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REGISTERED NUMBER: OC303361 (England and Wales)

**REPORT OF THE MEMBERS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2005  
FOR  
THE FIRST MEZZANINE FILM FUND LLP**

Badger Hakim  
10 Dover Street  
London  
W1S 4LQ



# THE FIRST MEZZANINE FILM FUND LLP

## GENERAL INFORMATION

for the Year Ended 5 April 2005

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**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  
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 2005**

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The members present their report with the financial statements of the LLP for the year ended 5 April 2005.

### **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.

### **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 £526,255 (2004 - £425,672 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. Capital may not be repaid except on the winding up of the partnership. Losses suffered are accumulated as amounts due to members and the LLP may offset such amounts against the capital accounts of the members.

Where amounts received on subscription for capital have exceeded the requirements of the LLP, these amounts have been transferred to creditors and were repaid following the balance sheet date.

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.

### **STATEMENT OF MEMBERS' RESPONSIBILITIES**

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.

# THE FIRST MEZZANINE FILM FUND LLP

## REPORT OF THE MEMBERS

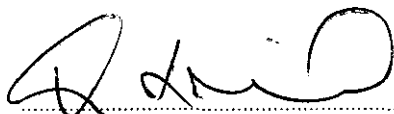
for the Year Ended 5 April 2005

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### 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: 4/8/05

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

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We have audited the financial statements of The First Mezzanine Film Fund LLP for the year ended 5 April 2005 on pages five to thirteen. These financial statements have been prepared 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 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 two the LLP's members are responsible for the preparation of 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 modified by the Limited Liability Partnerships 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 Report of the Members and consider the implications for our report if we become aware of any apparent misstatements within it.

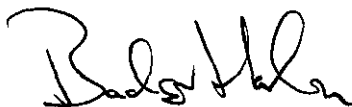
### **Basis of audit opinion**

We conducted our audit in accordance with 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.

### **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 2005 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  
10 Dover Street  
London  
W1S 4LQ

Date: 4/8/2005

## THE FIRST MEZZANINE FILM FUND LLP

### PROFIT AND LOSS ACCOUNT

for the Year Ended 5 April 2005

	Notes	2005 £	2004 £
<b>TURNOVER</b>	2	271,351	284,910
Administrative expenses		16	(695)
<b>OPERATING PROFIT</b>	4	271,335	285,605
Interest receivable and similar income		1,278	38,648
		272,613	324,253
Interest payable and similar charges	5	798,868	749,925
<b>LOSS FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES</b>	11	(526,255)	(425,672)
Salaried remuneration of members	6	-	-
<b>LOSS FOR THE FINANCIAL YEAR AVAILABLE FOR DIVISION AMONG MEMBERS</b>	11	(526,255)	(425,672)

#### CONTINUING OPERATIONS

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

#### TOTAL RECOGNISED GAINS AND LOSSES

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

*The notes form part of these financial statements*

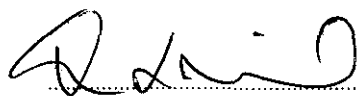
# THE FIRST MEZZANINE FILM FUND LLP

## BALANCE SHEET

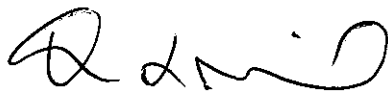
5 April 2005

	Notes	2005 £	2004 £
<b>CURRENT ASSETS</b>			
Debtors	7	25,646,816	26,188,614
Cash at bank		2,392	51,914
		<u>25,649,208</u>	<u>26,240,528</u>
<b>CREDITORS</b>			
Amounts falling due within one year	8	632,593	50,000
		<u>25,016,615</u>	<u>26,190,528</u>
<b>NET CURRENT ASSETS</b>			
		<u>25,016,615</u>	<u>26,190,528</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>25,016,615</u>	<u>26,190,528</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	9	18,213,469	19,387,382
		<u>6,803,146</u>	<u>6,803,146</u>
<b>NET ASSETS</b>			
		<u>6,803,146</u>	<u>6,803,146</u>
<b>MEMBERS' OTHER INTERESTS</b>			
Capital accounts	11	6,803,146	6,803,146
		<u>6,803,146</u>	<u>6,803,146</u>
<b>TOTAL MEMBERS' INTERESTS</b>			
Members' other interests	11	6,803,146	6,803,146
Amounts due from members	7	(2,599,040)	(2,072,785)
		<u>4,204,106</u>	<u>4,730,361</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 4/8/05

The notes form part of these financial statements

# THE FIRST MEZZANINE FILM FUND LLP

## CASH FLOW STATEMENT

for the Year Ended 5 April 2005

		2005		2004	
	Notes	£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>	1		1,289,388		(26,136,540)
<b>Returns on investments and servicing of finance</b>	2		(797,590)		(711,277)
<b>Transactions with members</b>	2		-		(38,383)
			<u>491,798</u>		<u>(26,886,200)</u>
<b>Financing</b>	2		(541,320)		19,437,382
<b>Decrease in cash in the period</b>			<u>(49,522)</u>		<u>(7,448,818)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>					
	3				
Decrease in cash in the period		(49,522)		(7,448,818)	
Cash outflow/(inflow) from decrease/(increase) in debt		<u>541,320</u>		<u>(19,387,382)</u>	
Change in net debt resulting from cash flows			<u>491,798</u>		<u>(26,836,200)</u>
<b>Movement in net debt in the period</b>			<u>491,798</u>		<u>(26,836,200)</u>
<b>Net (debt)/funds at 6 April</b>			<u>(19,335,468)</u>		<u>7,500,732</u>
<b>Net debt at 5 April</b>			<u>(18,843,670)</u>		<u>(19,335,468)</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 2005

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1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating profit	271,335	285,605
Decrease in debtors	1,068,053	991,459
Decrease in creditors	(50,000)	(27,413,604)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,289,388</b>	<b>(26,136,540)</b>

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

	2005 £	2004 £
<b>Returns on investments and servicing of finance</b>		
Interest received	1,278	38,648
Interest paid	(798,868)	(749,925)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(797,590)</b>	<b>(711,277)</b>
<b>Transactions with members</b>		
Distributions to members	-	(38,383)
<b>Net cash outflow from transactions with members</b>	<b>-</b>	<b>(38,383)</b>
<b>Financing</b>		
New loans in year	-	19,963,826
Loan repayments in year	(541,320)	(526,444)
<b>Net cash (outflow)/inflow from financing</b>	<b>(541,320)</b>	<b>19,437,382</b>

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 2005

#### 3. ANALYSIS OF CHANGES IN NET DEBT

	At 6/4/04 £	Cash flow £	At 5/4/05 £
Net cash:			
Cash at bank	51,914	(49,522)	2,392
	<u>51,914</u>	<u>(49,522)</u>	<u>2,392</u>
Debt:			
Debts falling due within one year	-	(632,593)	(632,593)
Debts falling due after one year	(19,387,382)	1,173,913	(18,213,469)
	<u>(19,387,382)</u>	<u>541,320</u>	<u>(18,846,062)</u>
Total	<u>(19,335,468)</u>	<u>491,798</u>	<u>(18,843,670)</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 2005

### 1. ACCOUNTING POLICIES

#### 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.

### 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):

	2005	2004
	£	£
Finance lease income	(271,351)	(284,910)
Auditors remuneration	3,500	3,500
Audit fee re-imbursed to the LLP	(3,500)	(3,500)

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Bank Loan Interest	798,868	749,925

### 6. INFORMATION IN RELATION TO MEMBERS

	2005	2004
The average number of members during the year was	49	49

# THE FIRST MEZZANINE FILM FUND LLP

## NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 5 April 2005

### 7. DEBTORS

	2005 £	2004 £
Amounts falling due within one year:		
Amounts due from members	2,599,040	2,072,785
Amounts receivable in respect of finance leases	1,149,579	1,068,836
Other debtors	2,583	1,800
	<u>3,751,202</u>	<u>3,143,421</u>
Amounts falling due after more than one year:		
Amounts receivable in respect of finance leases	21,895,614	23,045,193
	<u>21,895,614</u>	<u>23,045,193</u>
Aggregate amounts	<u>25,646,816</u>	<u>26,188,614</u>

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdrafts (see note 10)	632,593	-
Amount due to producer	-	50,000
	<u>632,593</u>	<u>50,000</u>

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

	2005 £	2004 £
Bank loans (see note 10)	18,213,469	19,387,382
	<u>18,213,469</u>	<u>19,387,382</u>

# THE FIRST MEZZANINE FILM FUND LLP

## NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 5 April 2005

### 10. LOANS

An analysis of the maturity of loans is given below:

	2005 £	2004 £
Amounts falling due within one year or on demand:		
Bank loans - less than 1 yr	<u>632,593</u>	<u>-</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>727,808</u>	<u>541,320</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>2,890,481</u>	<u>2,531,473</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	<u>14,595,180</u>	<u>16,314,589</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>(2,072,785)</u>	
Members' interests at 6 April 2004	6,803,146	-	6,803,146	(2,072,785)	4,730,361
Loss for the financial year available for division among members		(526,255)	(526,255)		(526,255)
Members' interests after loss for the year	6,803,146	(526,255)	6,276,891	(2,072,785)	4,204,106
Allocated loss		526,255	526,255	(526,255)	
Amount due to members				-	
Amount due from members				<u>(2,599,040)</u>	
Members' interests at 5 April 2005	<u>6,803,146</u>	<u>-</u>	<u>6,803,146</u>	<u>(2,599,040)</u>	<u>4,204,106</u>

## **THE FIRST MEZZANINE FILM FUND LLP**

### **NOTES TO THE FINANCIAL STATEMENTS - continued**

**for the Year Ended 5 April 2005**

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#### **12. 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.