

REGISTERED NUMBER: OC303361 (England and Wales)

**REPORT OF THE MEMBERS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2006
FOR
THE FIRST MEZZANINE FILM FUND LLP**

Badger Hakim
Chartered Accountants and Registered Auditors
10 Dover Street
London
W1S 4LQ



THE FIRST MEZZANINE FILM FUND LLP

GENERAL INFORMATION

for the Year Ended 5 April 2006

DESIGNATED MEMBERS:	Future Films (Partnership Services) Limited Future Films (Management Services) Limited
REGISTERED OFFICE:	10 Dover Street London W1S 4LQ
REGISTERED NUMBER:	OC303361 (England and Wales)
AUDITORS:	Badger Hakim Chartered Accountants and Registered Auditors 10 Dover Street London W1S 4LQ
SOLICITORS:	Howard Kennedy 19 Cavendish Square London W1A 2AW

THE FIRST MEZZANINE FILM FUND LLP

REPORT OF THE MEMBERS

for the Year Ended 5 April 2006

The members present their report with the financial statements of the LLP for the year ended 5 April 2006.

PRINCIPAL ACTIVITY

The principal activity of the LLP in the year under review was that of the purchase, exploitation and leasing of films.

REVIEW OF BUSINESS

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

The aim of the LLP is to exploit the collective activities, expertise and resources of the Members to the advantage of the business of the LLP through acquisitions of film rights, film development, production and sale and leaseback.

During the year under review, the LLP continued leaseback operations of its five films to the film producers. This has resulted in annual lease rental income in line with expectations.

FUTURE DEVELOPMENTS

The LLP is operating in accordance with expectations and the Designated Members have no reason to believe that there should be any significant deviation from the Members' plans.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DESIGNATED MEMBERS

The designated members during the year under review were:

Future Films (Partnership Services) Limited
Future Films (Management Services) Limited

RESULTS FOR THE YEAR AND ALLOCATION TO MEMBERS

The loss for the year available for division among members was £516,987 (2005 - £526,255 loss).

MEMBERS' INTERESTS

The capital of the LLP has been subscribed for under the terms of the Information Memorandum for the LLP and no further subscriptions will be permitted during the life of the LLP unless required under the terms set out in that document. Losses suffered are permitted to be deducted from their capital accounts if not subsequently recovered by way of profits, but are retained as amounts due from members until such set off is determined by the Designated Members. Any balance standing to the credit of members' capital accounts after taking account of attributable profits and losses is otherwise repayable to members only on a winding up or upon cessation of membership by the member, subject to the discretion of the Designated Member.

The Members have agreed to contribute, in the event of a winding up, their proper proportion of bank loans to the extent that such loans are not able to be repaid out of the assets of the LLP.

THE FIRST MEZZANINE FILM FUND LLP

REPORT OF THE MEMBERS

for the Year Ended 5 April 2006

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Legislation applicable to limited liability partnerships 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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements 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 modified by the Limited Liability Partnerships 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.

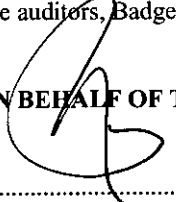
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the members are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the LLP's auditors are unaware, and each member has taken all the steps that he or she ought to have taken as a member in order to make himself or herself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

AUDITORS

The auditors, Badger Hakim, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE MEMBERS:


.....
Future Films (Partnership Services) - Designated Member

Date: 4/9/2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE FIRST MEZZANINE FILM FUND LLP

We have audited the financial statements of The First Mezzanine Film Fund LLP for the year ended 5 April 2006 on pages six to fourteen. These financial statements have been prepared under 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 modified by the Limited Liability Partnerships 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 three the LLP's members 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 as modified by the Limited Liability Partnerships Regulations 2001. We also report to you if, in our opinion, the Report of the Members is 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 other transactions is not disclosed.

We read the Report of the Members 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 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 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.

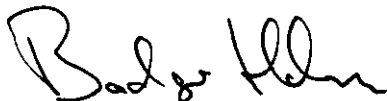
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE FIRST MEZZANINE FILM FUND LLP

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 the LLP's affairs as at 5 April 2006 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 as modified by the Limited Liability Partnerships Regulations 2001.



Badger Hakim
Chartered Accountants and Registered Auditors
10 Dover Street
London
W1S 4LQ

Date: 4/9/2006

THE FIRST MEZZANINE FILM FUND LLP

PROFIT AND LOSS ACCOUNT for the Year Ended 5 April 2006

	Notes	2006 £	2005 £
TURNOVER	2	257,618	271,351
Administrative expenses		<u>105</u>	<u>16</u>
OPERATING PROFIT	4	257,513	271,335
Interest receivable and similar income		<u>103</u>	<u>1,278</u>
		257,616	272,613
Interest payable and similar charges	5	<u>774,603</u>	<u>798,868</u>
LOSS FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES	11	(516,987)	(526,255)
Members' remuneration charged as an expense	6	<u>-</u>	<u>-</u>
RESULTS FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	11	<u>(516,987)</u>	<u>(526,255)</u>

CONTINUING OPERATIONS

None of the LLP's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The LLP has no recognised gains or losses other than the losses for the current year or previous year.

The notes form part of these financial statements

THE FIRST MEZZANINE FILM FUND LLP

BALANCE SHEET

5 April 2006

	Notes	2006 £	2005 £
CURRENT ASSETS			
Debtors	7	25,014,224	25,646,816
Cash at bank		<u>2,391</u>	<u>2,392</u>
		25,016,615	25,649,208
CREDITORS			
Amounts falling due within one year	8	<u>727,808</u>	<u>632,593</u>
NET CURRENT ASSETS		<u>24,288,807</u>	<u>25,016,615</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,288,807	25,016,615
CREDITORS			
Amounts falling due after more than one year	9	<u>17,485,661</u>	<u>18,213,469</u>
NET ASSETS		<u>6,803,146</u>	<u>6,803,146</u>
MEMBERS' OTHER INTERESTS			
Equity	11	<u>6,803,146</u>	<u>6,803,146</u>
		<u>6,803,146</u>	<u>6,803,146</u>
TOTAL MEMBERS' INTERESTS			
Members' other interests	11	6,803,146	6,803,146
Amounts due from members	7	<u>(3,116,027)</u>	<u>(2,599,040)</u>
		<u>3,687,119</u>	<u>4,204,106</u>

ON BEHALF OF THE MEMBERS OF THE LLP:

.....
 Future Films
 (Management Services) Limited - Designated member

.....
 Future Films (Partnership Services)
 Limited - Designated member

Approved by the members on 4/9/2006

The notes form part of these financial statements

THE FIRST MEZZANINE FILM FUND LLP

CASH FLOW STATEMENT

for the Year Ended 5 April 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	1	1,407,092	1,289,388
Returns on investments and servicing of finance	2	<u>(774,500)</u>	<u>(797,590)</u>
		632,592	491,798
Financing	2	<u>(632,593)</u>	<u>(541,320)</u>
Decrease in cash in the period		<u>(1)</u>	<u>(49,522)</u>
Reconciliation of net cash flow to movement in net debt	3		
Decrease in cash in the period		(1)	(49,522)
Cash outflow from decrease in debt		<u>632,593</u>	<u>541,320</u>
Change in net debt resulting from cash flows		<u>632,592</u>	<u>491,798</u>
Movement in net debt in the period		632,592	491,798
Net debt at 6 April		<u>(18,843,670)</u>	<u>(19,335,468)</u>
Net debt at 5 April		<u>(18,211,078)</u>	<u>(18,843,670)</u>

The notes form part of these financial statements

THE FIRST MEZZANINE FILM FUND LLP

NOTES TO THE CASH FLOW STATEMENT

for the Year Ended 5 April 2006

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	257,513	271,335
Decrease in debtors	1,149,579	1,068,053
Decrease in creditors	-	(50,000)
Net cash inflow from operating activities	<u>1,407,092</u>	<u>1,289,388</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	103	1,278
Interest paid	(774,603)	(798,868)
Net cash outflow for returns on investments and servicing of finance	<u>(774,500)</u>	<u>(797,590)</u>
 Transactions with members	 —	 —
Net cash inflow from transactions with members	<u>-</u>	<u>-</u>
 Financing		
Loan repayments in year	(632,593)	(541,320)
Net cash outflow from financing	<u>(632,593)</u>	<u>(541,320)</u>

The notes form part of these financial statements

THE FIRST MEZZANINE FILM FUND LLP

NOTES TO THE CASH FLOW STATEMENT for the Year Ended 5 April 2006

3. ANALYSIS OF CHANGES IN NET DEBT

	At 6/4/05 £	Cash flow £	At 5/4/06 £
Net cash:			
Cash at bank	<u>2,392</u>	<u>(1)</u>	<u>2,391</u>
	<u>2,392</u>	<u>(1)</u>	<u>2,391</u>
Debt:			
Debts falling due within one year	(632,593)	(95,215)	(727,808)
Debts falling due after one year	<u>(18,213,469)</u>	<u>727,808</u>	<u>(17,485,661)</u>
	<u>(18,846,062)</u>	<u>632,593</u>	<u>(18,213,469)</u>
Total	<u>(18,843,670)</u>	<u>632,592</u>	<u>(18,211,078)</u>

The notes form part of these financial statements

THE FIRST MEZZANINE FILM FUND LLP

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 5 April 2006

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards including the Statement of Recommended Practice, Accounting for Limited Liability Partnerships 2006.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents finance charges under finance lease contracts, excluding value added tax.

Annual finance lease income is received in advance and is recognised in full at the date of receipt.

Finance lease income

Where finance leases are granted in respect of assets of the LLP, the lease is treated as an asset and included in the balance sheet as a debtor at the net present value of the contractual minimum lease payments. The amount due after more than one year is disclosed separately.

Payments received under the terms of these leases are divided between the finance charge element and the capital element, which is computed by reference to the net present value of the minimum lease rentals at the balance sheet date. The amount in respect of finance charges is credited to the profit and loss account as turnover. The capital element is applied to reduce the value of the debtor.

Taxation

The taxation payable on partnership profits is the personal liability of the members during the period and consequently neither taxation nor related deferred taxation are accounted for in the financial statements. Amounts retained for tax are treated in the same way as other profits of the partnership and are so included in "Members' interests" or in "Loans and other debts due to Members" depending on whether or not division of profit has occurred.

2. TURNOVER

All turnover represents income receivable under finance leases.

3. EMPLOYEE INFORMATION

There were no employees of the LLP during the period under review.

The Designated Members received no remuneration during the period in respect of their services to the LLP.

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2006	2005
	£	£
Finance lease income	(257,618)	(271,351)
Auditors' remuneration	5,000	3,500
Audit fee re-imbursed to the LLP	<u>(5,000)</u>	<u>(3,500)</u>

THE FIRST MEZZANINE FILM FUND LLP

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 5 April 2006

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank Loan Interest	<u>774,603</u>	<u>798,868</u>

6. INFORMATION IN RELATION TO MEMBERS

	2006 £	2005 £
Members' remuneration charged as an expense	<u>-</u>	<u>-</u>

Members' remuneration charged as an expense refers to the contractual entitlement of members to participate in profits.

The average number of members during the year was	<u>49</u>	<u>49</u>
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7. DEBTORS

	2006 £	2005 £
Amounts falling due within one year:		
Amounts due from members	3,116,027	2,599,040
Amounts receivable in respect of finance leases	1,232,399	1,149,579
Other debtors	<u>2,583</u>	<u>2,583</u>
	<u>4,351,009</u>	<u>3,751,202</u>

Amounts falling due after more than one year:		
Amounts receivable in respect of finance leases	<u>20,663,215</u>	<u>21,895,614</u>

Aggregate amounts	<u>25,014,224</u>	<u>25,646,816</u>
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8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Bank loans and overdrafts (see note 10)	<u>727,808</u>	<u>632,593</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Bank loans (see note 10)	<u>17,485,661</u>	<u>18,213,469</u>

THE FIRST MEZZANINE FILM FUND LLP

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 5 April 2006

10. LOANS

An analysis of the maturity of loans is given below:

	2006 £	2005 £
Amounts falling due within one year or on demand:		
Bank loans - less than 1 year	<u>727,808</u>	<u>632,593</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>841,281</u>	<u>727,808</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>3,273,749</u>	<u>2,890,481</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 year by instalments	<u>13,370,631</u>	<u>14,595,180</u>

11. MEMBERS' INTERESTS

	Members' other interests			Loans and other debts due from members	Total
	Members' capital £	Reserves £	Total £	£	£
Amount due to members				-	
Amount due from members				<u>(2,599,040)</u>	
Members' interests at 6 April 2005	6,803,146	-	6,803,146	(2,599,040)	4,204,106
Members' remuneration charged as an expense, including employment and retirement benefit costs				-	-
Loss for the financial year available for division among members		<u>(516,987)</u>	<u>(516,987)</u>		<u>(516,987)</u>
Members' interests after loss for the year	6,803,146	(516,987)	6,286,159	(2,599,040)	3,687,119
Allocated loss		<u>516,987</u>	<u>516,987</u>	<u>(516,987)</u>	
Amount due to members				-	
Amount due from members				<u>(3,116,027)</u>	
Members' interests at 5 April 2006	<u>6,803,146</u>	<u>-</u>	<u>6,803,146</u>	<u>(3,116,027)</u>	<u>3,687,119</u>

THE FIRST MEZZANINE FILM FUND LLP

NOTES TO THE FINANCIAL STATEMENTS - continued **for the Year Ended 5 April 2006**

12. CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2005: £nil).

13. CAPITAL COMMITMENTS

The LLP has no capital commitments at the year end (2005: £nil).

14. RELATED PARTY DISCLOSURES

Both the designated members, Future Films (Management Services) Limited and Future Films (Partnership Services) Limited are wholly owned subsidiaries of Future Film Group Holdings Limited. The LLP has entered into a consultancy agreement with Future Films Limited, also a subsidiary of Future Film Group Holdings Limited, and under that agreement, Future Films Limited will reimburse certain expenditure of the LLP including banking and professional fees. Future Films Limited has also been paid a fee for co-production services from the producer on all films purchased, amounting to between 1% and 3% of the purchase price.

Future Films Limited is also entitled to 20% of any additional lease income once the LLP has received its maximum preferred recoupment. No payment of this nature was due in the period under review.

15. POST BALANCE SHEET EVENTS

The LLP has no adjusting post balance sheet events in 2006.

16. ULTIMATE CONTROLLING PARTY

The controlling related party is Future Film Group Holdings Limited by virtue of it owning 100% of the share capital of the designated member companies which have responsibility for the operational decisions of the LLP.