

**INGENIOUS DISTRIBUTION SERVICES LIMITED**  
**(FORMERLY INGENIOUS DISTRIBUTION LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 2006**



Company Registration Number  
5041357 (England and Wales)

## **INGENIOUS DISTRIBUTION SERVICES LIMITED**

**Directors** P A McKenna  
D M Reid  
J L Boyton  
K T J Mead  
R H Patel  
S E Ford

**Secretary** S E Ford

**Registered Office** 12 New Fetter Lane  
London  
EC4A 1AG

**Registered Number** 5041357 (England and Wales)

**Auditors** Buzzacott  
12 New Fetter Lane  
London  
EC4A 1AG

**Business Address** 100 Pall Mall  
London  
SW1Y 5NQ

**Bankers** HSBC Private Bank (UK) Limited  
78 St. James Street  
London  
SW1A 1JB

# INGENIOUS DISTRIBUTION SERVICES LIMITED

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**DIRECTORS' REPORT**  
**31 MARCH 2006**

The directors present their report and audited financial statements of the company for the year ended 31 March 2006.

**Principal Activity and Review of the Business**

The company was incorporated on 11 February 2004 and on the 23 February 2006 changed its name from Ingenious Distribution Limited to Ingenious Distribution Services Limited.

The principal activity of the company was that of the provision of services to the media, leisure and entertainment industry.

The directors consider the results for the year and the financial position at the end of it, to be satisfactory and expect continued growth in the foreseeable future.

**Results and Dividends**

The results for the year are set out on page 5.

The directors do not propose to pay a final dividend.

**Future Developments**

The company intends to continue providing services to the media, leisure and entertainment industry.

**Directors**

The directors in office during the year and their direct beneficial interests in the issued share capital were as follows:

|             | As at 31<br>March 2006 | As at 1 April<br>2005 |
|-------------|------------------------|-----------------------|
| J L Boyton  | -                      | -                     |
| S E Ford    | -                      | -                     |
| P A McKenna | -                      | -                     |
| K T J Mead  | -                      | -                     |
| R H Patel   | -                      | -                     |
| D M Reid    | -                      | -                     |

During the year, S E Ford was appointed as Director, effective 22 February 2006.

All of the directors, except R H Patel, are directors of the ultimate parent company, Ingenious Media plc. All of the directors are beneficial shareholders, except S E Ford, of Ingenious Media plc and their interests in the share capital of that company are disclosed in the consolidated financial statements of that company.

**DIRECTORS' REPORT**  
**31 MARCH 2006**

R H Patel's beneficial interests in the issued share capital of Ingenious Media plc were as follows:

| As at 31 March 2006 and at 1 April 2005 |                 |     |     |     |     |     |     |     |     |     |     |
|---|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|   | Shares of Class |     |     |     |     |     |     |     |     |     |     |
|   | 'B'             | 'C' | 'D' | 'E' | 'F' | 'G' | 'H' | 'I' | 'J' | 'K' | 'L' |
| R H Patel                               | 425             | 286 | 237 | 237 | 198 | 198 | 198 | 198 | 198 | 198 | 197 |

**Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

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.

**Auditors**

During the year, Buzzacott were appointed as auditors. In the absence of a notice proposing that the appointment be terminated, the auditors, Buzzacott, will be deemed to be re-appointed in accordance with Section 386 of the Companies Act 1985.

Signed by order of the board of directors,



**D M REID**  
Director

Approved by the board on: 21 July 2006

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INGENIOUS DISTRIBUTION SERVICES LIMITED**

**YEAR ENDED 31 MARCH 2006**

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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. We also report to you if, in our opinion, the company 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 directors' remuneration and transactions with the company and other members of the group is not disclosed.

We report to you whether in our opinion the information in the directors' report is consistent with the financial statements.

**Basis of 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 SHAREHOLDERS OF INGENIOUS DISTRIBUTION SERVICES LIMITED**

**YEAR ENDED 31 MARCH 2006**

**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 affairs of the company as at 31 March 2006 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and the information given in the Directors' report is consistent with the financial statements.



**BUZZACOTT**

Chartered Accountants and Registered Auditors  
12 New Fetter Lane  
London  
EC4A 1AG

21<sup>st</sup> July 2006

**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 MARCH 2006**

|   | Notes | 2006<br>£ '000s     | Period from 11<br>February 2004 to<br>31 March 2005<br>£ '000s |
|---|-------|---------------------|--|
| <b>Turnover</b>   | 1     | -                   | -  |
| Cost of Sales   |       | <u>(434)</u>        | <u>-</u>   |
| <b>Gross Loss</b>   |       | <b>(434)</b>        | -  |
| Administrative Expenses   |       | <u>(3)</u>          | <u>-</u>   |
| <b>Operating Loss</b>   | 1     | <u><b>(437)</b></u> | <u>-</u>   |
| <b>Loss on ordinary activities before taxation</b>  |       | <b>(437)</b>        | -  |
| Taxation  | 3     | <u>-</u>            | <u>-</u>   |
| <b>Loss on ordinary activities after taxation and<br/>accumulated loss for the financial year</b> | 9     | <u><b>(437)</b></u> | <u>-</u>   |

*All of the company's activities derived from continuing operations during the above financial periods.*

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.

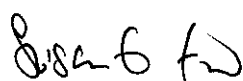
There is no difference between the loss on ordinary activities before taxation and the accumulated loss for the periods stated above, and their historical cost equivalent.



**BALANCE SHEET**  
**31 MARCH 2006**

|  | Notes | 2006<br>£ '000s | 2005<br>£ '000s |
|--|-------|-----------------|-----------------|
| <b>Current Assets</b>  |       |                 |                 |
| Debtors  | 4     | 46,195          | 1               |
| <b>Creditors: Amounts falling due within 1 year</b>          | 5     | (3)             | -               |
| <b>Net Current Assets</b>                                    |       | <u>46,192</u>   | <u>1</u>        |
| <b>Total Assets less Current Liabilities</b>                 |       | 46,192          | 1               |
| <b>Creditors: Amounts falling due after more than 1 year</b> |       | -               | -               |
| <b>Provision for liabilities and charges</b>                 | 6     | <u>(46,629)</u> |                 |
| <b>Net Liabilities</b>                                       |       | <u>(437)</u>    | <u>1</u>        |
| <b>Capital and Reserves</b>                                  |       |                 |                 |
| <i>Equity Interests:</i>                                     |       |                 |                 |
| Called up share capital                                      | 8     | -               | 1               |
| Profit and loss account                                      | 9     | <u>(437)</u>    | -               |
| <b>Shareholders' deficit</b>                                 | 10    | <u>(437)</u>    | <u>1</u>        |

Signed on behalf of the board of directors by:


**S E FORD**

Director

Approved by the Board, 21 July 2006

## PRINCIPAL ACCOUNTING POLICIES

31 MARCH 2006

### Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Cash flow

The accounts do not include a cash flow statement because the company, as wholly owned subsidiary, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 '*Cash flow statements*'.

### Going concern

The accounts have been prepared on a going concern basis which the directors consider appropriate given the undertaking provided by the parent company, Ingenious Media plc, to continue to provide financial support to the company to enable it to continue trading and to meet its financial obligations as they fall due until at least one year from the date of signing.

### Turnover

Turnover derives from one class of business, the production and global exploitation of films, and is stated net of Value Added Tax. The directors 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

### 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. Profit and loss account transactions in foreign currencies are translated at average rates of exchange for the period. Exchange differences are taken to the profit and loss account.

## NOTES TO THE ACCOUNTS

31 MARCH 2006

## 1. Operating loss

|   | 2006<br>£ '000s | 2005<br>£ '000s |
|---|-----------------|-----------------|
| This is stated after charging:          |                 |                 |
| Auditors' Remuneration - audit services | 3               | -               |

## 2. Staff costs &amp; Directors' remuneration

The company incurred no staff costs nor paid any remuneration to its directors during the year

The average monthly number of employees (including directors) during the year was as follows:

|                           | 2006 | 2005 |
|---------------------------|------|------|
| Office and administration | 5    | 5    |

## 3. Taxation

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

|  | 2006<br>£ '000s | 2005<br>£ '000s |
|--|-----------------|-----------------|
| UK Corporation tax at 30% based on the adjusted results for the year | -               | -               |
| Adjustments in respect of prior years                                | -               | -               |
| Current tax (credit)/charge  | -               | -               |

Factors affecting tax charge for the year:

|  | 2006<br>£ '000s | 2005<br>£ '000s |
|--|-----------------|-----------------|
| <b>(Loss) on ordinary activities before taxation</b>   | <b>(437)</b>    | -               |
| (Loss) on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30% | (131)           | -               |
| Effects of:  |                 |                 |
| Group relief surrendered   | 131             | -               |
| <b>Current tax charge</b>  | -               | -               |

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2006**

**4. Debtors**

|                                  | 2006<br>£ '000s | 2005<br>£ '000s |
|----------------------------------|-----------------|-----------------|
| Falling due within one year:     |                 |                 |
| Amount owed by group undertaking | 46,195          | 1               |

**5. Creditors: amounts falling due within one year**

|                              | 2006<br>£ '000s | 2005<br>£ '000s |
|------------------------------|-----------------|-----------------|
| Accruals and deferred income | 3               | -               |

**6. Provisions for liabilities and charges**

| <i>Obligation under collection agreement</i> | 2006<br>£ '000s |
|--|-----------------|
| Balance at 1 April 2005                      | -               |
| Provision for contractual obligation         | 46,629          |
| Balance at 31 March 2006                     | 46,629          |

During the year the company entered into a series of agreements whereby it acts as collection agent for various parties.

The provision represents the full potential obligation to meet the liabilities under those agreements. Payment under these agreements is considered to be probable and therefore provision has been made in full. The earliest payment date under these arrangements is 22 June 2006.

**7. Charge over bank accounts**

HSBC Private Bank (UK) Limited holds a charge over the company's bank balances in respect of a facility entered into with various other group companies.

**NOTES TO THE ACCOUNTS**  
**31 MARCH 2006**

**8. Called up share capital**

|                            | 2006   |        | 2005   |        |
|----------------------------|--------|--------|--------|--------|
|                            | £      | No     | £      | No     |
| Ordinary Shares of £1 each | 10,000 | 10,000 | 10,000 | 10,000 |

|  | Allotted, called up and fully paid<br>2006 |    | 2005 |    |
|--|--|----|------|----|
|  | £  | No | £    | No |
| Ordinary Shares of £1 each issued at par | 1  | 1  | 1    | 1  |

**9. Statement of movements on profit and loss account**

|   | Profit and<br>loss<br>account<br>£ '000s |
|---|--|
| At 1 April 2005                         | -  |
| Accumulated loss for the financial year | (437)                                    |
| <b>At 31 March 2006</b>                 | <b>(437)</b>                             |

**10. Reconciliation of movements in shareholders funds**

|   | 2006<br>£ '000s |
|---|-----------------|
| Equity Funds:   |                 |
| Loss for the financial year after taxation            | (437)           |
| Dividends   | -               |
| Net movement in shareholders' funds                   | (437)           |
| Opening shareholders' funds at 1 April 2005           | -               |
| <b>Closing shareholders' deficit at 31 March 2006</b> | <b>(437)</b>    |

**NOTES TO THE ACCOUNTS**

**31 MARCH 2006**

**11. Related party transactions**

The accounts do not include disclosure of transactions between the company and entities that are part of the Ingenious Media plc group. This is because, as a subsidiary whose shares are more than 90% controlled within the group, it is exempt from the requirement to disclose such transactions, under Financial Reporting Standard 8 'Related Party Transactions'.

**12. Control**

During the year ended 31 March 2006 the company was a wholly owned subsidiary of Ingenious Media plc, a company registered in England and Wales. Ingenious Media plc is the only parent undertaking for which group accounts are prepared.

The consolidated financial statements of Ingenious Media plc can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

During the year ended 31 March 2006 the ultimate controlling party of the group and the company was P A McKenna.