

INGENIOUS FILMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2006

Company Registration Number
5516184 (England and Wales)

TUESDAY



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COMPANIES HOUSE

INGENIOUS FILMS 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 551 6184 (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 FILMS LIMITED

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DIRECTORS' REPORT
31 MARCH 2006

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

Principal Activity and Review of the Business

The company was incorporated on 22 July 2005 as Ingenious Media Investments Limited and changed its name to Ingenious Films Limited on 4 October 2005. The company commenced trading on 22 July 2005.

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 period 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 period are set out on page 6.

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 period and their direct beneficial interests in the issued share capital were as follows:

	As at 31 March 2006	As at 22 July 2005
J L Boyton	-	-
S E Ford	-	-
P A McKenna	-	-
K T J Mead	-	-
R H Patel	-	-
D M Reid	-	-

All of the directors were appointed upon incorporation with the exception of S E Ford who was appointed on 24 October 2005.

DIRECTORS' REPORT

31 MARCH 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 of Ingenious Media plc and their interests in the share capital of that company are disclosed in the consolidated financial statements of that company.

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 22 July 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

Creditors Payment Policy

The company does not follow any 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.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 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.

DIRECTORS' REPORT
31 MARCH 2006

Auditors

During the period, 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,

A handwritten signature in black ink, appearing to be 'D-M Reid', written over a horizontal line.

D M REID
Director

Approved by the board on: 21 July 2006

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INGENIOUS FILMS LIMITED
PERIOD FROM 22 JULY 2005 TO 31 MARCH 2006**

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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, if 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 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 FILMS LIMITED
PERIOD FROM 22 JULY 2005 TO 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 profit for the period from 22 July 2005 to 31 March 2006; 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

21st July 2006

PROFIT AND LOSS ACCOUNT

PERIOD FROM 22 JULY 2005 TO 31 MARCH 2006

	Notes	Period from 22 July 2005 to 31 March 2006 £ '000s
Turnover	1	32,801
Cost of Sales		-
Gross Profit		32,801
Administrative Expenses		(4,096)
Operating Profit	2	28,705
Interest receivable and similar income	4	53
Profit on ordinary activities before taxation		28,758
Taxation	5	-
Profit on ordinary activities after taxation and retained profit for the financial year	10	28,758

The company commenced trading on 22 July 2005. All of the company's activities derived from continuing operations during the above financial period.

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 profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalent.

BALANCE SHEET
31 MARCH 2006

	Notes	2006 £ '000s
Fixed Assets		
Investments	6	<u>1</u>
Current Assets		
Debtors	7	26,568
Cash at bank and in hand		<u>6,883</u>
		33,451
Creditors: Amounts falling due within 1 year	8	<u>(4,694)</u>
Net Current Assets		<u>28,757</u>
Total Assets less Current Liabilities		<u>28,758</u>
Net Assets		<u><u>28,758</u></u>
Capital and Reserves		
<i>Equity Interests:</i>		
Called up share capital	9	-
Profit and loss account	10	<u>28,758</u>
Shareholders' funds	11	<u><u>28,758</u></u>

Signed on behalf of the board of directors by:



S E FORD

Director

Approved by the Board, 21 July 2006

NOTES TO THE ACCOUNTS
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.

Turnover

Turnover derives from one class of business, the production and global exploitation of films, 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 consideration.

Investments

Interests in associated undertakings

Fixed asset investments in associated undertakings are stated at cost less any permanent diminution in value.

Deferred Taxation

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 tax rates and 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 accounts.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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*'.

NOTES TO THE ACCOUNTS

31 MARCH 2006

1. Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

2. Operating profit

	2006 £ '000s
This is stated after charging:	
Auditors' Remuneration - audit services	8

3. Staff costs & Directors' remuneration

The company incurred no staff costs nor paid any remuneration to its directors during the period. The company's only employees were its directors.

The average monthly number of employees during the period was as follows:

	2006
Office and administration	6

4. Interest receivable and similar income

	2006 £ '000s
Bank interest	7
Intra-group interest received	46
	53

NOTES TO THE ACCOUNTS
31 MARCH 2006

5. Taxation

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

	2006 £ '000s
UK Corporation tax at 30% based on the adjusted results for the period	-
Current tax (credit)/charge	-

Factors affecting tax charge for the period:

	2006 £ '000s
Profit on ordinary activities before taxation	28,758
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30%	8,627
Effects of:	
Group relief claimed	(8,627)
Current tax charge	-

6. Fixed Asset Investments

	Total £ '000s
Cost / Share of Net Assets	
At 22 July 2005	-
Additions	
Capital	1
Disposals	-
At 31 March 2006	1

The investment represents an interest in Pall Mall Film Partners which had net assets at 5 April 2006 of £14.2m (2005 - £14.7m) and a profit for the period then ended of £ 0.4m (2005 - £0.4m). The principal place of business for this partnership is 100 Pall Mall, London, SW1Y 5NQ.

NOTES TO THE ACCOUNTS
31 MARCH 2006

This interest is an investment in a qualifying partnership. Since the partnership has been consolidated within the group accounts of the company's parent undertaking, a copy of the accounts of Pall Mall Film Partners will not be appended to the copy of the company's accounts to be sent to the Registrar of Companies in accordance with the exemptions of Section 242 of the Companies Act 1985.

7. Debtors

	2006 £ '000s
Falling due within one year:	
Trade Debtors	1,705
Amount owed by group undertaking	6,308
Prepayments and accrued income	18,555
	26,568

8. Creditors: amounts falling due within one year

	2006 £ '000s
Amounts owed to group undertakings	4,686
Accruals and deferred income	8
	4,694

9. Called up share capital

The company was incorporated on 22 July 2005 with share capital as follows:

	2006		Authorised	
	£	No	On Incorporation £	No
Ordinary Shares of £1 each	10,000	10,000	10,000	10,000

	Allotted, called up and fully paid 2006		On Incorporation	
	£	No	£	No
Ordinary Shares of £1 each issued at par	1	1	1	1

NOTES TO THE ACCOUNTS
31 MARCH 2006

10. Statement of movements on profit and loss account

	Profit and loss account
	£ '000s
At 22 July 2005	-
Retained profit for the financial period	<u>28,758</u>
At 31 March 2006	<u>28,758</u>

11. Reconciliation of movements in shareholders funds

	2006 £ '000s
Equity Funds:	
Profit for the financial period after taxation	28,758
Share capital issued for cash	<u>-</u>
Net movement in shareholders' funds	28,758
Opening shareholders' funds at 22 July 2005	<u>-</u>
Closing shareholders' funds at 31 March 2006	<u>28,758</u>

12. 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'.

During the current period the company received Executive Producer fees of £32,801,024 from various Production Service Companies engaged by Ingenious Film Partners 2 Limited Liability Partnership. As at the period end £18,551,598 remained outstanding.

P A McKenna, K T J Mead, J L Boyton, D M Reid and S E Ford, directors, are members of Ingenious Film Partners 2 Limited Liability Partnership, they are also directors and beneficial shareholders of Ingenious Media plc, the parent company of Ingenious Films Limited. N C Harvey, a director and shareholder of Ingenious Media plc, was also a member. Ingenious Film Partners 2 Limited, a fellow group company also holds a 50% equity share in the partnership. P A McKenna and D M Reid are also members of the partnership's Executive Committee.

NOTES TO THE ACCOUNTS
31 MARCH 2006

13. Control

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