

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION** you are in any doubt about the contents of this document or the action to be taken, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. You should also carefully consider the section entitled "Risk Factors" in Part II of this document before taking any action.

Application will be made for all of the Ordinary Shares of the Company in issue immediately following the Placing to be admitted to trading on AIM.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the UKLA nor London Stock Exchange Plc has examined or approved the contents of this document.

It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 22 April, 2005.

This document, which comprises a prospectus, has been drawn up in accordance with the Public Offers of Securities Regulations 1995, as amended (the "POS Regulations") as required by the AIM Rules. A copy of this document has been delivered to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of the POS Regulations.

The Directors, whose names are set out on page 4, accept responsibility for the information set out in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

## INTANDEM FILMS PLC

*(Incorporated in England and Wales under the Companies Act 1985 with  
Registered number 5360907)*

**Placing of up to 25,000,000 Ordinary Shares of 0.1p each  
at 5p per share  
and**

**Admission to trading on AIM**

*Broker and Nominated Adviser*

**City Financial Associates Limited**

### SHARE CAPITAL ON ADMISSION

<i>Authorised Amount</i>	<i>Number</i>	<i>Ordinary Shares of 0.1p each</i>	<i>Amount up to</i>	<i>Issued Number up to</i>
£200,000	200,000,000		£85,175	85,175,000

City Financial Associates Limited, which is authorised and regulated by The Financial Services Authority, is the Company's Nominated Adviser and Broker for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser and Broker under the AIM Rules are owed solely to London Stock Exchange Plc and are not owed to the Company or any Director. City Financial Associates Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of City Financial Associates Limited or for advising any other person on the Placing and other arrangements described in this document.

The Placing described in this document is only being made in the United Kingdom. This document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan or to any national, resident or citizen of the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan. The issue of Ordinary Shares has not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Placing Shares other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

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## PLACING STATISTICS

Placing Price	5p
Number of Existing Ordinary Shares	60,175,000
Number of Placing Shares being issued under the Placing	25,000,000
Number of Ordinary Shares in issue following the Placing	85,175,000
Number of Ordinary Shares capable of being issued following Admission on exercise of the Warrants	3,500,000
Percentage of Enlarged Issued Share Capital being placed	29%
Gross proceeds of the Placing	£1,250,000
Net proceeds of the Placing receivable by the Company	£980,000
Market capitalisation following the Placing at the Placing Price	£4,258,750

Note: the table above, together with all figures in this document, assumes that the Maximum Subscription is placed, except where otherwise indicated.

## EXPECTED TIMETABLE

Admission and dealings commence in the Ordinary Shares on AIM	2005
CREST accounts credited by	22 April
Despatch of definitive share certificates (where applicable) by	22 April
	6 May

## DIRECTORS AND ADVISERS

<b>Directors</b>	Gary Smith ACA, <i>Executive Chairman</i> Colin Andrew McWhirter FCA, <i>Finance Director</i> Andrew Barry Brown, <i>Executive Director</i> William Albert Hurman, <i>Executive Director</i> John Anthony James, <i>Non-Executive Director</i>  All of: 22 Soho Square London W1D 4NS
<b>Company Secretary and Registered Office</b>	Colin Andrew McWhirter 22 Soho Square London W1D 4NS
<b>Nominated Adviser and Broker</b>	City Financial Associates Limited Pountney Hill House 6 Laurence Pountney Hill London EC4 0BL
<b>Reporting Accountants and Auditors</b>	Baker Tilly 2 Bloomsbury Street London WC1B 3ST
<b>Solicitors to the Company</b>	DLA Piper Rudnick Gray Cary UK LLP Victoria Square House Victoria Square Birmingham B2 4DL
<b>Solicitors to the Placing</b>	Memory Crystals 44 Southampton Buildings London WC2A 1AP
<b>Bankers</b>	Royal Bank of Scotland Plc 65 Piccadilly London W1A 2PP
<b>Registrars and Receiving Agent</b>	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

## DEFINITIONS

The following terms apply in this document unless the context requires otherwise:

"Act"	the Companies Act 1985, as amended
"Admission"	admission of all of the Ordinary Shares, issued and to be issued, to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AIM"	a market operated by the London Stock Exchange
"AIM Rules"	the rules of the London Stock Exchange regulating admission to and the operation of AIM
"Articles"	the articles of association of the Company
"Board" or "Directors"	the directors of the Company whose names are set out on page 4 of this document
"CFA"	City Financial Associates Limited
"Combined Code"	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance (as amended)
"Company" or "Intandem"	Intandem Films Plc
"Concert Party"	certain shareholders and their associates as listed in paragraph 14 of Part IV
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
"CRESTCo"	CRESTCo Limited
"Crest Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"EMI Plan"	the Intandem Films (2005) Enterprise Management Incentive Plan
"EMI Options" or "Options"	options granted under the EMI Plan as described in paragraph 5.2 of Part IV of this document
"Enlarged Issued Share Capital"	the 85,175,000 Ordinary Shares in issue assuming the Maximum Subscription has been issued
"Existing Ordinary Shares"	the 60,175,000 Ordinary Shares in issue prior to the Placing
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000
"Group"	the Company Intandem Pictures Limited and Intandem Entertainment Limited (formerly Intandem Films Limited), (both wholly owned subsidiaries of the Company)
"London Stock Exchange"	London Stock Exchange Plc
"Maximum Subscription"	25,000,000 Placing Shares
"Minimum Subscription"	18,000,000 Placing Shares

"Number 9 Films"	Number 9 Films Ltd
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	the ordinary shares of 0.1p each in the capital of the Company
"Placées"	those persons subscribing for the Placing Shares in the Placing at the Placing Price
"Placing"	the conditional placing by City Financial Associates Limited of the Placing Shares at the Placing Price as described in this document, pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 19 April, 2005, between the Company (1), the Directors (2) and CFA (3) relating to the Placing, summary details of which are set out in paragraph 12 of Part IV of this document
"Placing Price"	5p per Placing Share
"Placing Shares"	up to 25,000,000 new Ordinary Shares to be issued pursuant to the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995, as amended
"UK Listing Authority"	the FSA acting in its capacity as the competent authority for the purpose of Part VI of FSMA
"US or major Studio"	any of the following distributors in North America: Disney, MGM, Twentieth Century Fox, Sony Pictures, Paramount Pictures, Universal Studios, Dreamworks SKG
"Warrants"	the warrants to subscribe for Ordinary Shares, full details of which are set out in paragraph 8 of Part IV of this document

## PART I

### INFORMATION ON THE GROUP

#### Introduction

Intandem is a feature film group specialising in executive production and international sales and marketing. The business was established in 2003 by Gary Smith and Andrew Brown, formerly, respectively, Chief Executive and Senior Vice President International Sales and Marketing of Winchester Entertainment Plc. Management was strengthened in May 2004 when Billy Hurman joined the Group from ContentFilm Plc, where he was Senior Vice President International Sales and Marketing.

The management team has marketed films at major film markets and festivals, such as Cannes, Sundance, Berlin and Toronto, and has been involved in the acquisition, financing and international sales of approximately twenty films; including *Shooting Fish*, *Last Orders* and *Heartbreakers*, each of which were released in cinemas in North America by a US Studio.

It is an experienced team, which intends to establish Intandem, in due course, as a leading independent film company.

Intandem focuses on two main activities within the feature film industry, namely:

executive production – which means assisting the producer in organising the financing of a film. For its services as an executive producer, Intandem earns fees, typically between 1 per cent. and 3 per cent. of the budget, payable out of the budget of the film; and

international sales and marketing – which generates income through commission, which typically ranges between 10 per cent. and 25 per cent. of gross sales generated from international distributors.

Since commencing trading in November 2003, the Group has helped to arrange the financing for three films: 'Return to Sender' which is completed; 'Stoned' (previously titled 'Wild and Wicked: The World of Brian Jones') which is in post production; and 'Irresistible', which started production in March 2005. The Group has earned executive production fees of approximately £188,000 and secured sales rights for all three films. It has generated sales to international distributors of approximately \$3.6 million on which the Group is contractually entitled to earn commission of between 10 per cent. and 25 per cent.

Intandem has a relationship with the experienced producer, Stephen Woolley's company, Number 9 Films Ltd. The Group, as part of a consortium consisting of Channel 4, The Irish Film Board and Tartan Films (an independent UK film distributor), has backed Number 9 Films in its successful bid to win funding from the UK Film Council to pay for the development of feature films. The consortium has secured total funding of £800,000 per annum for three years of which Intandem has agreed to contribute £100,000 per annum. It is intended that Intandem will be appointed as the international sales agent for each film which is produced through the consortium.

The Group's audited revenues from incorporation to 31 December 2004 were £422,669, the loss after taxation was £142,038 and the Group had net cash of £3,070.

The Group is raising up to £1,250,000 through the Placing to provide working capital for the Group's operations to be expanded and to provide development funding for the Group's participation in the consortium backing Number 9 Films.

#### Background to the film industry

The film industry is an international, multi-billion dollar industry in which revenues can be generated from many sources. For example, once a film is completed, it can be sold in cinemas, on DVD and video and to free and pay television, airlines and hotels throughout the world.

The main players in the international independent film market are:

*Scriptwriters:* The first step in producing a film is to develop and write a script, which may be an original idea, based on a book or other media or based on an event.

*Producers:* The producer is responsible for the physical organisation of the film. He/she will normally liaise with the scriptwriter, director, cast, senior crew members and will organise the preparation of the budget, financing and ultimate delivery of the film.

*Directors:* The director is the person who is creatively responsible for shooting the film, directing the actors, and physically turning the script into a completed film.

*Financiers:* Films can be financed from a variety of sources and the producer will normally engage an executive producer, such as Intandem, to assist in raising production finance. For further details on sources of finance see "The Group's business" below.

*International sales agents:* The financiers and producer will appoint a sales agent, such as Intandem, to market and sell the film to international distributors.

*Distributors:* Distributors, which include major Studios, are responsible for marketing and exploiting the film in individual countries. Each distributor will typically pay a minimum guaranteed amount based on the expected net revenue to be generated by the film from all sources. Distributors are Intandem's clients in the Group's capacity as a sales agent.

The international film business is competitive and dominated by the small number of major Studios, who can act as the producer, financier and distributor, and larger independent sales companies and distributors.

However, the market is project-driven, which the Directors believe provides opportunities for smaller independent film companies, such as Intandem, to be able to achieve success on the basis of film projects produced, sold and marketed by creative teams. Independent films such as 'Shooting Fish' (which was marketed by Intandem's management team, in their previous employment), 'My Big Fat Greek Wedding' and 'Bend It Like Beckham' were each a commercial success.

#### Key strengths

The Directors believe that Intandem has several key strengths, including:

- an experienced and ambitious management team;
- a small focused team committed to controlling overheads as the business expands;
- a continuing flow of film projects, from which the Directors are able to select those which they believe have commercial potential; and
- a network of international production, finance and distribution contacts.

#### Strategy

Intandem's strategy is to act as executive producer and an international sales company for commercial, revenue-generating films. The range of budgets will vary depending on genre and cast but the Group is currently in negotiations in relation to films with individual budgets of up to £15 million.

Intandem's participation in a consortium which has successfully bid for development funding from the UK Film Council is an indication of its intent to be proactive in selecting commercial films and working with experienced partners.

The Directors intend to oversee Intandem's expansion in a controlled manner in accordance with the Group's business plan.

#### The Group's business

The Group generates income from executive producer fees for helping to organise the finance for the production of a film that are paid out of the budget of each film and from commission on revenue generated from sales to international distributors.

The Directors believe that the combination of creating efficient financing solutions, a creative team and dynamic, innovative and effective marketing should increase the chances of a film achieving commercial success.

#### **Executive production**

Intandem organises the financing of a film through third party financiers. Production financing will usually be generated from a combination of the following sources:

**Equity investors:** Equity investors can take the form of individuals, equity funds or companies. Intandem is an administration partner in a film production and financing partnership, Audley Films LLP, which it helped to establish in December 2003 on behalf of an individual. Audley was the main financier of Intandem's first two films, 'Return To Sender' and 'Stoned'.

**Co-production partners:** International co-productions are another source of funding for feature films. 'Return To Sender' was a Danish-UK co-production and other countries in which Intandem is negotiating co-productions include Canada, Hungary and Australia.

**Government subsidies and loans:** Several countries offer tax-based incentives and/or subsidies for the film industry. Organisations such as Telefilm in Canada, the Film Finance Corporation in Australia and the Film Council in the UK are all Government-backed organisations/agencies.

**Pre-sales:** Pre-sales are achieved when the sales company, such as Intandem, sells distribution rights in the film to distributors in selected territories prior to the film completing production. Bank finance can then be raised against an agreed value for such distribution contracts.

**Sale and leaseback:** Sale and leaseback, which is a tax based method of financing, is capable of providing approximately 14 per cent. of the budget of UK qualifying films.

**Gap financing through a bank:** There are a number of specialist film financing banks certain of which are willing to provide up to 20 per cent. of the film's production budget based on sales estimates provided by reputable sales agents.

There are therefore several sources of finance available for the production of a feature film. The Directors have contacts with a wide range of these sources and intend to continue to identify new sources of film financing, such as Audley Films LLP, as well as strengthening the Group's relationships with existing sources of finance.

#### **International sales and marketing**

As an international sales agent, Intandem prepares sales estimates for each film on behalf of the producer and financiers. The estimates, prepared in US dollars, are based on the minimum guaranteed payments which the Directors expect distributors to pay in advance of the film being released for each territory throughout the world. They are used as a guide to potential financiers of each film but are not guarantees of revenue and take into account a number of factors including the film's genre, quality of script, director, lead actors and the budget.

A marketing plan is also prepared by the Group and approved by the producer. During the course of the production, the creation of marketing materials such as stills photographs, interviews with the producer, director and cast, and other publicity are all monitored by Intandem.

The Directors believe that it is important to create and implement effective marketing campaigns for the films the Group represents, particularly at film markets such as the American Film Market in Los Angeles and the Cannes Film Festival. The Group creates campaigns in-house from the script stage following consultation with the film's director and producer as well as specialist design and marketing companies. The marketing campaigns typically include the following elements:

- e-mail campaign to film distributors informing them of the key elements of the film;
- promotional trailer of selected scenes from the film;
- sales brochure highlighting the key aspects of the film;
- attendance at major film markets;
- advertising and publicity in trade magazines;
- poster advertising at the Cannes Film Festival; and
- personal visits by the Group's management to distributors in their own territories.

Intandem provides relevant information to international distributors throughout the creation of a film with the aim of increasing the distributors' awareness of that film.

#### **Current trading and prospects**

The Directors believe that the Group has formed a solid foundation on which to grow. The core team has been established which the Directors believe is capable of managing at least six films per annum.

The Group is currently selling 3 films: 'Return To Sender' (directed by Oscar winner, Bille August), 'Stoned' (directed by Stephen Woolley, whose previous producer credits include, 'Scandal', 'The Crying Game' and 'Interview With A Vampire') and 'Irresistible' (starring Susan Sarandon whose previous credits include 'Dead Man Walking' and 'Thelma and Louise' and Sam Neill, whose previous credits include 'Jurassic Park' and 'Omen 3'). Sales to international distributors of these films to date have reached \$3.6million on which Intandem will earn a commission of between 10 and 25 per cent.

A summary of the trading record of the Group for the 14 months to 31 December 2004, which has been extracted from the accountants' report on the Group set out in Part III of this document, is set out below:

	<i>14 months to</i>
	<i>31 December 2004</i>
Turnover	£422,669
Gross profit	£314,800
Loss after taxation	£(142,038)

The unaudited management accounts of the Group as at 28 February 2005 show a net asset position of approximately £76,000.

#### **Directors and senior management**

##### **Gary Smith, age 48, Executive Chairman**

Mr Smith is a Chartered Accountant and former investment manager. He founded Winchester Entertainment Plc ('Winchester') in 1993, which he floated on AIM in 1995. Mr Smith left Winchester in 2003 prior to its merger with ContentFilm Plc. Mr Smith is an executive producer of fifteen films, including 'Shooting Fish' with Kate Beckinsale and Stuart Townsend, 'Heartbreakers' with Sigourney Weaver and Gene Hackman and 'Last Orders' with Bob Hoskins and Michael Caine. Mr Smith is responsible for the strategy of the Group.

##### **Andrew Brown, age 36, Executive Director**

Mr Brown is responsible for the commercial development, daily management, sales and acquisitions of the Group. Mr Brown was formerly Senior Vice President of International Sales and Marketing at Winchester. Before joining Winchester in 1995, he was International Project Director for Screen International, a film industry weekly magazine, where he worked in Los Angeles.

##### **Billy Hurman, age 48, Executive Director**

Mr Hurman joined Intandem in May 2004 from Winchester, which he joined at the same time as Mr Brown. Together they have worked closely with Mr Smith in establishing marketing campaigns for a wide range of films. Mr Hurman has worked in the marketing department at Screen International and helped to establish the European office of the Hollywood Reporter, a weekly film industry magazine. He has produced a film and has experience of working with producers in creating and implementing marketing plans. Together with Mr Brown, he is responsible for acquisitions and sales of films for the Group.

##### **Andrew McWhirter, age 50, Finance Director**

Mr McWhirter is a Chartered Accountant with a range of financial and commercial experience. After qualifying with Price Waterhouse in London, he spent most of his early career in divisional financial management roles with companies such as Smiths Industries and Thorn EMI. In 1997, he was finance director of World Telecom Plc when it successfully floated on AIM. For the last seven years, he has been running a financial and management consultancy business providing advice to limited companies and professional partnerships. Mr McWhirter is responsible for the financial controls and systems of the Group.

#### **John James, age 59, Non Executive Director**

Mr James is a qualified solicitor who was a Partner at Edge and Ellison, now Hammonds, for 19 years. He was a former non-executive Chairman of Remainders Ltd, a chain of 170 bookshops with turnover in excess of £75 million until it was successfully sold to its management in 2003. Whilst at Edge and Ellison, he advised on mergers and acquisitions and joint ventures both in the public and private sectors. He was responsible for introducing new and international clients to the firm and was a point of liaison with the Cadbury Committee that introduced a code of corporate governance. Mr James is responsible for the implementation of corporate governance at Intandem.

#### **Reasons for the Placing, Admission and use of proceeds**

The proceeds of the Placing will be used to provide working capital for the Group's operations to be expanded and to provide development funding for the Group's participation in the consortium backing Number 9 Films.

The Directors believe that the benefits for the Group of the Placing and Admission include:

- increased awareness of the Group to potential film financiers;
- ability to issue shares as consideration for potential future acquisitions;
- the ability to raise further funds in the future, either to enable a proposed acquisition to be completed and/or to raise additional working capital or development capital for the Group; and
- the enhanced opportunities to attract and reward employees for their efforts in developing and growing the business, while aligning their interests with those of the shareholders, through share-based incentive schemes.

#### **Details of the Placing**

The Company is raising £1,250,000 before expenses through the placing of up to 25,000,000 new Ordinary Shares at the Placing Price with institutional and other investors, representing 29 per cent. of the Enlarged Issued Share Capital of the Company on Admission (assuming the Maximum Subscription is placed).

The Placing is conditional, inter alia, on Admission. Dealings in the Placing Shares are expected to commence on 22 April, 2005.

Further details of the Placing Agreement are set out in paragraph 12 of Part IV of this document.

#### **Warrants**

The Company has issued Warrants conditional on Admission, in respect of 3,500,000 Ordinary Shares to certain organisations, including CFA, further details of which are set out in paragraph 5 of Part IV of this document. The principal terms of the Warrants are summarised in paragraph 8 of Part IV of this document.

#### **Employee share options**

In order to incentivise the management of the Company and current and future senior employees, the Directors have established the EMI Plan. The principal terms of the EMI Plan are summarised in paragraph 4 of Part IV of this document.

In addition, the Company has granted, conditional upon Admission, EMI Options in respect of 5,000,000 Ordinary Shares in aggregate to Directors and employees of the Group. These optionholders (and persons connected with them) represent a Concert Party for the purposes of the City Code on Takeovers and Mergers ("City Code"). The Options are exercisable three years from grant subject to certain performance conditions being met.

Further details concerning the terms of these options are set out in paragraph 4 of Part IV of this document.

#### **Corporate governance**

The Directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the Group. The Directors intend to comply with the main provisions of the Combined Code, in so far as practicable given the Group's size and the constitution of the Board.

The Directors have established an audit committee and a remuneration committee with formally delegated rules and responsibilities. Each of these committees currently comprises the non-executive Director, Mr James, and at least one executive Director and will meet regularly, and at least twice each year.

On Admission the audit committee will comprise Mr James, Mr Smith and Mr McWhirter and will be chaired by Mr James. The audit committee will determine and examine any matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and the internal control systems in use throughout the Company, in addition to ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on. The audit committee will have unrestricted access to the Company's auditors.

The remuneration committee of the Company, comprising Mr James, who will chair the committee, and Mr Smith will review the scale and structure of the executive Directors' remuneration and benefits packages, including share options and the terms of their service contracts, with due regard to the interests of shareholders. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees. The remuneration, terms and conditions of appointment of Mr Smith will be determined by the Board.

The Company has adopted a model code for Directors' and key employees' share dealings which is appropriate for an AIM-listed company. The Directors will comply with Rule 19 of the AIM Rules relating to Directors' dealings.

By special resolution of the shareholders of the Company passed on 5 April 2005 the Directors have the authority, inter alia, following Admission to issue Ordinary Shares up to a maximum aggregate nominal value of £21,200 (representing 25 per cent. of the Company's Enlarged Issued Share Capital) for cash without seeking prior shareholder approval. Although this exceeds the recommended limits of certain institutional investor guidelines, the Directors believe this authority will benefit the Company by giving it greater flexibility to raise cash, by issuing further equity securities quickly, without incurring additional expense during its formative stage. Further details are set out in paragraph 2 of Part IV of this document.

#### **Dividend policy**

At this early stage in the Company's development the Directors believe that it is inappropriate to give an indication of the timing or likely level of future dividends.

#### **Taxation**

The attention of investors is drawn to the information regarding taxation in relation to the Placing and Admission that is set out in paragraph 7 of Part IV of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.

The Company has obtained provisional assurance from the Inland Revenue that, subject to the satisfactory issue of eligible Ordinary Shares and the Company meeting the relevant requirements, it should be able to authorise the Company to issue certificates to qualifying shareholders for the purposes of the Enterprise Investment Scheme ("EIS").

The continuing availability of EIS relief will be conditional, inter alia, on the Company continuing to satisfy the requirements for a qualifying company throughout the "relevant" period of three years from the date of the investor making his investment. There can be no assurance that the Company will continue to satisfy these requirements.

The Company has applied for provisional approval from the Inland Revenue that the Ordinary Shares will be an eligible VCT investment for the purposes of the Income and Corporation Taxes Act 1988 Schedule 28B and has received provisional confirmation to this effect.

#### **Admission, settlement and dealings**

The Company has applied for the Ordinary Shares in issue immediately following the Placing to be admitted to trading on AIM. It is expected that Admission will take place, and that dealings in the Ordinary Shares will commence, on 22 April 2005.

#### **Lock-in arrangements**

Each of the Directors has agreed, in accordance with Rule 7 of the AIM Rules, that he will not (and will procure that his related parties will not) dispose of any interest in Ordinary Shares for a period of one year from Admission. Each of the Directors has further agreed with CFA and the Company not to dispose of any interest in Ordinary Shares without the Company's broker's consent, not to be unreasonably withheld or delayed, for a further twelve months after the first anniversary of the date of Admission. Further details of these lock-in arrangements are set out in paragraph 12 of Part IV of this document.

#### **The City Code on Takeovers and Mergers**

Upon Admission a Concert Party as defined by the City Code on Takeovers and Mergers will exist of certain founder shareholders and parties associated with them as set out in paragraph 14 of Part IV.

Shareholders should be aware that upon Admission the Concert Party will, in aggregate, hold approximately 42.1 per cent. of the issued share capital of the Company. Furthermore, if the Concert Party were to exercise their Options and no other option-holder or warrant holder were to exercise their options or warrants the Concert Party would be interested in approximately 44.5 per cent. of the Issued Share Capital so enlarged.

Consequently the Concert Party will have the ability to exert a very significant degree of control over the future conduct of the Company. Furthermore, under Rule 9 of the City Code any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all its shareholders to acquire for cash the remaining shares in that company at not less than the highest price paid by him or any persons acting in concert with him within the preceding twelve months.

Rule 9 of the City Code also provides, inter alia, that where any person, together with persons acting in concert with him, holds shares carrying not less than 30 per cent. but not more than 50 per cent. of a company's voting rights, and such person, or any other person acting in concert with him, acquires additional shares which increase his percentage of voting rights of such company, that person is normally required to make a general offer to all shareholders of the company for the shares not owned by him at not less than the highest price paid by him or any person acting in concert with him within the preceding twelve months.

**This provision will apply to the future acquisition of Ordinary Shares by any member of the Concert Party in these circumstances and hence further purchases of shares or grant of options (other than as described on page 11 of this document) to any member of the Concert Party will be subject to the provisions of Rule 9 of the City Code.**

If any person, together with persons acting in concert with him, holds shares carrying more than 50 per cent. of a company's voting rights, then there are no further constraints on such a person acquiring additional shares.

#### **CREST**

Application will be made for the Ordinary Shares to be admitted to CREST upon Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place through CREST.

#### **Additional information**

Prospective investors should carefully consider Parts II, III and IV of this document, which provide additional information on the Group.

## **PART II**

### **RISK FACTORS**

*Investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Ordinary Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Group's business.*

*If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of the value of their investment.*

#### **Business and industry risks**

The Group's business is at an early stage of development and operates in a volatile and highly competitive industry giving rise to a number of risks, including the following:

- to date, the Group has secured rights to three films. The Group's ability to compete effectively with other film sales and marketing companies is dependent largely upon the expertise of the Directors and their ability to identify and acquire rights in other feature films which have international appeal (and therefore are likely to be commercially successful);
- the Group competes in a highly competitive market which may become even more competitive in the future. The Group competes with other, larger independent film companies, as well as major Studios, many of which have greater financial and human resources than the Group. Although the Directors believe that the Group will compete favourably in its chosen markets, there can be no assurance that the Group can maintain its competitive position against current and potential competitors, especially those with greater financial, marketing and other resources;
- the film industry is a volatile industry susceptible to changes in the global economy, as well as changes in legislation, regulation and government policy which may affect the industry, any of which may adversely affect consumer demand for films or the ability to successfully finance or market films.

Any of these factors could harm the Group's business, financial condition and results.

#### **Liquidity of the Ordinary Shares and the AIM market generally**

It may be more difficult for an investor to realise his or her investment on AIM than to realise an investment in a company whose shares and other securities are quoted on the Official List. The AIM Rules are less demanding than those of the Official List. An investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and future in the market for the Ordinary Shares cannot be guaranteed. The share price of publicly traded emerging companies can be highly volatile.

The price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Group and its operations and some that may affect quoted companies generally. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares, particularly as, on Admission, the Company will have a limited number of shareholders. The market for shares in smaller public companies, including the Company's, is less liquid than for larger public companies. The Group is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable for a short term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price. The market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

### Management and staff

The Group is heavily reliant upon the skills of its executive Directors and senior management and the loss of any of these key members of staff could reduce the Group's ability to achieve its planned development objectives. The Group will endeavour to ensure that the principal members of its management team are suitably incentivised, but the retention of such staff cannot be guaranteed.

The Group may need to recruit additional senior management in order to develop its business. There can be no guarantee that such individuals will be recruited in the Group's preferred timetable or at the cost levels anticipated by the Group. Competition for staff is strong and hence the Group may find it difficult to retain key management and staff.

### History of operating losses

The Group has experienced losses after taxation of approximately £142,000 for the period since incorporation to 31 December 2004. There can be no assurances that the Group will ever achieve significant revenues or profitability.

### Requirement for additional funds

There can be no assurance that the Group will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Group. The Directors have authority following Admission to issue Ordinary Shares up to a maximum aggregate nominal value of £21,200 (representing 25 per cent. of the Company's Enlarged Issued Share Capital) for cash, without seeking prior shareholder approval. If additional funds should be raised by issuing equity securities pursuant to such authority, dilution of existing shareholders may result. Failure to obtain additional financing if and when needed on favourable terms, or at all, could have a material adverse effect on the Group's business, operating results and financial condition.

### Certain shareholders will continue to have substantial control over the Company after the Placing

Upon completion of the Placing, the Concert Party will hold, in aggregate 42.1 per cent. of the Enlarged Issued Share Capital (of which a 29.2 per cent. interest is owned by Gary Smith and persons connected with him). As a result, this Concert Party may be able to exercise significant control over all matters requiring shareholder approval, which could delay or prevent an outside party from acquiring or merging with the Company. The ability of such shareholders to prevent or delay these transactions could cause the price of the Ordinary Shares to decline.

### PART III

## ACCOUNTANTS' REPORT

The following is the full text of a report on In tandem Films Plc from Baker Tilly, the Reporting Accountants, to the Directors of In tandem Films Plc and City Financial Associates Limited.



**BAKER TILLY**

2 Bloomsbury Street  
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The Directors  
In tandem Films Plc  
22 Soho Square  
London  
W1D 4NS

and

The Directors  
City Financial Associates Limited  
Pountney Hill House  
London  
6 Laurence Pountney Hill  
EC4R 0BL

19 April 2005

Dear Sirs

### INTANDEM FILMS PLC ("the Company") (Formerly Broomco (3710) Limited)

#### Introduction

We report in connection with the proposed placing of ordinary shares of the Company ("the Placing") and the admission of the ordinary share capital of the Company to trading on AIM ("the Admission"). This report has been prepared for inclusion in the Prospectus dated 19 April 2005 ("the Prospectus"). We report separately on the Company (Section A), In tandem Entertainment Limited ("Entertainment") (Section B) and In tandem Pictures Limited ("In tandem") (Section C). The Company, Entertainment and In tandem are together referred to as "the Group".

#### Section A – The Company

The Company was incorporated on 10 February 2005 as Broomco (3710) Limited with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, of which 1 share was issued, but not paid on incorporation. On 5 April 2005, the authorised share capital was increased to £200,000 by the creation of 199,000 further ordinary shares of £1 each. On the same date, each of the issued and unissued ordinary shares of £1 each were subdivided into 1,000 ordinary shares of £0.001 each, all such ordinary shares ranking pari passu in all respects.

On 5 April 2005, the Company changed its name and re-registered as In tandem Films Plc from Broomco (3710) Limited.

The Company has not traded, prepared any financial statements for presentation to members, incurred neither



profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares described below and the execution of the material contracts referred to in paragraph 13 of Part IV of the Prospectus and the acquisition of 100% of the ordinary share capital of Entertainment through a share for share exchange. Accordingly, no profit and loss account information is presented in this report.

#### Basis of preparation

The financial information set out below has been extracted from the financial records of the Company for the period from incorporation to 5 April 2005, no adjustments being considered necessary.

#### Responsibility

The financial records are the responsibility of the directors of the Company ("the Directors"). The Directors are also responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out below from the Company's financial records and to issue a report in accordance with paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

#### Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

#### Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company at 5 April 2005.

#### BALANCE SHEET

	As at 5 April 2005	£
<i>Notes</i>		
<b>Fixed assets</b>		
Investments	2	60,174
<b>Current assets</b>		
Debtors (unpaid share capital)	1	60,175
<b>Net assets</b>		
<b>Capital and reserves</b>		
Called up share capital	3	60,175
Profit and loss account		—
<b>Shareholders' equity funds</b>		60,175

#### NOTES TO THE FINANCIAL INFORMATION

##### 1 Accounting policies

The principal accounting policies, which have been applied in the Company's financial information, are as follows:

##### Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

##### Investments

Unlisted investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

##### 2 Investments

On 5 April 2005, the Company entered into an agreement with all the shareholders of Entertainment to acquire its entire issued share capital, the consideration for which was satisfied by the allotment and issue of 60,174,000 ordinary shares of £0.001 each, credited as fully paid, in the Company.

<i>Class of holding</i>	<i>Proportion directly held</i>	<i>Nature of Business</i>
Ordinary	100%	Holding company

Intandem Entertainment Limited  
(Incorporated in England and Wales)

##### 3 Share capital

	As at 5 April 2005	£
Authorised:		
200,000,000 ordinary shares of £0.001 each		200,000
Allotted and issued:		
60,175,000 ordinary shares of £0.001 each		60,175

4 **Post balance sheet events**

On 6 April 2005, the Company entered into an agreement with Entertainment to acquire the entire issued share capital of its wholly owned subsidiary Intandem, the consideration for which was £157,876 and which remains outstanding on inter-company loan.

5 **Share options**

On 5 April 2005 the Company adopted the Intandem Films (2005) Enterprise Management Incentive ("EMI Plan"), which allows the directors to grant share options to any full-time director or employee of the Group. On 18 April 2005 5 million share options were granted conditionally under the EMI Plan, by deed with no consideration payable and are shown in the table below:

	<i>Subscription price per share</i>	<i>Period within which options are exercisable</i>	<i>Number of shares for which rights are exercisable</i>
Andrew Brown	5 pence	from 22 April 2008	800,000
William Hurman	5 pence	from 22 April 2008	1,000,000
Gary Smith	5 pence	from 22 April 2008	1,500,000
Other employees of the Group	5 pence	from 22 April 2008	1,700,000

The grant of these share options will not become unconditional unless the Admission occurs and they will have an exercise price of five pence per ordinary share. In respect of these share options conditionally granted on 18 April 2005, no share options can be exercised unless the consolidated profit before tax of the Company for any one of the three financial years ending 30 June 2008 is greater than £500,000. The share options may normally be exercised within the period of three to ten years after the date of grant.

In addition to the share options granted above, 3,500,000 Warrants to subscribe for ordinary shares were issued for nil consideration conditional upon Admission, all of which will be exercisable at any time between Admission and the third anniversary of Admission at an exercise price of 5 pence. No warrants were issued to Directors of the Company.

**Section B – Entertainment**

Entertainment was incorporated on 27 April 2004 as Broomco (3453) Limited with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, of which 1 share was issued and not paid on incorporation. On 7 October 2004, the authorised share capital was increased to £2,000,000 by the creation of 1,999,000 further ordinary shares of £1 each. On the same date, each of the issued and unissued ordinary shares of £1 each were then subdivided into 100 ordinary shares of 1 pence each, all such shares ranking *pari passu* in all respects.

On 15 October 2004, Entertainment changed its name to Intandem Films Limited from Broomco (3453) Limited and on the 5 April 2005, Intandem Films Limited changed its name to Intandem Entertainment Limited.

Entertainment has not prepared any financial statements for presentation to members and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares described below, the execution of the material contracts referred to in paragraph 13 of Part IV of the Prospectus and the acquisition of 100% of the ordinary share capital of Intandem through a share for share exchange and the impairment of this investment by the directors of Entertainment to Intandem's net asset value.

**Basis of preparation**

The financial information set out below has been extracted from the financial records of Entertainment for the period from incorporation to 28 February 2005, no adjustments being considered necessary.

**Responsibility**

The financial records are the responsibility of the directors of Entertainment. The Directors are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out below from Entertainment's financial records and to issue a report in accordance with paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to Entertainment's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the losses of Entertainment for the period ended 28 February 2005 and the state of affairs of Entertainment at that date.

**PROFIT AND LOSS ACCOUNT**

	<i>Ten months ended</i>
	<i>28 February 2005</i>
	£
<i>Notes</i>	
1	(443,873)
	<u>(443,873)</u>

Impairment of investment in subsidiary

**Retained loss for the period**

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

**BALANCE SHEET**

	<i>As at</i>
	<i>28 February 2005</i>
	£
<b>Fixed assets</b>	
Investments	601,749
Cost	(443,873)
Less provision to net asset value of subsidiary	<u>157,876</u>
<b>Current assets</b>	
Debtors (unpaid share capital)	1
Net assets	<u>157,877</u>
<b>Capital and reserves</b>	
Called up share capital	601,750
Profit and loss account	(443,873)
Shareholders' equity funds	<u>157,877</u>

**NOTES TO THE FINANCIAL INFORMATION**

**1 Accounting policies**

The principal accounting policies, which have been consistently applied in Entertainment's financial information throughout the period under review, are as follows:

**Basis of accounting**

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

**Investments**

Unlisted investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

**2 Investments**

On 7 October 2004 Entertainment entered into an agreement with all the shareholders of Inianidem to acquire its entire issued share capital, the consideration for which was satisfied by the allotment and issue of 60,174,900 ordinary shares of 1 pence each, credited as fully paid, in Entertainment.

Entertainment's directors reviewed the value of the investment included within Entertainment's balance sheet and impaired the investment to an amount equal to the net asset value of Inianidem as at 31 December 2004.

**3 Share capital**

*As at*  
*28 February 2005*  
£

Authorised:  
200,000,000 ordinary shares of 1 pence each  
Allotted and issued:  
60,175,000 ordinary shares of 1 pence each

2,000,000  
601,750

**4 Post balance sheet events**

On 6 April 2005, the Company entered into an agreement with Entertainment to acquire the entire issued share capital of its wholly owned subsidiary Inianidem, the consideration for which was £157,876 and which remains outstanding on inter-company loan.

## Section C – Intandem

### Basis of preparation

The financial information set out below is based on the audited financial statements of Intandem for the eight months ended 30 June 2004, no adjustments being considered necessary and has been extracted from non-statutory accounts of Intandem, for the six months ended 31 December 2004, no adjustments being considered necessary. The accounts of Intandem for the eight months ended 30 June 2004 were audited by Baker Tilly, Chartered Accountants who gave an unqualified report thereon. No audited financial statements have been prepared for Intandem in respect of any subsequent period.

### Responsibility

The financial statements are the responsibility of the directors of Intandem who approved their issue. The Directors are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out below from Intandem's financial records and to issue a report in accordance with paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

### Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to Intandem's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

### Fundamental uncertainty – going concern

The financial information has been prepared on the basis that the fundamental accounting concept of going concern is applied.

The Directors are seeking to raise approximately £1 million of new equity share capital under the Placing, which, in the opinion of the Directors, will provide the Group with sufficient working capital to allow Intandem with sufficient working capital to continue as a going concern. The Company has confirmed that it will provide funds to Intandem.

On the assumption that there will be a successful outcome to the Placing, the going concern concept has been applied in preparing this financial information.

### Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the profits, cash flow and total recognised gains and losses of Intandem for the periods ended 30 June 2004 and 31 December 2004 and the state of affairs of Intandem at each of those dates.

## PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 31 December 2004	Eight months ended 30 June 2004
		£	£
Turnover	2	342,669	80,000
Costs of sales		(107,869)	—
Gross profit		234,800	80,000
Administrative expenses		(301,765)	(156,079)
Operating loss	3	(66,965)	(76,079)
Bank interest receivable		1,033	87
Bank interest payable		—	(114)
Loss on ordinary activities before taxation		(65,932)	(76,106)
Taxation	5	—	—
Loss on ordinary activities after taxation		(65,932)	(76,106)

Turnover and operating losses all derive from continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

## BALANCE SHEET

	Notes	As at 31 December 2004	As at 30 June 2004
		£	£
<b>Fixed assets</b>			
Investments	6	100	100
Tangible assets	7	46,084	—
		46,184	100
<b>Current assets</b>			
Debtors	8	271,531	131,266
Cash at bank		3,070	189,033
		274,601	320,299
<b>Creditors: amounts falling due within one year</b>	9	(162,909)	(83,825)
<b>Net current assets</b>		111,692	236,474
<b>Total assets less current liabilities</b>		157,876	236,574
<b>Capital and reserves</b>			
Called up share capital	10	2,075	2,075
Share premium account	11	297,839	310,605
Profit and loss account	12	(142,038)	(76,106)
<b>Shareholders' equity funds</b>	13	157,876	236,574

## CASH FLOW STATEMENT

	Notes	Six months ended 31 December 2004	Eight months ended 30 June 2004
		£	£
<b>Net cash outflow from operating activities</b>			
Returns on investments and servicing of finance		(131,146)	(117,740)
Interest received	14A	1,033	87
Interest paid		—	(114)
Net cash flow for returns on investments and servicing of finance		1,033	(27)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(47,584)	—
Purchase of investment		(100)	—
Net cash flow for capital expenditure and servicing of finance		(47,684)	—
<b>Cash outflow before use of liquid resources and financing</b>		(177,797)	(117,767)
<b>Financing</b>			
Proceeds of share issue		9,600	306,800
Share issue costs		(17,766)	—
Net cash (outflow)/inflow for financing		(8,166)	306,800
<b>(Decrease)/increase in cash in period</b>		(185,963)	189,033
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in period	14B	(185,963)	189,033
Movement in funds in period		(185,963)	189,033
Opening net funds		189,033	—
Closing net funds		3,070	189,033

## NOTES TO THE FINANCIAL INFORMATION

### 1 Accounting policies

The principal accounting policies, which have been consistently applied in Intandem's financial information throughout the period under review, are as follows:

#### Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### Tangible fixed assets

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Office equipment	Over 4 years
Furniture and fittings	Over 4 years

#### Investments

Fixed asset investments are included at cost less any amounts written off for permanent diminution in value.

#### Leases

All leases are operating leases and the annual rentals are charged to profit and loss account on a straight-line basis over the lease term.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between Intandem's taxable results and its results as stated in the financial information that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

#### Turnover

Turnover, which excludes value added tax, represents commissions, fees and recoverable expenses on a receivable basis where the contract is signed. If receipt of the revenue is dependent on the fulfilment of future contractual obligations, then turnover is not recognised until those future obligations have been fulfilled.

#### Film sales and marketing costs

In accordance with contracts between Intandem and film producers, Intandem is entitled to recoup all its expenditure directly related to the promotion and distribution of films against monies received on the sale of distribution rights.

Where the expenditure is unrecovered on individual films the costs are carried forward unless Intandem's directors are of the opinion that they are irrecoverable in which case they are written off to the profit and loss account.

### 2 Turnover and gross profit

Intandem's turnover and gross profit is derived from its principal activity as an executive producer of feature films in the United Kingdom, sales commissions on sales of films to film distributors around the world and the recovery of marketing expenses.

### 3 Operating loss

	Six months ended 31 December 2004	Eight months ended 30 June 2004
	£	£
Operating loss is stated after charging:		
Auditor's remuneration	5,000	5,000
Operating leases:		
Land & buildings	12,000	—
Depreciation and amounts written off tangible fixed assets	—	—
Office equipment	900	—
Furniture & fittings	500	—

### 4 Employees

	Six months ended 31 December 2004	Eight months ended 30 June 2004
	No.	No.
Office and management	6	3

The average monthly number of persons (including directors) employed by Intandem was:

	Six months ended 31 December 2004	Eight months ended 30 June 2004
	£	£
Staff costs for the above persons:		
Wages and salaries	129,775	31,216
Social security costs	15,034	3,897
	144,809	35,113

Staff costs for the above persons:

	Six months ended 31 December 2004	Eight months ended 30 June 2004
	£	£
Directors' emoluments included in staff costs above	70,235	17,231
Directors' emoluments charged as consultancy fees	76,668	86,837
	146,903	104,068

Emoluments charged as consultancy fees relate to Gary Smith and Andrew McWhirter. See note 15.