Auditors

10 Orange Street

Haymarket

London WC2H 7DQ

Date: 25/9/2009

**PROFIT AND LOSS ACCOUNT**

Year ended 5 April 2009

	NOTES	2009 £ '000s	2008 £ '000s
Turnover	1	7,015	3,936
Cost of sales		(6,237)	(1,373)
<b>GROSS PROFIT</b>		<b>778</b>	<b>2,563</b>
Operating expenses		(12)	(7)
<b>OPERATING PROFIT</b>	2	<b>766</b>	<b>2,556</b>
Interest receivable and similar income	3	141	8
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION</b>		<b>907</b>	<b>2,564</b>
Salaried Members' remuneration		-	-
<b>PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DIVISION AMONG THE MEMBERS</b>		<b>907</b>	<b>2,564</b>

All results are derived from continuing operations.

There are no recognised gains or losses other than as stated in the profit and loss account above.



**BALANCE SHEET**

At 5 April 2009

	NOTES	2009 £ '000s	2008 £ '000s
<b>CURRENT ASSETS</b>			
Stock	1 & 5	10,962	4,146
Debtors	6	21,881	32,712
Current asset investment	7	-	3,842
Cash at bank		2,789	538
		35,632	41,238
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Trade creditors		(5,801)	(14,967)
Other creditors		(650)	(11)
Deferred income		(3,053)	-
Accruals		(12)	(7)
		(9,516)	(14,985)
<b>NET ASSETS</b>		<b>26,116</b>	<b>26,253</b>
<b>MEMBERS' OTHER INTERESTS</b>			
Members' capital accounts	8	53,374	53,374
Other reserves	8	(27,258)	(27,121)
<b>TOTAL MEMBERS' OTHER INTERESTS</b>		<b>26,116</b>	<b>26,253</b>
<b>MEMORANDUM OF MEMBERS' TOTAL INTERESTS</b>			
Loans and other debts due to Members	8	-	-
Members' other interests	8	26,116	26,253
<b>TOTAL MEMBERS' INTERESTS</b>		<b>26,116</b>	<b>26,253</b>

The Financial Statements were approved by the Designated Members on 25/9/2009.

**HASTINGS GAMES 1 LIMITED**  
Designated Member

**HASTINGS GAMES 2 LIMITED**  
Designated Member

**CASH FLOW STATEMENT**

At 5 April 2009

	NOTES	2009 £ '000s	2008 £ '000s
<b>Net cash (outflow)/inflow from operating activities</b>	1	(688)	2,938
<b>Returns on investments and servicing of finance</b>			
Interest received		141	8
<b>Net cash inflow from returns on investments and servicing of finance</b>		141	8
<b>Members' drawings</b>		(1,044)	(3,937)
<b>Net cash outflow before use of liquid resources and financing</b>		(1,591)	(991)
<b>Management of liquid resources</b>			
Decrease of investment in the Ingenious Enhanced Cash Fund		3,842	1,014
<b>Net cash inflow from management of liquid resources</b>		3,842	1,014
<b>Increase in cash in the year</b>	2	<b>2,251</b>	<b>23</b>

## NOTES TO THE CASH FLOW STATEMENT

At 5 April 2009

	2009 £ '000s	2008 £ '000s
<b>1. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities</b>		
Operating profit	766	2,556
Increase in stock	(6,816)	1,374
Decrease in debtors	10,831	1,683
Decrease in creditors	(5,469)	(2,675)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(688)</b>	<b>2,938</b>

**2. Analysis of net funds**

	At 6 April 2008 £ '000s	Cash flow £ '000s	At 5 April 2009 £ '000s
<b>Cash at bank</b>	<b>538</b>	<b>2,251</b>	<b>2,789</b>

**3. Reconciliation of net cash flow to movement in net funds**

	2009 £ '000s
Increase in cash in the year	2,251
<b>Movement in net funds resulting from cash flows</b>	<b>2,251</b>
Net funds at start of year	538
<b>Net funds at end of year</b>	<b>2,789</b>

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 5 April 2009

**1. ACCOUNTING POLICIES**

The Partnership is incorporated in the United Kingdom as a Limited Liability Partnership under the Limited Liability Partnerships Act 2000.

The Financial Statements have been prepared under the historical cost convention in accordance with applicable accounting standards, the Limited Liability Partnerships Regulations 2001 and Statement of Recommended Practice 'Accounting by Limited Liability Partnerships 2006'. The particular accounting policies adopted are described below:

**Turnover**

Turnover derives from one class of business, the development and marketing of video games.

**Taxation**

No current or deferred taxation is provided in these accounts as the liability for taxation falls on the individual Members.

**Stock**

Stock 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 the games being developed on behalf of the Commissioning Publishers. 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.

**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.

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

During a prior period, the Partnership entered into a Games Services Agreement with Ingenious Media Services Limited, to source and undertake various non-development activities on its behalf. The Partnership maintains a right of approval over any such transactions entered into on its behalf and also over the uses of such funds advanced until such opportunities arise.

In the view of the Members the above arrangement constitutes a JANE, as defined by FRS 9, *Associates and Joint Ventures*. Accordingly, all transactions entered into by Ingenious Media Services Limited under the Games Services Agreement are recorded in the Partnership's accounts to correctly reflect the substance of those transactions.

**Financial Instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Partnership after deducting all of its liabilities.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Year ended 5 April 2009

**2. OPERATING PROFIT**

The operating profit is stated after charging:

	2009 £ '000s	2008 £ '000s
Auditors' remuneration for audit services	7	7

**3. BANK INTEREST RECEIVABLE**

	2009 £ '000s	2008 £ '000s
Interest received gross	141	8

**4. INFORMATION RELATING TO MEMBERS**

No Members received remuneration from the Partnership during the year.

During the current year the total profit for the Partnership was £907,340 (2008: £2,564,226) and the average number of Members over this period was 78 (2008: 78). Based on this the average allocation of profit was therefore £11,633 (2008: £32,875) with the largest allocation of profit to any single Member being £70,832 (2008: £200,178).

**5. STOCKS**

	2009 £ '000s	2008 £ '000s
Work in progress	10,962	4,146

**6. DEBTORS**

	2009 £ '000s	2008 £ '000s
VAT recoverable	-	538
Unpaid capital contributions	9,536	15,993
Other debtors	12,345	16,181
	21,881	32,712

**7. CURRENT ASSET INVESTMENT**

During the year the Partnership called on its short term surplus cash in the Ingenious Enhanced Cash Fund. At the year end £nil (2008: £3,841,817) was invested. The maximum funds invested in the year were £3,841,817 (2008: £4,856,432).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Year ended 5 April 2009

**8. RECONCILIATION OF MOVEMENT IN MEMBERS' INTERESTS**

	Members' Capital	Other Reserves	Total Members' Other Interests	Loans and Other Debts Due To Members	Total Members' Interests
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
<b>Balance at 6 April 2008</b>	53,374	(27,121)	26,253	-	26,253
Profit for the financial year available for division among Members	-	907	907	-	907
Members' interests after profit for the year	53,374	(26,214)	27,160	-	27,160
Members' drawings	-	(1,044)	(1,044)	-	(1,044)
<b>Members' interests at 5 April 2009</b>	53,374	(27,258)	26,116	-	26,116

In the event of a winding up the Partnership's creditors are paid from any surplus assets prior to their distribution to the Members.

**9. RELATED PARTY DISCLOSURES**

P. A. McKenna, J. L. Boyton and D. M. Reid, who are all Members of the Partnership, were also directors of Ingenious Games Limited (the Corporate Member), Ingenious Media Investments Limited, Ingenious Media Services Limited, Ingenious Games Services Limited, Ingenious Resources Limited and Ingenious Treasury Services Limited during the year. J. L. Boyton and D. M. Reid were also directors of Hastings Games 1 Limited and Hastings Games 2 Limited (the two Designated Members) during the year. All of these companies are wholly-owned subsidiaries of Ingenious Media Holdings plc which is under the control of P. A. McKenna.

P. A. McKenna was also a director of Ingenious Asset Management Limited during the year. Ingenious Asset Management Limited is also a wholly-owned subsidiary of Ingenious Media Holdings plc.

During a prior period Ingenious Games Limited (the Corporate Member), made an investment of £26,686,885 into the Partnership. As at the year end capital of £9,535,748 remains unpaid (2008: £16,180,680).

During a prior period, Ingenious Resources Limited made loans totalling £16,180,680 to the Members of the Partnership. The outstanding balance as at the balance sheet date was £16,180,680 (2008: £16,180,680).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Year ended 5 April 2009

**9. RELATED PARTY DISCLOSURES (Continued)**

The Partnership has entered into a Games Services Agreement with Ingenious Media Services Limited under which funds totalling £16,180,680 have been advanced. No fees were charged by Ingenious Media Services Limited during the current or prior year. Any unspent funds awaiting expenditure under this agreement are invested with Ingenious Treasury Services Limited which holds a balance of £12,280,680 (2008: £16,180,680) as at the year end.

**10. CONTROLLING PARTY**

In the opinion of the Members there is no controlling party as defined by Financial Reporting Standard No 8 'Related party disclosures.'