

**THE AQUARIUS FILM COMPANY
LIMITED LIABILITY PARTNERSHIP**

**REPORT OF THE MEMBERS AND
FINANCIAL STATEMENTS FOR THE
PERIOD FROM 19 AUGUST 2002
TO 5 APRIL 2003**



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THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 APRIL 2003

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THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

PARTNERSHIP INFORMATION

DESIGNATED MEMBERS

IFG Investment Managers
Aquarius Film Finance Limited
Aquarius Motion Pictures Limited

REGISTERED OFFICE

Teresa Gavin House
Woodford Avenue
Woodford Green
Essex, IG8 8FB
England

AUDITOR

Ashton Hart David Lee
Registered Auditors
Teresa Gavin House
Woodford Avenue
Woodford Green
Essex, IG8 8FB
England

BANKERS

Bank of Scotland
One Kingsway
Cardiff
CF10 3YB
Wales

SOLICITORS

Theodore Goddard
150 Aldersgate Street
London
EC1A 4EJ
England

REGISTERED NUMBER

OC 302855 (England and Wales)

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

REPORT OF THE MEMBERS FOR THE PERIOD ENDED 5 APRIL 2003

The members present their report with the financial statements for the period from 19 August 2002 to 5 April 2003.

Incorporation

The Limited Liability Partnership (LLP) was incorporated on 19 August 2002 and commenced trading on the same date.

Activities

The principal activity of the LLP in the period under review was that of acquisition, co-production, production and exploitation of films with a view to profit.

Review of the business

The results for the period and financial position of the LLP are as shown in the annexed financial statements.

The progress of the LLP during the period accorded with expectations and the position at the end of the period is regarded as satisfactory.

No significant changes in the future development of the LLP are proposed nor has there occurred since the end of the year any event of such significance that reference to it should be made in this report.

Results for the year and allocation to members

The loss of the LLP for the period was £20,892,524.

Designated Members

The designated members during the period under review were:

IFG Investment Managers	- appointed 19 August 2002
Aquarius Film Finance Limited	- appointed 19 August 2002
Aquarius Motion Pictures Limited	- appointed 19 August 2002

Policy with respect to members' drawings and subscription and repayment of members' capital

Members are not permitted to make drawings in anticipation of profits which will be allocated to them.

No new members may be admitted to the LLP after 5 April 2003.

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

REPORT OF THE MEMBERS FOR THE PERIOD ENDED 5 APRIL 2003

Statement of Members' Responsibilities

Company law (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001) requires the members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing those financial statements, the members are required to:

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. Prepare the accounts on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001).

They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Auditors

A resolution to re-appoint Ashton Hart David Lee as auditors will be proposed at the next members' meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001) and the FRSSE (effective June 2002).

Approved by the members on 09/09/03 and signed on their behalf by :

Designated Member



on behalf of them.

Designated Member



ON BEHALF OF
AQUARIUS FILM FINANCE LTD

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

We have audited the financial statements of The Aquarius Film Company Limited Liability Partnership for the period ended 5 April 2003 on pages 7 to 11. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the LLP's members, as a body, in accordance with Section 235 of the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001). Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITORS

As described on page 4 the LLP's members are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 applied to the limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001). We also report to you if, in our opinion, the Report of the Members is not consistent with the financial statements, if the LLP 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 transactions with the LLP 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 United Kingdom Auditing Standards 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 LLP'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.

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

**INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF
THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP**

OPINION

In our opinion the financial statements give a true and fair view of the state of the LLP's affairs as at 5 April 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985(as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001).

Ashton Hart Dandee

**Registered Auditors
Teresa Gavin House
Woodford Avenue
Woodford Green
Essex, IG8 8FB
England**

Date: 09/09/03

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 5 APRIL 2003

	Notes	2003 £
TURNOVER		-
COST OF SALES		(20,172,582)
GROSS LOSS		(20,172,582)
ADMINISTRATIVE EXPENSES		(612,900)
OPERATING LOSS	2	(20,785,482)
INTEREST RECEIVABLE AND SIMILAR INCOME		15,895
INTEREST PAYABLE AND SIMILAR CHARGES	3	(122,937)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(20,892,524)
TAXATION	4	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(20,892,524)
DEFICIT AT END OF PERIOD		(20,892,524)

All of the LLP's operations are classed as continuing. There were no gains or losses in the period other than those included in the above profit and loss account.

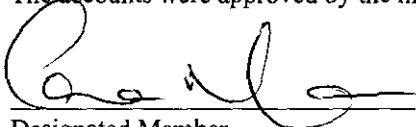
THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

BALANCE SHEET AS AT 5 APRIL 2003

	Notes	2003 £
CURRENT ASSETS		
Debtors	5	28,117
Cash at bank and in hand		410,068
		<u>438,185</u>
CREDITORS (Amounts falling due within one year)	6	(431,665)
NET CURRENT ASSETS		<u>6,520</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,520
CREDITORS (Amounts falling due after more than one year)	7	(14,243,744)
TOTAL NET LIABILITIES		<u>(14,237,224)</u>
MEMBERS' OTHER INTERESTS		
Members capital	9	6,655,300
Profit and loss account	10	(20,892,524)
TOTAL MEMBERS' INTERESTS		<u>(14,237,224)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnership Regulations 2001) relating to small LLP's and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The accounts were approved by the members on 09/09/03 and signed on their behalf by :


Designated Member


Designated Member

on behalf of IFGIM

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 APRIL 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. OPERATING LOSS

The operating loss is stated after charging :

	2003
	£
Members' emoluments and other benefits etc	-
	<u> </u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2003
	£
On bank loans and overdrafts repayable from two to five years otherwise by instalments	122,937
	<u> </u>

4. TAXATION

Analysis of tax charge

No liability to UK income tax arose on ordinary activities for the period.

5. DEBTORS (amounts falling due within one year)

	2003
	£
Value Added Tax	28,117
	<u> </u>

6. CREDITORS (amounts falling due within one year)

	2003
	£
Accruals and deferred income	431,665
	<u> </u>

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 APRIL 2003

7. CREDITORS (amounts falling due after more than one year)

	2003 £
Bank loans (Note 8)	<u>14,243,744</u>

8. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows :

	£
Term loans from two to five years	<u>14,243,744</u>

The bank loans and overdrafts are secured by a Mortgage Debenture dated 26 November 2002 in the Bank of Scotland's standard form providing a fixed and floating charge over the LLP's assets together with a fixed charge over book debts. A Deed of Priority has been executed by all parties who have the benefit of or who require any Encumbrance over a film.

The bank loans and overdrafts are repayable from the revenues generated from the films from specific territories and to the extent not so repaid by a bullet payment on 30 April 2008 inclusive of interest which is capitalised.

9. MEMBERS CAPITAL

	2003 £
Introduced during the period	6,655,300
Loss for period	<u>(20,892,524)</u>
As at 5 April 2003	<u>14,237,224</u>

10. RESERVES

	Profit and loss account 2003 £
Deficit for the period	<u>(20,892,524)</u>
At 5 April 2003	<u>(20,892,524)</u>

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 5 APRIL 2003

11. INFORMATION IN RELATION TO MEMBERS

Period Ended
5 April 2003

The average number of members during the period was

19

12. RELATED PARTY DISCLOSURES

In accordance with the LLP's terms of agreement the designated members, Aquarius Film Finance Limited and Retirement Strategies Limited t/a IFG Investment Managers, were paid or are payable the following fees:

	Initial fees	Annual fees
	£	£
Aquarius Film Finance Limited	55,850	-
Retirement Strategies Limited	46,650	-
Included in creditors:		
Aquarius Film Finance Limited	19,163	166,375
Retirement Strategies Limited	44,712	46,585
	<u>166,375</u>	<u>212,960</u>

13. ACCOUNTING PERIOD

The accounting period is from 19 August 2002 (date of incorporation) to 5 April 2003.

14. CURRENCY

The financial statements are denominated in sterling.

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP
SUPPLEMENTARY INFORMATION:
DETAILED COST OF SALES AND OVERHEADS SCHEDULES
FOR THE PERIOD ENDED 5 APRIL 2003
(not covered by the report of the auditors)

	2003
	£
COST OF SALES	
Film Purchases	20,172,582
	<u>20,172,582</u>
ADMINISTRATIVE EXPENSES	
Annual fees payable to IFG and AFFL	212,960
Initial fees payable to IFG and AFFL	166,375
Commissions payable to IFAs	232,925
Bank charges	640
	<u>612,900</u>