

**THE AQUARIUS FILM COMPANY
LIMITED LIABILITY PARTNERSHIP**

**REPORT OF THE MEMBERS AND
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 5 APRIL 2006**

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THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2006

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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

Temple Court
Cathedral Road
Cardiff
CF11 9HA
Wales

BANKERS

Bank of Scotland
One Kingsway
Cardiff
CF10 3YB
Wales

SOLICITORS

Addleshaw 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 YEAR ENDED 5 APRIL 2006

The members present their report with the financial statements for the year from 6 April 2005 to 5 April 2006.

Activities

The principal activity of the LLP in the year 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 year and financial position of the LLP are as shown in the annexed financial statements.

The progress of the LLP during the year accorded with expectations and the position at the end of the year 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 year available for division among members was £992,188 (2005 - £767,244 loss)

Designated Members

The designated members during the period under review were:

IFG Investment Managers
Aquarius Film Finance Limited
Aquarius Motion Pictures Limited

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 YEAR ENDED 5 APRIL 2006

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.

Small company exemptions

This report has been prepared in accordance with the special provisions relating to small companies within 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 31/12/06 and signed on their behalf by :



Designated Member



Designated Member

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 5 APRIL 2006

| | Notes | 2006 £ | 2005 £ |
|---|-------|----------------------------|----------------------------|
| TURNOVER | | 22,253 | 92,525 |
| ADMINISTRATIVE EXPENSES | | <u>(212,988)</u> | <u>(213,002)</u> |
| OPERATING LOSS | 2 | (190,735) | (120,477) |
| INTEREST RECEIVABLE AND SIMILAR INCOME | | 1,163 | 2,095 |
| INTEREST PAYABLE AND SIMILAR CHARGES | 3 | <u>(802,616)</u> | <u>(648,862)</u> |
| LOSS FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES | | (992,188) | (767,244) |
| SALARIED REMUNERATION OF MEMBERS | | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR AVAILABLE FOR DIVISION AMONG MEMBERS | | (992,188) | (767,244) |
| DEFICIT AT BEGINNING OF YEAR | | <u>(22,714,948)</u> | <u>(21,947,704)</u> |
| DEFICIT AT END OF YEAR | | <u><u>(23,707,136)</u></u> | <u><u>(22,714,948)</u></u> |

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 accounts were approved by the members on 31/12/06 and signed on their behalf by



Designated Member



Designated Member

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

BALANCE SHEET AS AT 5 APRIL 2006

| | Notes | 2006 £ | 2005 £ |
|---|-------|---------------------|---------------------|
| CURRENT ASSETS | | | |
| Debtors | 6 | 80,638 | 29,117 |
| Cash at bank and in hand | | 40,735 | 92,860 |
| | | <u>121,373</u> | <u>121,977</u> |
| CREDITORS (Amounts falling due within one year) | 7 | <u>(635,158)</u> | <u>(445,860)</u> |
| NET CURRENT LIABILITIES | | <u>(513,785)</u> | <u>(323,883)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | (513,785) | (323,883) |
| CREDITORS (Amounts falling due after more than one year) | 8 | <u>(16,538,051)</u> | <u>(15,735,765)</u> |
| TOTAL NET LIABILITIES | | <u>(17,051,836)</u> | <u>(16,059,648)</u> |
| CAPITAL AND RESERVES | | | |
| Partners' capital accounts | 10 | 6,655,300 | 6,655,300 |
| Profit and loss account - (deficit) | | <u>(23,707,136)</u> | <u>(22,714,948)</u> |
| TOTAL CAPITAL EMPLOYED | | <u>(17,051,836)</u> | <u>(16,059,648)</u> |

The members are satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the period by virtue of Section 249A(1).

The members acknowledge their responsibilities for:

(i) ensuring that the company keeps proper accounting records which comply with Section 221 of the Act, and;

(ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss for the financial period in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

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 31/12/06 ... and signed on their behalf by


Designated Member


Designated Member

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2006

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).

Turnover

Sales revenues are accounted for as earned on the basis of realisable contracted income, net of value added tax.

Film production costs

Film production costs are stated at the lower of cost and market value. Cost includes all expenditure which has been incurred in the normal course of business in bringing the films to their present location and condition.

Market value of the films is the current value based on anticipated future exploitation receipts for each film.

2. OPERATING LOSS

The operating loss is stated after charging :

| | 2006 | 2005 |
|--|------|------|
| | £ | £ |
| Members' emoluments and other benefits etc | - | - |

3. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2006 | 2005 |
|--|----------------|----------------|
| | £ | £ |
| On bank overdrafts payable within one year | 330 | 97 |
| On bank loans and overdrafts repayable from two to five years otherwise by instalments | 802,286 | 648,765 |
| | <u>802,616</u> | <u>648,862</u> |

4. FILM PRODUCTION COSTS

| | 2006 | 2005 |
|-----------------------------|--------------|--------------|
| | £ | £ |
| Production cost of films | 20,172,582 | 20,172,582 |
| less provision against cost | (20,172,582) | (20,172,582) |
| Market value | <u>-</u> | <u>-</u> |

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2006

5. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is deemed to be the members, by the virtue of their respective interest in the capital of the LLP.

6. DEBTORS (amounts falling due within one year)

| | 2006 | 2005 |
|-----------------|---------------|---------------|
| | £ | £ |
| Value Added Tax | <u>80,638</u> | <u>29,117</u> |

7. CREDITORS (amounts falling due within one year)

| | 2006 | 2005 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Bank overdrafts (Note 9) | - | 9,343 |
| Trade creditors | 47,144 | 74,636 |
| Accruals and deferred income | <u>588,014</u> | <u>361,881</u> |
| | <u>635,158</u> | <u>445,860</u> |

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

| | 2006 | 2005 |
|---------------------|-------------------|-------------------|
| | £ | £ |
| Bank loans (Note 9) | <u>16,538,051</u> | <u>15,735,765</u> |

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2006

9. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows :

| | 2006 £ | 2005 £ |
|-----------------------------------|-------------------|-------------------|
| Bank overdrafts within one year | - | 9,343 |
| Term loans from two to five years | 16,538,051 | 15,735,765 |
| | <u>16,538,051</u> | <u>15,726,422</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.

10. MEMBERS CAPITAL

| | 2006 £ | 2005 £ |
|-----------------------------|------------------|------------------|
| Members' Capital subscribed | <u>6,655,300</u> | <u>6,655,300</u> |

11. RESERVES

| | Profit and loss account (deficit) 2006 £ | Profit and loss account (deficit) 2005 £ |
|--------------------------|--|--|
| At beginning of the year | (22,714,948) | (21,947,704) |
| Deficit for the year | (992,188) | (767,244) |
| At end of the year | <u>(23,707,136)</u> | <u>(22,714,948)</u> |

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2006**

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:

| | Aquarius Film Finance Limited | Retirement Strategies Limited | Total |
|--|----------------------------------|----------------------------------|----------------|
| | £ | £ | £ |
| Balance owing at beginning of the year | 361,881 | 74,636 | 436,517 |
| Annual fee | 166,382 | 46,587 | 212,969 |
| VAT on annual fee | 29,117 | - | 29,117 |
| Payments made during the year | (45,070) | (36,762) | (81,832) |
| Payments received during the year | 29,117 | 9,270 | 38,387 |
| Balance owing at end of the year | <u>541,427</u> | <u>93,731</u> | <u>635,158</u> |

13. ACCOUNTING PERIOD

The accounting period is from 6 April 2005 to 5 April 2006.

14. CURRENCY

The financial statements are denominated in sterling.

15. INFORMATION IN RELATION TO MEMBERS

| | 2006 | 2005 |
|---|-----------|-----------|
| The average number of members during the period was | <u>63</u> | <u>63</u> |

THE AQUARIUS FILM COMPANY LIMITED LIABILITY PARTNERSHIP
SUPPLEMENTARY INFORMATION:
DETAILED COST OF SALES AND OVERHEADS SCHEDULES
FOR THE YEAR ENDED 5 APRIL 2006
(not covered by the report of the auditors)

| | 2006 | 2005 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| ADMINISTRATIVE EXPENSES | | |
| Annual fees payable to IFG and AFFL | 212,970 | 212,969 |
| Bank charges | 18 | 33 |
| | <u>212,988</u> | <u>213,002</u> |