

PHOENIX FILM PARTNERS LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012



Limited Liability Partnership Number OC 339129

ANNUAL REPORT AND FINANCIAL STATEMENTS 2012

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MEMBERS' REPORT

Year ended 5 April 2012

The members present the Annual Report and Financial Statements on the affairs of Phoenix Film Partners LLP ("the Partnership") for the year ended 5 April 2012

Principal activities

As an integrated film business, the Partnership was formed to undertake both film co-marketing and production. Its objective was to focus the majority of its capital on worldwide co-marketing of films while also producing film projects for distribution through the studio network. It has adopted a sophisticated selection policy to manage risks from the outset and has only produced 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, thereby potentially benefiting from "hit" film production profits.

Business review and future outlook

The Partnership was formed on 4 August 2008.

During the year ended 5 April 2011 the Partnership delivered three films to commissioning distributors. No further contracts were entered into during the current year.

The films have been theatrically released and are now in the DVD/television income cycles.

The Partnership will continue to participate in distribution receipts arising from sales made of the films by the commissioning distributors.

The Partnership made a profit for the financial year of £22k (2011: £86k loss).

The net assets of the Partnership as at 5 April 2012 were £107.5m (5 April 2011: £107.9m).

The Partnership does not, at present, anticipate that it will undertake any further film projects.

Future developments

The Partnership is well placed to benefit from the future exploitation by the commissioning distributor of the three films produced by the Partnership as its remuneration for the production of those films is calculated by reference to their respective gross sales receipts.

Going concern

After making enquiries, 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.

Further details regarding the adoption of the going concern basis can be found in Note 1 of the financial statements.

Overseas branches

There are no overseas branches of the Partnership.

MEMBERS' REPORT (Continued)

Year ended 5 April 2012

Policy regarding members' drawings and capital

Designated Members are not entitled to drawings. In accordance with the Members' Agreement, drawings shall be made at the discretion of Ingenious Media Investments Limited ("the Operator"), the operator of the Partnership.

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 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).

Designated Members

The designated members serving during the year were Waterloo Film Partner 1 Limited and Waterloo Film Partner 2 Limited ("the Designated Members").

Statement of members' responsibilities

The members are responsible for preparing the Annual Report and 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 Partnership and of the profit or loss of the Partnership for that period. In preparing the 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 2006, as applicable to limited liability partnerships. The members 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.

MEMBERS' REPORT (Continued)

Year ended 5 April 2012

Statement of members' responsibilities (continued)

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 that 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 Section 487(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 on 2 July 2012 and signed on their behalf by



Director of Waterloo Film Partner 1 Limited
Designated Member



Director of Waterloo Film Partner 2 Limited
Designated Member

Registered office
15 Golden Square
London W1F 9JG

Limited Liability Partnership Number OC 339129

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX FILM PARTNERS LLP

We have audited the financial statements of Phoenix Film Partners LLP for the year ended 5 April 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Notes to the Cash Flow Statement and the related notes 1 to 8. The 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 Chapter 3 of Part 16 of the Companies Act 2006, as applicable to limited liability partnerships. 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

As explained more fully in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 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.

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 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, as applicable to limited liability partnerships.

Opinion on other matters prescribed by the Companies Act 2006 as applicable to limited liability partnerships

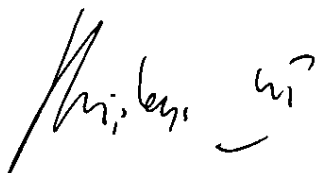
In our opinion the information given in the Members' Report for the year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX FILM PARTNERS 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



S L Joberns (Senior Statutory Auditor)

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

Date 2 July 2012

PROFIT AND LOSS ACCOUNT

Year ended 5 April 2012

| | NOTES | 2012 £ '000s | 2011 £ '000s |
|--|-------|-----------------|-----------------|
| Turnover | | 44 | 830 |
| Cost of sales | | - | (913) |
| GROSS PROFIT/(LOSS) | | <u>44</u> | <u>(83)</u> |
| Operating expenses | 2 | <u>(21)</u> | <u>-</u> |
| OPERATING PROFIT/(LOSS) | 2 | <u>23</u> | <u>(83)</u> |
| Interest payable and similar costs | | <u>(1)</u> | <u>(3)</u> |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARE | 6 | <u>22</u> | <u>(86)</u> |
| ACCUMULATED PROFIT/(LOSS) FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS | 6 | <u>22</u> | <u>(86)</u> |

All results are derived from continuing operations during the current and prior year

There are no recognised gains or losses during the financial year other than as stated in the Profit and Loss Account above, and accordingly no separate statement of total recognised gains and losses is presented

The accompanying Notes are an integral part of the financial statements

PHOENIX FILM PARTNERS LLP

BALANCE SHEET

At 5 April 2012

| | NOTES | 2012 £ '000s | 2011 £ '000s |
|---|-------|-----------------|-----------------|
| CURRENT ASSETS | | | |
| Debtors | 3 | 107,479 | 107,962 |
| Cash at bank | | 175 | 4 |
| | | <u>107,654</u> | <u>107,966</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 4 | <u>(163)</u> | <u>(19)</u> |
| NET CURRENT ASSETS | | <u>107,491</u> | <u>107,947</u> |
| NET ASSETS | | <u>107,491</u> | <u>107,947</u> |
| MEMBERS' INTERESTS | | | |
| Members' capital accounts | 6 | 161,310 | 161,310 |
| Other reserves | 6 | <u>(53,819)</u> | <u>(53,363)</u> |
| TOTAL MEMBERS' INTERESTS | | <u>107,491</u> | <u>107,947</u> |
| MEMORANDUM OF MEMBERS' TOTAL INTERESTS | | | |
| Members' other interests | 6 | <u>107,491</u> | <u>107,947</u> |
| TOTAL MEMBERS' INTERESTS | | <u>107,491</u> | <u>107,947</u> |

The accompanying Notes are an integral part of the financial statements

The financial statements were approved by the Designated Members and authorised for issue on 2 July 2012 and signed on their behalf by

Director of Waterloo Film Partner 1 Limited
Designated Member

Director of Waterloo Film Partner 2 Limited
Designated Member

Limited Liability Partnership Number OC 339129

CASH FLOW STATEMENT

Year ended 5 April 2012

| | NOTES | 2012 £ '000s | 2011 £ '000s |
|---|-------|-----------------|-----------------|
| Net cash inflow from operating activities | A | 515 | 264 |
| Transactions with members | B | (343) | (266) |
| Net cash inflow/(outflow) before use of liquid resources and financing | | 172 | (2) |
| Increase/(decrease) in cash and cash equivalents in the year | C | 172 | (2) |

The accompanying Notes are an integral part of the financial statements

NOTES TO THE CASH FLOW STATEMENT

Year ended 5 April 2012

| | 2012 £ '000s | 2011 £ '000s |
|--|-----------------|-----------------|
| A. Reconciliation of operating profit/(loss) to net cash inflow from operating activities | | |
| Operating profit/(loss) | 23 | (83) |
| Decrease in stock | - | 830 |
| Decrease/(increase) in debtors | 483 | (390) |
| Increase/(decrease) in creditors | 9 | (93) |
| Net cash inflow from operating activities | 515 | 264 |

| | | |
|--|--------------|--------------|
| B. Transactions with members | | |
| Members' drawings | (478) | (274) |
| Increase in debtors | - | (11) |
| Increase in creditors | 135 | 19 |
| Net cash outflow from transactions with members | (343) | (266) |

C. Analysis of net funds

| | At 6 April 2011 £ '000s | Exchange movement £ '000s | Cash flow £ '000s | At 5 April 2012 £ '000s |
|---------------------|-------------------------------|---------------------------------|----------------------|-------------------------------|
| Cash at bank | 4 | (1) | 172 | 175 |

D. Reconciliation of net cash flow to movement in net funds

| | 2012 £ '000s | 2011 £ '000s |
|--|-----------------|-----------------|
| Increase/(decrease) in cash in the year | 172 | (2) |
| Movement in net funds resulting from cash flows | 172 | (2) |
| Net funds at start of year | 4 | 9 |
| Foreign exchange loss | (1) | (3) |
| Net funds at end of year | 175 | 4 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 5 April 2012

1. ACCOUNTING POLICIES

Basis of accounting

The Partnership was incorporated in England and Wales as a limited liability partnership under the Limited Liability Partnerships Act 2000

These financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards. The financial statements are prepared in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and the Statement of Recommended Practice on Accounting for Limited Liability Partnerships issued in March 2010. The particular accounting policies adopted, which have been applied consistently throughout the current and preceding year, are described below.

Turnover

Turnover derives from one class of business, the co-marketing and production of films and participation in distribution receipts arising from sales of those films by the commissioning distributors, and is stated net of Value Added Tax. The members do not consider any one part of the worldwide market to be significantly different from any other. Turnover is recognised at the fair value of the right to consideration and is not recognised until there is certainty over the right to consideration.

Taxation

No current or deferred taxation is provided in these financial statements 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.

Going concern

The Partnership is in a net asset 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 5 April 2012

1. ACCOUNTING POLICIES (Continued)

Joint Arrangement Not an Entity ('JANE')

The Partnership entered into a Film Services Agreement with Ingenious Media Services Limited 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 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 Film Services Agreement are recorded in the Partnership's financial statements 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 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.

Where the contractual obligations of financial instruments are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Balance Sheet. Finance costs and gains or losses relating to financial liabilities are included in the Profit and Loss Account.

2. OPERATING PROFIT/(LOSS)

| The operating profit/(loss) is stated after charging | 2012 £ '000s | 2011 £ '000s |
|--|-----------------|-----------------|
| Foreign exchange (gain)/loss | (21) | 94 |
| Auditor's remuneration for audit services - recharge of prior year fee | 12 | - |
| Auditor's remuneration for audit services - current year | 9 | - |
| | <hr/> | <hr/> |
| | - | 94 |

Fees payable to the Partnership's auditor for non-audit services are £nil (2011: £nil).

There have been no employees in the Partnership during the current and prior year.

3. DEBTORS

| | 2012 £ '000s | 2011 £ '000s |
|------------------------------|-----------------|-----------------|
| Other debtors | 650 | 1,133 |
| Unpaid capital contributions | 106,829 | 106,829 |
| | <hr/> | <hr/> |
| | 107,479 | 107,962 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 5 April 2012

| 4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2012 | 2011 |
|--|----------------|----------------|
| | £ '000s | £ '000s |
| Due to distribute to members | 154 | 19 |
| Accruals | 9 | - |
| | <u>163</u> | <u>19</u> |

5. INFORMATION RELATING TO MEMBERS

No members received any salaried remuneration from the Partnership during the year (2011 £nil)

The average number of members during the year was 232 (2011 232) The average allocation of profit was therefore £94 (2011 £372 loss) The maximum profit allocated to a member was £13,055 (2011 £51,821 loss)

6. 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 |
| Balance at 6 April 2011 | 161,310 | (53,363) | 107,947 | - | 107,947 |
| Profit for the financial year available for discretionary division among members | - | 22 | 22 | - | 22 |
| Members' interests after profit for the year | 161,310 | (53,341) | 107,969 | - | 107,969 |
| Members' drawings | - | (478) | (478) | - | (478) |
| Members' interests at 5 April 2012 | 161,310 | (53,819) | 107,491 | - | 107,491 |

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

Amounts due to be distributed to members at the year end amounted to £154k (2011 £19k)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 5 April 2012

7. RELATED PARTY DISCLOSURES

P A McKenna, J L Boyton and D M Reid, who are all members of Phoenix Film Partners LLP ("the Partnership"), were also directors of Ingenious Media Investments Limited ("the Operator") during the year. J L Boyton and D M Reid were also directors of Phoenix Film Partners Limited ("the Corporate Member"), Waterloo Film Partner 1 Limited and Waterloo Film Partner 2 Limited ("the Designated Members") and Ingenious Media Services Limited during the year.

All of the above-named companies are wholly-owned subsidiaries of Ingenious Media Limited, which is itself a wholly-owned subsidiary of Ingenious Media Holdings plc, the ultimate parent company of the Ingenious Media group ("the Group"). The Group is under the control of P A McKenna.

P A McKenna, J L Boyton and D M Reid are also directors and beneficial shareholders of Ingenious Media Holdings plc. G J Arkell and P M Shawyer, members of the Partnership, are also directors and beneficial shareholders of Ingenious Media Holdings plc. M E A McKenna, spouse of P A McKenna, is also a member of the Partnership.

P A McKenna and D M Reid are members of the Partnership and also members of the Executive Committee. Capital investment and drawings relating to these members as at the year end are as follows:

| Member | Capital investment at 5 April 2012 £ | Drawings during the current year £ | Drawings during the prior year £ | Drawings owing at 5 April 2012 £ | Drawings owing at 5 April 2011 £ |
|-------------|--|--|--|--|--|
| P A McKenna | 100 | 1,538 | 881 | 2,150 | 612 |
| D M Reid | 100 | 77 | 44 | 108 | 31 |

During a prior period the Corporate Member made an investment of £161.3m into the Partnership and at the year end capital of £106.8m remained unpaid (2011: £106.8m). During the year the Corporate Member made drawings of £429,825. At the year end an amount of £87,229 was owing by the Partnership to the Corporate Member. In the prior year an amount of £11,412 was owing from the Corporate Member to the Partnership.

Ingenious Media Investments Limited continued in its capacity as operator to the Partnership and charged no fees during the year (2011: £nil). No funds remained owing to Ingenious Media Investments Limited at the year end (2011: £nil).

Ingenious Media Services Limited owed the Partnership £2,900 at the year end (2011: £20,874).

8. CONTROLLING PARTY

In the opinion of the members there is no controlling party.