

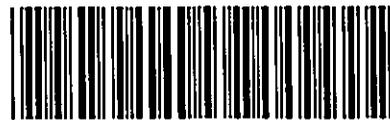
EVOLVED PICTURES LIMITED

Report and Financial Statements

31 October 2010

(- 22/01/2011)

MONDAY



LAJW1R9B

L14

31/01/2011

393

COMPANIES HOUSE

A.M

EVOLVED PICTURES LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	3
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

EVOLVED PICTURES LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Miss A Madden
Miss S Clarke

REGISTERED OFFICE

Suite B
29 Harley Street
London
W1G 9QR

BANKERS

HSBC
94 Kensington High Street
Kensington
London
W8 4SH

AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
Cambridge

EVOLVED PICTURES LIMITED

DIRECTORS' REPORT

The directors present their annual report on the audited financial statements for the period from incorporation on 12 January 2010 to 31 October 2010

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

PRINCIPAL ACTIVITY

The principal activity of the company is that of film production

DIRECTORS

The directors who served during the period were

Miss A Madden (appointed 12 January 2010)

Miss S Clarke (appointed 4 June 2010)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that she ought to have taken as a director to make herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP were appointed as auditors in the period and have expressed their willingness to continue in office as auditors. A resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

A Madden

Director

Aoife Madden

21 January 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVOLVED PICTURES LIMITED

We have audited the financial statements of Evolved Pictures Limited for the period from 12 January 2010 to 31 October 2010 which comprises the profit and loss account, the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2010 and of its loss for the period from 12 January 2010 to 31 October 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EVOLVED PICTURES LIMITED (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit,
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption in preparing the directors' report

A. Swarbrick

Andrew Swarbrick BA FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Cambridge, United Kingdom

27 January 2011

EVOLVED PICTURES LIMITED

PROFIT AND LOSS ACCOUNT

Period from 12 January 2010 to 31 October 2010

	Note	£
Cost of sales		<u>(2,444,959)</u>
GROSS LOSS		(2,444,959)
Other operating expenses		<u>(953,757)</u>
OPERATING LOSS	3	(3,398,716)
Interest payable		<u>(1,595)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,400,311)
Tax on loss on ordinary activities	4	<u>256,385</u>
LOSS FOR THE FINANCIAL PERIOD	10	<u><u>(3,143,926)</u></u>

EVOLVED PICTURES LIMITED

BALANCE SHEET 31 October 2010

	Note	£
CURRENT ASSETS		
Debtors and other assets		
Due within one year	5	4,802,549
Due after one year	6	5,501,571
Cash at bank and in hand		6
		<u>10,304,126</u>
CREDITORS: amounts falling due within one year	7	<u>(5,361,017)</u>
NET CURRENT ASSETS		4,943,109
CREDITORS: amounts falling due after more than one year	8	<u>(35,953)</u>
NET ASSETS		<u><u>4,907,156</u></u>
CAPITAL AND RESERVES		
Called up share capital	9	2
Equity reserve	10	8,051,080
Profit and loss account	10	<u>(3,143,926)</u>
SHAREHOLDERS' FUNDS		<u><u>4,907,156</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements of Evolved Pictures Limited, registered number 7123106, were approved by the Board of Directors and authorised for issue on 21 January 2011.

Signed on behalf of the Board of Directors

A Madden

Aoife Madden

Director

EVOLVED PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 12 January 2010 to 31 October 2010

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below

Basis of accounting

The financial statements are prepared under the historical cost convention, on a going concern basis and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future

In common with many companies at this stage of their development, the company is loss-making and reliant on funding from its lender. There is secured funding in place for the total budget of the film, being £19.6m. The directors have reviewed cash flow forecasts and carefully considered the basis upon which such forecasts are prepared, including confidence of securing a distribution agreement. At present, the directors believe the film project of the company to be on budget.

On the basis of those enquiries, the directors consider that there is reasonable expectation that the company has access to sufficient resources to continue in operational existence for the foreseeable future and the going concern basis has been adopted accordingly.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 financial statements. 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.

Stocks and work in progress

Films in production are included at the lower of cost and estimated net realisable value.

The company has begun a long-term film production project that will span many accounting periods. At this stage, the company cannot be certain of the overall profitability of the project and work in progress costs incurred to date have been fully provided for accordingly.

Other assets - loan interest asset

The loan facility was issued on favourable interest rate terms compared with those expected for an early-stage company in the film industry sector. This was because the loan includes a clause allowing for conversion to equity as well as rights to future income received by the company. The value of saving created by the reduced interest rate terms has been calculated and recorded as an asset. This asset is being amortised on a straight line basis over 5 years in accordance with the repayment terms at the loan.

Convertible loan

The fair value of the liability component of the convertible loan was estimated (at date of issue) using the prevailing market interest rates for a similar non-convertible instrument. The equity component was determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This has been recognised and included within equity and will not subsequently be remeasured.

EVOLVED PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 12 January 2010 to 31 October 2010

2. INFORMATION REGARDING THE DIRECTORS

The directors did not receive any remuneration during the period

3. OPERATING LOSS

Operating loss is after charging:	£
Amortisation of loan interest asset	939,293
The analysis of auditors' remuneration is as follows	
Fees payable to the company's auditors for the audit of the company's annual accounts	6,500
Tax services	2,500
	<u> </u>

4. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of tax credit in the period:	£
Based on the loss for the period	
Film tax credit	256,385
	<u> </u>

5. DEBTORS AND OTHER ASSETS: due within one year

	£
VAT	796,316
Corporation tax credit	256,385
Prepayments and accrued income	2,139,632
Loan interest asset (note 6)	1,610,216
	<u> </u>
	<u>4,802,549</u>

EVOLVED PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 12 January 2010 to 31 October 2010

6. DEBTORS AND OTHER ASSETS: due after one year

	Loan interest asset £
Cost	
At incorporation	-
Additions	8,051,080
	<u>8,051,080</u>
At 31 October 2010	<u>8,051,080</u>
Amortisation	
At incorporation	-
Charge for the period	(939,293)
	<u>(939,293)</u>
At 31 October 2010	<u>(939,293)</u>
Net book value	
At 31 October 2010	7,111,787
Due within one year (note 5)	<u>(1,610,216)</u>
Due after one year	<u>5,501,571</u>

7. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Trade creditors	5,347,916
Amounts owed to director	3,351
Accruals and other creditors	9,750
	<u>5,361,017</u>

There is a period end balance owed to director and shareholder of the company, A Madden, of £3,351 for costs incurred on behalf of Evolved Pictures Limited. This amount is unsecured and interest free, with no fixed repayment date. The balance arises from monies introduced, less amounts withdrawn. The maximum amount owed in the period was the period end balance.

EVOLVED PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 12 January 2010 to 31 October 2010

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

	£
Convertible loan	35,953
	<u>35,953</u>
Borrowings are repayable as follows	
Between two to five years	<u>35,953</u>

Loan interest accrues on a day by day basis at LIBOR plus 7.5% p.a.

So long as there is a loan amount owed to the lender, the loan agreement entitles the lender to 51% of the shareholding of the company in consideration of £1. At inception the value of the equity component of the loan has been calculated at £8,051,080 (see note 10)

Upon completion of the film and upon full and final settlement of the loan balance, the lender is then entitled to 50% of all film revenue and income

9. CALLED UP SHARE CAPITAL

	£
Called up, allotted and fully paid	
2 ordinary shares of £1 each issued on incorporation at par	<u>2</u>

10. RESERVES

	Profit and loss account £	Equity reserve £	Total £
Loss for the financial period	(3,143,926)	-	(3,143,926)
Equity component of convertible loan (note 8)	-	8,051,080	8,051,080
	<u>(3,143,926)</u>	<u>8,051,080</u>	<u>4,907,154</u>
At 31 October 2010	<u>(3,143,926)</u>	<u>8,051,080</u>	<u>4,907,154</u>

11. ULTIMATE CONTROLLING PARTY

A Madden, in her capacity as director and shareholder, is deemed to be the ultimate controlling party of the company