

# ALTUS

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## PRODUCTIONS

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### ENTERPRISE INVESTMENT SCHEME

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INFORMATION MEMORANDUM  
FOR ALTUS PRODUCTIONS 4 LIMITED

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# ALTUS

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## PRODUCTIONS

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### INFORMATION MEMORANDUM FOR ALTUS PRODUCTIONS 4 LIMITED

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# IMPORTANT NOTICE

The Directors of the Company, whose names appear on page 13, accept responsibility for the information contained in this Information Memorandum ("IM"). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the material facts and does not omit anything likely to affect the import of such information. All information in this IM is believed to be accurate but no liability whatsoever will be accepted by the Company, the Directors or any advisers to the Company for any act or omission or for any costs, expenses or losses suffered (including, without limitation, liability for indirect, economic or consequential loss) as a result of persons acting upon information or projections contained in this IM or in any documentation supplied with or separately or at a later date and, to the widest extent permitted by law, all such liability is excluded.

The Shares are offered solely on the basis of the information and representations contained in this IM and any further information given or representations made by any person may not be relied upon as having been authorised by the Company or the Directors. Neither the delivery of this IM nor the allotment or issue of Shares shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof.

Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of an investment in the Company. Prospective investors should not treat the contents of this IM as advice relating to legal, taxation or investment matters and are advised to consult their own professional advisers. Neither the Company nor the Directors accept any duty of care to any prospective investor. Any person who is in doubt about the contents of this IM should consult an authorised person specialising in investment activities.

Reliance on this IM for the purposes of engaging in any activity may expose an investor to a risk of losing all of his or her investment. Prospective investors are referred in particular to the section titled Risk Factors on page 16 of this IM. Applicants should note that applications to participate in the Company are not covered by the Financial Services Compensation Scheme.

## Restrictions on Distribution

**This document is important. If you are in any doubt about the contents of this document you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities or from another appropriately independent adviser.**

This opportunity is made to or directed at fewer than 100 persons, other than qualified investors. Therefore, it does not constitute an offer of securities to the public that would otherwise need to comply with the prospectus requirements in Part VI of the FSMA.

This document falls within the restriction on financial promotion in section 21 of the FSMA relating to invitations or inducements to engage in investment activity. This requires a financial promotion to be issued, or the contents approved, by a person that is authorised by the Financial Services Authority ("FSA") or that it falls within an exemption in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 1529 ("the Financial Promotion Order"). The Company is not authorised by the FSA and this document has not been approved by an FSA authorised person. Therefore, this opportunity is only available to those persons that fall within an exemption in the Financial Promotion Order. We consider the exemptions relating to 'Investment Professionals', 'Certified High Net Worth Individuals' and 'Self-Certified Sophisticated Investors' in Articles 19, 48 and 50A respectively of the Financial Promotion Order to apply to those persons that receive this document. If you receive this document and do not fall within these exemptions, and are not able to fall within any other exemption in the Financial Promotion Order, you should return the document immediately to the Company and consider the opportunity to take part in this venture withdrawn.

## The requirements for a person to become a Certified High Net Worth Individual

A Certified High Net Worth Individual is an individual who has in the preceding 12 months, ending with the day on which this communication is made, signed the statement in Part I of Schedule 5 of the Financial Promotion Order and satisfies the conditions included in that statement (see form in application pack).

## The requirements for a person to become a Self-Certified Sophisticated Investor

A Self-Certified Sophisticated Investor is an individual who has in the preceding 12 months, ending with the day on which this communication is made, signed the statement in Part II of Schedule 5 of the Financial Promotion Order and satisfies the conditions in that statement (see form in application pack).

The opportunity to invest in the Placing Shares is being made available in the United Kingdom only to persons falling within a relevant exemption to the Financial Promotion Order and other persons should not make any use of this document.

This document may not be distributed to persons in or into the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa (including the territories, possession and all areas subject to their jurisdiction) or any country or jurisdiction where its distribution will require compliance by the Company with any governmental or regulatory procedure or any similar formalities. Any such distribution may result in a violation of the relevant country's securities laws. Persons into whose possession this document comes are required to inform themselves as to and observe any such restrictions, laws or formalities.

## Notice Concerning Forward Looking Information

The following paragraphs apply to any targeted returns, illustrative returns, estimates, beliefs, opinions or similar information in this IM ("Forward Looking Information"). This IM contains Forward Looking Information, which is subject to inherent uncertainties and qualifications and is based on numerous assumptions, in each case whether or not identified in this IM. Forward Looking Information is provided for illustrative purposes only and is not intended to serve as, and must not be relied on by any prospective investor as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the control of the Company and its advisers.

Some important factors that could cause actual results to differ materially from those in any Forward Looking Information include, without limitation, changes in interest rates, taxation legislation, or domestic and foreign business, market, financial, political and legal conditions. There can be no assurance that any particular Forward Looking Information will be realised, and the performance of the Company may be materially different from the Forward Looking Information. The calculations in any Forward Looking Information have been prepared without a view necessarily towards public disclosure or compliance or conformity with published guidelines or with generally accepted accounting principles of the UK in each case whether relating to historical or other financial or statistical information or data. Such Forward Looking Information should be considered in conjunction with all the other information contained in this IM, including the information contained in the section of this IM entitled Risk Factors on page 16.

## Risk Factors

Investment in the Company carries substantial risk. There can be no assurance that the Company's investment objectives will be achieved and results may vary substantially over time. Prospective investors should carefully consider whether an investment in Placing Shares is suitable for them in light of their circumstances and financial resources (see further under Risk Factors). If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, accountant or other professional adviser.

## Confidentiality

This document is being provided to recipients on the basis that they will keep confidential any information contained herein or otherwise made available, whether oral or in writing, in connection with the Company.

This document is confidential and must not be copied, published, reproduced, distributed or passed in whole or in part to others at any time without the prior written consent of the Company.

This Information Memorandum is dated October 2011.

The Company will provide Shareholders with the opportunity to invest and participate in the international entertainment industry whilst at the same time taking advantage of significant, non-controversial UK tax breaks. It will do this through the production, co-production and exploitation of high quality, commercial independent film projects.

The Company will apply strict risk mitigation criteria and negotiate primary recoupment positions. It will charge producer/budget premiums to generate investment returns. In addition the Company will retain equity positions in film projects to help build a portfolio of films with the potential for ongoing revenue streams.

Investors should note that whilst this private placing by the Company is on a stand-alone basis, the Film Adviser and the Distributor are sponsoring similar private placings by other companies ("**Other Production Companies**"). These Other Production Companies will be adopting a similar trading strategy as the Company.

In the event that one or more of the Other Production Companies is successful in its capital raising exercise, it is proposed that the Company and the Other Production Companies may enter into commercial arrangements to exchange an interest in rights to income from one film in exchange for an interest in another, thereby diversifying risk. The Company's primary interest will be in the Film(s) it produces.

A Film Adviser which has extensive experience in the international film market place shall be appointed by the Company. (Further details of the Film Adviser can be found on page 8.) Through its industry relationships, the Film Adviser shall source opportunities for the Company. The Company is well placed to participate in the most commercially viable film projects.

Key to the successful exploitation of film productions are the arrangements that are in place for their worldwide distribution. The Company will only participate in film projects where a leading international sales agent is attached and the Directors are confident that an effective route to all major markets is established.

Based on financial projections prepared for the Company's business model, the business strategy, employed over a 3 year period, assumes that even if there is no value in the retained rights in the Film projects accumulated, the Film Adviser believes the Company should be able to return to Shareholders at least their initial equity investment.

Based on the initial projections, the Film Adviser believes that an investment return of £1.20 for every £1 is achievable for investors after 3 years. Assuming the 30% Income Tax credit is claimed and retained on investment via EIS, the effective net IRR would be 19.7%. However, if after 3 years Shareholders only receive back their original investment, and assuming the 30% Income Tax credit is claimed and retained, the effective net IRR would be 12.6%.

Notwithstanding the above, potential Shareholders should bear in mind the Risk Factors as set out on page 16 of this Information Memorandum.

## **Taxation**

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The Directors anticipate that the Company will qualify under the EIS rules and therefore Share subscriptions should attain various tax benefits for investors, depending on their circumstances. (More details can be found on page 10.) The main benefits are:

- ◆ Income Tax credit of 30% of the subscription (£500,000 investment cap per annum);
- ◆ Capital Gains Tax deferral relief (unlimited);
- ◆ Capital Gains Tax exemption on disposal of the shares;
- ◆ unlimited 100% IHT relief after 2 years; and
- ◆ the ability to carry back Income Tax relief to 2010/2011 (£500,000 investment cap) and receive an Income Tax credit of 20%.

## **Application**

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The minimum investment is £10,000 which equates to 10,000 Ordinary Shares. The Directors may accept lower investment at their discretion.

The Directors will allot shares throughout the year on suitable dates to accommodate applications, as they are received, until the offer is fully subscribed.

# AN INTRODUCTION TO THE FILM INDUSTRY

The film industry can be divided into 3 broad activities; production, distribution and exploitation.

## Production

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Production can be sub-divided into 4 main stages; development, pre-production, principal photography, and post-production.

**Development** – this is the transformation of an initial idea or an adaptation of an existing work which is deemed to have potential to be developed into a workable script. The producer, who commissions the script, will attach a director and principal cast before commencing discussions with financiers and Sales Agents.

**Pre-production** – this involves making all the preparations to enable filming to commence at principal photography, such as selecting cast and locations. A budget and production schedule will be prepared at this point.

**Principal photography** – this is the filming stage. A detailed filming schedule is followed but is varied when necessary to accommodate the weather and other changeable conditions. Generally filming lasts from 8 to 12 weeks.

**Post Production** – the film is made into an ‘assembly’ of chronological scenes and the editing process can commence. Several ‘cuts’ will be made until the film becomes a ‘locked print’. Special effects and re-recording are also completed at this stage if necessary, and dialogue and music are added and synchronised.

## Distribution

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### Sales Agents

Independent film producers will employ a Sales Agent to licence the rights of a film to distributors in multiple territories. Some distributors will acquire the rights to a film *prior* to principal photography, in what is known as a ‘pre-sale’ and this will usually form part of the film’s production finance.

Following the initial ‘pre-sales’, and the production of the film, it is vital to ensure that a large proportion of the remaining territories are sold so that the film gains a wide release. Distribution rights are licensed for a sales advance or a minimum guarantee, and are payable upon delivery of the film. The sales levels achieved may vary from the range predicted by the original pre-agreed sales estimates. The critical and audience reaction to the film will influence the price distributors are prepared to pay.

### Territories

The rights to promote and exploit a film are normally licensed to a local distributor in an individual territory. The main territories comprise of the USA and Canada, Europe, Australasia, Latin American, and Eastern Europe. These are often sub-divided into single countries depending on what the sales agent deems most beneficial. In addition to licensing the

distribution rights, distributors will also fund the prints and advertising (“P&A”) costs for a marketing plan, the production of publicity materials, and the delivery of the film to the cinema.

## Exploitation

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The first exploitation of feature films is usually at the cinema. This can be a 20 screen multiplex, a 3 screen art house cinema, or even an old fashioned single screen in a small town. Currently, all cinemas are beginning a period of transition from showing films on celluloid to digital presentation.

As well as the cinema, films are distributed and exploited via several other means or “media windows”. Some of these revenue streams are outlined below.

**TV** - revenue from license fees.

**DVD** - royalties paid from sales and rentals.

**Airlines** – license fee paid by airlines for their in-flight entertainment.

**Merchandising** – the film’s characters and content can be made into commercial products.

**Soundtrack** – royalties on sales of both the theme and incidental film music.

**Other media** – including exploitation over the internet.

**Non-theatrical** – hospitals, schools, universities, etc.

## Media windows

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A film is usually exploited through a succession of these media windows. After roughly 3 months, a film’s initial theatrical release may be superseded by ‘airline’, ‘hotel’, and other non-theatrical windows, and then by the ‘pay-per-view’ window. It will then begin its ‘home video’ release between 3 and 6 months after its theatrical release. Approximately a year after its theatrical release, it will reach its ‘pay-TV’ window, which will then generally last 12 to 18 months. After this the film will be released on free-to-air television channels and home cinema and will continue to hold a library value for years to come. These film libraries often become tradable assets.

## Film Financing

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The production of a film will typically be funded from a number of sources which are outlined below.

### Pre-sales

A company may acquire the distribution rights before the film begins shooting for an agreed amount, to be paid on delivery of the film. These pre-sales can be used by the producer to raise finance from a lender who will acquire these pre-sales at a discount.

## **Gap financing**

After assessing the sales estimates, a bank or other organisation may agree to lend the production any shortfall remaining to reach the full budget of the film. This source may provide between 15-20% of the film's budget.

## **Government Tax Incentives**

Many governments give tax incentives to attract film investment in their country. These usually take the form of either credits or allowances given to the producer. They can constitute between 10-40% of the budget.

Credits are partial rebates given to the production for an amount spent in the relevant country. Allowances apply to monies invested by other parties who can then write-off some, or perhaps all, of their investment against other taxable income.

## **Government Funds**

Government sponsored funds will sometimes invest in a local production to attract investment into the sector and support the industry. The UK Film Council ("UKFC") currently has a Film Fund, an Innovation Fund, a Prints and Advertising Fund, and an International Festival Sales Support Fund, which were all established to aid British productions.

## **Equity**

A company, individual or fund may provide equity investment for a film in return for co-production rights and a share of future income generated by the film's exploitation.

## **Recoupment Schedule**

A recoupment schedule, often called "the waterfall" is established to determine the position in which each investor or financier is to be repaid. The schedule is strictly applied when revenues are received into the dedicated, independent collection account for the film.

The lender who discounted the pre-sales will typically be repaid in first position once the film is delivered to those territories. The gap financier and other equity providers will normally be repaid in an agreed order from sales of the film.

At a later stage the net profits will also be distributed among the relevant investors. It is also customary for some of the key cast and crew to receive a share of these profits.

The timing of recoupment is dependent on a number of factors, some of which are outlined below.

### ***i) The length of production and post-production***

The recoupment process and the realisation of net profits cannot be instigated until the product is ready for distribution.

### ***ii) The timing and type of theatrical release***

A film may be released at the same time – often referred to as 'day and date' – across the major territories which would mean a large quantity of exploitation receipts are paid earlier. Alternatively the film might be released at different times – a phased release – in which case revenues will obviously take longer to be paid.

### ***iii) The lag time between release windows, and the performance of these windows***

The gap between release windows is often reduced to maximise the value of the advertising spent on the cinema release and to accelerate the recoupment process. However if a film is more successful in a later window, such as through DVD sales, then profits will take longer to appear than if the film is an initial box office hit.

### ***iv) The overall performance of the film***

Similarly, the more commercial success the film has, the faster it is likely to recoup all of its deductible expenses and enter net profits. It is worth noting that a profit share may be available for distribution even though a film's budget is not fully recovered. This can occur where government tax incentives are not repayable. For example, a film with a budget of £10 million may have a tax credit of £1.5 million. Consequently, net revenues above £8.5 million may be distributed as a profit share according to the recoupment schedule.

# FILM MARKET OVERVIEW

## British Film 2010

In 2010 UK cinema attendance continued to demonstrate strong public demand with over 169 million tickets purchased. According to the UK Film Council, box office takings reached an unprecedented £1.067 billion; up 2% on 2009. In particular it was a good year for British films, with a 22.6% share of the UK market, including 5.5% contributed by independent British films, up from 2009's market share of 16.7%. UK broadcasters decided to show more British films because of a strong audience demand for quality independent productions. The 2010/11 BAFTA® and OSCAR® awards season was particularly successful for British talent such as Colin Firth and Tom Hooper for *The King's Speech*. In total British films took over \$4.5 billion in box office takings worldwide in 2010. This resulted in the UK attaining 14.2% of the global market share. The highest-grossing UK film of 2010 was the seventh instalment of the *Harry Potter* series, *Harry Potter and the Deathly Hallows Part One*, which earned \$952 million worldwide. Christopher Nolan's *Inception* earned \$826 million while Guy Ritchie's *Sherlock Holmes*, a late December 2009 release, grossed \$191 million in 2009 and \$372 million in 2010.

The highest grossing independent UK film at the worldwide box office in 2010 was Matthew Vaughn's *Kick-Ass* which grossed \$105 million. This was followed by Roman Polanski's *The Ghost, Nine and Streetdance 3D* which earned \$42 million worldwide in 2010.

## The wider global market

The growth is also reflected globally. Worldwide box office reached another all-time high of \$33 billion in 2010, an increase of 6.2% on 2009. Over the past 5 years all the main regions; namely Europe and the Middle East and Africa, the Pacific, Latin America and the USA, have experienced double digit box office growth. Since 2004 Europe and the Middle East and Africa have grown by 15.5%, Asia Pacific by 13.8% and Latin America by 46.8%.

This growth is expected to increase from \$33 billion in 2010 to \$48.7 billion by 2015 powered by the expansion of home entertainment, consumer spend, and online and wireless technologies. The increasing number of people with access to devices for viewing film content means the exploitation avenues for film are now numerous. Aside from the initial theatrical release, such avenues include DVD, Blu-Ray, pay television, terrestrial television, airlines, merchandising, sound track records, publishing, CD Roms/games and televisions spin-offs/serialisation. Film financing and production is uniquely placed to benefit from this technical and media convergence.

Growth in revenues over the last 2 years has been driven by 3-D films and the corresponding higher ticket price associated with this form of cinema. Global box office revenue from 3D screens recorded over \$6.1bn in 2010, more than double the same total in 2009. International territories (outside the US) accounted for 65% of this total, a substantial increase from a 54% share in 2009, driven by a corresponding rapid rate of 3D screen deployment. Globally, 3D screens generated 19.3% of worldwide box office.

This increase in 3-D is expected to hold strong over the next 5 years with the increase in adoption of Blu-ray beginning to offset the decline in the DVD market and the digital download and online rental market overtaking the traditional rental space (Blockbuster). All of these factors should ensure that the upward trend of global film revenues maintains the high rate of growth which has been evident for the past 2 decades, averaging about 3 times the compound rate of growth in the underlying economy.

# ALTUS PRODUCTIONS 4: BUSINESS OVERVIEW

The Company has been incorporated in England and Wales under the Companies Act. The Company's business will be the production and exploitation of primarily British films.

The film projects considered will typically have total budget ranges of between £3 million and £15 million and will be produced by the Company in collaboration with leading international and British producers with proven track records of commercial and critical success. Whilst this private placing by the Company is on a stand-alone basis, the Film Adviser and the Distributor are sponsoring similar capital raising exercises by means of private placing by other companies ("**Other Production Companies**").

The investment criteria for the Other Production Companies will be the same as for the Company. In the event that such Other Production Companies are successful in their fund raising, it offers the advantage that the Company and the Other Production Companies will be able to exchange parts of their respective interests in more Films, thereby diversifying risk. Please note that upon the Minimum Subscription being subscribed to the Company, the business of the Company will proceed regardless of whether the Other Production Companies are successful in their capital raising.

One or more of the Directors may also sit on the board(s) of the Other Production Companies. In the event of any conflicts of interest arising, these will be declared and an equitable solution will be sought.

The Company intends to participate in film projects that are capable of qualifying for the UK Film Tax Credit (or similar in other jurisdictions). The UK Film Tax Credit is authorised by the Department of Culture, Media and Sport and is paid by HMRC to producers of British qualifying productions. Tax credits such as this are also available in other jurisdictions. The tax credit in the UK can be worth up to 20% of a film's production budget up to a cap of £20 million. The Company will provide part of the budget for such films and recoup this in a primary position under a contractual agreement.

In order to protect its business interests, a significant proportion of the Company's recoupment will be supported by UK Film Tax Credit receipts (or similar). The Company will look to negotiate a premium on its contribution from each film and will also secure an on-going share of the net profits derived from the exploitation of each film.

As producer or co-producer of each film project, the Company will own all or at least 90% of the rights to each project on completion, prior to the film's exploitation. As is standard industry practice, each project will be produced by a specially formed production company (SPV).

It is intended that the Company will play a significant role in the subsequent exploitation of its Film productions.

A Film Adviser which has extensive experience in the international film market place will be appointed by the Company. Further information on the Film Adviser can be found on page 8.

The Company aims to produce Films from the total proceeds of the Offer. The number of Films produced will depend upon the funds raised by the Company and whether Other Production Companies are successful in their capital raising activities. After the Company's first accounting period, the Company plans to produce more films using revenues generated from completed projects, and any unused capital reserves.

The Placing Shares are offered at £1.00 each payable in full upon application. Up to 2,000,000 Ordinary Shares will be issued pursuant to this Offer by the Company.

## Film Criteria and Risk Limitation

The policy of the Company will be to only produce films which, in the Directors' opinion, meet the following criteria:

- ◆ there is recoupment of the Company's entire budgetary contributions plus a premium once Net Sales reach no more than 50% of production budget;
- ◆ independent sales estimates have been obtained of no less than 100% of the production's budget (excluding any "non-recoupable" finance such as tax credits) at the expected minimum or "take" price;
- ◆ it is a co-production with leading studios and producers;
- ◆ it has strong international appeal;
- ◆ a leading international sales agent has been or will be appointed;
- ◆ the production is ring-fenced by the creation of an individual SPV;
- ◆ there is a Completion Bond and other relevant insurances in place;
- ◆ an independent revenue collection agent will be appointed for each Film; and
- ◆ production insurance and errors and omissions insurance will be obtained for all projects.

# FILM ADVISER: PRESCIENCE FILM FINANCE

Prescience Film Finance is one of the UK's leading financiers of feature films and shall be appointed as Film Adviser to the Company. Prescience Film Finance was started in 2005, by 2 industry executives, Tim Smith and Paul Brett, who each have over 2 decades of entertainment industry experience at the highest levels.

With a specialist management team that spans media banking, corporate finance and the production, marketing, sales and distribution of quality commercial filmed entertainment, Prescience Film Finance has established an expertise in the independent film financing sectors that provides it with a unique access to product and a business model that seeks to reduce risk whether the investment is debt or equity.

Prescience enjoys a close working relationship with the BBC, as well as the speciality divisions of the Hollywood majors and leading US distributors, such as Paramount, Overture and The Weinstein Company.

Finally, Prescience has a close working relationship with all the major film sales companies in the world including Film Nation, Essential, Metropolis, Wild Bunch, HanWay, and Ealing Metro.

The principals of Prescience Film Finance are:

- ◆ **Peter Nichols: Chairman.** Appointed in May 2011 after working closely with Prescience for the previous 5 years, Peter is also the Senior Partner of the Chancery Group, encompassing Chancery (UK) LLP.
- ◆ **Tim Smith: Managing Director.** Formerly Twentieth Century Fox. Owned and ran Foresight, one of the most successful entertainment agencies in Europe during the 1990s. Founded Prescience in 2005.
- ◆ **Paul Brett: Head of Production.** Developed and implemented UK exhibition and distribution strategy at the BFI/UKFC, leaving to found Prescience with Tim Smith. Formerly Miramax International, CIC Video and Pathe.
- ◆ **Graeme Law: Finance Director.** Graeme was formerly Financial Controller at Channel 5 and Financial Director for DreamWorks Home Entertainment International and Senior Vice-President for Paramount Home Entertainment before joining Prescience in 2010.
- ◆ **James Swarbrick: Commercial Director.** Formerly with Smith & Williamson and Tether & Greenwood where he raised funds for a number of AIM, private equity, EIS and VCT transactions in a variety of industry sectors including retail, leisure, media, insurance and technology. Joined Prescience in 2008.
- ◆ **Anne Sheehan: Head of Film Finance.** Ex PolyGram and Film Four and Director of Finance and Business Affairs at Renaissance Films. Joined Prescience in 2009.

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The following is a small selection of their recent and future releases Further details of these films are included in Appendix 3 on pages 21-22:

***The King's Speech*** (Colin Firth, Helena Bonham Carter)

***360*** (Rachel Weisz, Jude Law, Anthony Hopkins)

***The Guard*** (Don Cheadle, Brendan Gleeson)

***Horrid Henry: The Movie*** (Angelica Huston, Richard E. Grant, Parminder Nagra)

## **Offer**

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Up to 2,000,000 £1 Ordinary Shares are available for issue. No part of this has been underwritten or guaranteed.

Applications will be dealt with on a first come, first served basis and the Directors reserve the right to reject an application for any reason at their discretion.

## **Minimum Investment**

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The minimum investment per investor is £10,000. The maximum investment per investor is unlimited but the EIS Income Tax relief is capped at £500,000 per annum (£1,000,000 over 2 tax years). Capital gains tax deferral relief is available on investments in excess of this (limited to the amount that may be invested in the Company).

Although there is no maximum investment level, prospective investors should consider the EIS taxation rules regarding level of ownership if they wish to invest at a significant level.

## **Maximum Subscription**

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The maximum subscription for Placing Shares under this offer is £2,000,000.

The Directors believe that the Company will qualify under the EIS rules; however this treatment cannot be guaranteed and is subject to change in the future. The advisers to the Company have received advance assurance from HMRC for the Altus Productions offer.

The following is only a brief summary of EIS taxation reliefs. The taxation rules of EIS are complex. This summary should not be construed as constituting advice, which a potential investor should obtain from his or her own investment or taxation adviser before applying for Placing Shares in the Company. The value of any tax reliefs will depend on the individual circumstances of investors.

This brief synopsis assumes an investor and the Company comply with the EIS rules for the relevant period, (at least 3 years).

## Income Tax

Individuals can obtain 30% ITR on a maximum amount of £500,000 per annum subscribed for Shares. Husbands and wives can each subscribe up to £500,000.

The carry back provisions make it possible to claim some or all of this tax relief can be claimed in the previous tax year, albeit at a rate of 20%. Therefore it is now possible to invest up to £1,000,000 and claim Income Tax relief on £500,000 in the current tax year and £500,000 in the previous tax year.

Example	£
Cost of shares	100,000
Less ITR (30%)	(30,000)
Effective net cost	70,000

## Capital Gains Tax – Deferral Relief

Investors can defer paying tax on any amount of chargeable gains to the extent they subscribe for EIS shares. The limit of £500,000 per tax year for Income Tax relief does not apply to Capital Gains Tax.

The shares must be issued within 1 year before or 3 years after the date of the disposal which gives rise to the gain. The relief can therefore be used as a carry back against capital gains made in earlier years. For example, if a gain was made on 31 January 2009 it could be sheltered if shares in the Company were issued by 30 January 2012.

Example	£
Gain (Jan 2011)	150,000
EIS Inv (Dec 2011)	(150,000)
Taxable gain	NIL
Gain deferred	150,000

The gain is deferred until there is a chargeable event such as a disposal of the EIS Shares or a breach of the EIS rules.

The gain once revived is taxable at the prevailing Capital Gains Tax rate at the time; currently the maximum Capital Gains Tax rate is 28%.

## Capital Gains Tax - Exemption

After the Relevant Period, broadly 3 years, any capital gains realised on disposal of the shares on which Income Tax relief was claimable are tax free provided the EIS relief has not been previously withdrawn.

Example	£
Sale proceeds	300,000
Less cost	(100,000)
Gain (Tax free)	200,000

## Inheritance Tax

Provided a shareholder has owned shares in a qualifying unquoted trading company for at least 2 years and certain conditions are met at the time of the transfer, 100% business property relief is available. This reduces the inheritance tax liability on the asset to £nil.

## Loss Relief

In the event that an investor realises a loss on his or her shares and the EIS rules have been met for at least the relevant 3 year period, an investor can claim Income Tax or capital gains tax relief for the loss incurred (net of Income Tax relief originally obtained).

Example	£
Realisation	Nil
Cost of shares	(100,000)
Less ITR (30%)	30,000
Net loss	(70,000)
Loss relief @ 50%	35,000
Overall loss	(35,000)*

(\* assuming losses are used against income otherwise taxable at higher rates of Income Tax.)

This section includes projections and are provided for illustrative purposes only. They are based on assumptions and are subject to the Risk Factors at page 16. There could be no income and no distributions to Investors, or income and distributions could be higher or lower than those illustrated. Furthermore, income could be received and distributions made, over a longer or lesser period of time. The actual results and developments may differ materially from those expressed or implied by these statements because of a variety of factors and accordingly there can be no assurances that the projected results or developments will be attained.

Based on the Company's business model, assuming a low risk strategy is employed in the film industry over a 3 year period, and that there is no value in the retained rights in film projects accumulated, the Film Adviser believes the Company would be able to return to Shareholders at least their initial equity investment.

If after 3 years Shareholders only receive back their original investment and assuming the 30% EIS Income Tax credit is claimed, the effective net IRR would be 12.6%. (Example 1, centre column).

The Directors and advisers to the Company believe that the Company can make additional profits and build a valuable asset for future exploitation.

## Examples

The following examples focus on the Income Tax and Capital Gains Tax reliefs. These do not account for Inheritance Tax relief which may also be available to Investors who have owned shares in the Company for 2 years.

### Example (1) – Client who claims EIS Income Tax relief only.

Performance +/-	-30%	0%	+20%
Investment	(£100,000)	(£100,000)	(£100,000)
EIS Income Tax relief	£30,000	£30,000	£30,000
Net cost of investment	(£70,000)	(£70,000)	(£70,000)
Investment Return	£70,000	£100,000	£120,000
Gain / (Loss) on investment	NIL	£30,000	£50,000
<b>Effective net IRR*</b>	<b>0%</b>	<b>12.6%</b>	<b>19.7%</b>

### Example (2) – Client who claims EIS Income Tax credit with CGT Deferral relief at 28%.

Performance +/-	-30%	0%	+20%
Investment	(£100,000)	(£100,000)	(£100,000)
EIS Income Tax relief	£30,000	£30,000	£30,000
CGT Deferral relief	£28,000	£28,000	£28,000
Net cost of investment	(£42,000)	(£42,000)	(£42,000)
Investment Return	£70,000	£100,000	£120,000
Gain / (Loss) on investment	£28,000	£58,000	£78,000
CGT Deferred payable	(£28,000)	(£28,000)	(£28,000)
<b>Effective net IRR*</b>	<b>0%</b>	<b>19.6%</b>	<b>29.9%</b>

## **Dividend Policy**

It is not anticipated that the Company will pay any dividends during the initial trading period of 3 years. This does not preclude the Directors from declaring a dividend if they consider it appropriate at a point in the future.

## **Exit Strategy**

The Board intends to seek the views of the Shareholders regarding the future activities of the Company after 3 years, and will also put forward proposals to enable investors to realise their investment. There are likely to be a number of alternatives available, the principal ones of which are described hereafter.

### **Trade sale**

If the Company has established a successful track record, it might prove to be an attractive acquisition target and, if a cash offer was made, Shareholders would be able to realise their investment.

### **Share buy back**

After 3 years the Directors will consider the possibility of a share buy back. In this situation, the Shareholders would receive cash in exchange for their Shares.

## **Voluntary liquidation**

The Company could cease trading and could then be liquidated so that funds could be returned in a tax efficient manner to Shareholders.

In the event of liquidation or reduction of capital, all Shareholders are entitled to participate in the return of assets (after payment of all liabilities) pro-rata to their shareholding.

## **Flotation**

In addition, the Directors consider that a flotation on a public stock market (such as the Alternative Investment Market) could provide an attractive exit route for Shareholders if the Company has achieved an appropriate track record of performance and has a sufficient market capitalisation. If a flotation does take place, this should subsequently enable Shareholders to realise their investment if they so wish.

Other opportunities may also arise over the next 3 years and the Directors will monitor these matters on a regular basis and consult Shareholders as necessary.

The registered office of the Company is Canon House, 27 London End, Beaconsfield, Bucks, HP9 2HN.

The board of the Company comprises 2 individuals who between them have many years experience in their respective fields. Each of the Director's short biographies are set out below:

## **Tim Smith**

Tim is the Managing Director of Prescience Film Finance Ltd.

He has worked in the marketing, financing and production of filmed entertainment since the 1980s and his experience spans film, music, computer games and video. He has worked for companies ranging from Twentieth Century Fox where he was responsible for marketing and UK sales and distribution labels, to the independent film and video distributor, Medusa Communications. For well over a decade Tim owned and ran Foresight, one of the most successful entertainment agencies in Europe during the 1990s, representing such film clients as Walt Disney's Buena Vista International, Warner Brothers and PolyGram. After selling Foresight to South Africa's Primedia group in the early 2000s, Tim Smith worked as an independent producer before establishing Prescience in 2005.

## **John Fields**

John is Managing Partner at the Chancery Group, including Chancery (UK) LLP.

John's background is finance, principally having worked at major multinationals before moving into Management Consulting where he specialised in Shared Services and Company Transformation.

John's interest in media encompasses investment in feature films.

Significant Investors (broadly those investing in excess of £500,00 may be invited to join the Board of Directors.

## **Advisers to the Company**

<b>Distributor</b>	Chancery (UK) LLP, Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA.
<b>Film Adviser</b>	Prescience Film Finance Limited, Canon House, London End, Beaconsfield, Bucks, HP9 2HN.
<b>Legal Adviser</b>	Davenport Lyons, 30 Old Burlington Street, London W1S 3NL.
<b>Auditor</b>	Shipleys, 10 Orange Street, Haymarket, London WC2H 7DQ.
<b>Taxation Advisers</b>	Mazars LLP, Tower Bridge House, St Katherine's Way, London E1W 1DD.
<b>Company Secretary</b>	Mazars Corporate Finance Ltd, Tower Bridge House, St Katherine's Way, London E1W 1DD.

# BOARD AND ADVISERS

## **Conflicts of Interest**

The Directors, the Film Adviser and other advisers, with which any of them or their principals are associated, may from time to time act as investment manager, manager, custodian, registrar, broker, administrator, investment adviser or dealer in relation to, or be otherwise involved in, other funds established by parties other than the Company which have similar objectives to those of the Company. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company.

Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly. In addition, subject to any applicable law, any of the foregoing may deal, as principal or agent, with the Company, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

The Film Adviser, or any of its affiliates or any person connected with it may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Company. Neither the Film Adviser nor any

of its affiliates nor any person connected with it is under any obligation to offer investment opportunities of which any of them becomes aware to the Company or to account to the Company in respect of (or share with the Company or inform the Company of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Company and other clients.

In particular, the Film Adviser and the Distributor are sponsoring capital raising activities by the Other Production Companies. In the event that such fund raisings are successful, the Company may enter into arrangements to share revenue from Films across a slate of projects with the Other Production Companies. One or more of the Directors may serve on the board of the Other Production Companies. In any event, the Directors shall declare any conflicts of interest at board level and endeavour to deal with any such conflicts equitably and transparently. Any Shareholder may ask to be considered for appointment as a Director.

Peter Nichols has a dual role as Chairman of the Film Adviser and Senior Partner of Chancery (UK) LLP, which is responsible for the Distribution and Fundraising for this Offer.

# MATERIAL CONTRACTS AND AGREEMENTS

## **Distributor Agreement**

Chancery (UK) LLP has been appointed by the Company to act as Distributor of the Information Memorandum to assist with the fund raising exercise pursuant to the Private Placing. Subject to the Minimum Amount being achieved, the Company will pay the Distributor a one-off fee of 5% plus VAT of funds raised by the Company. This will cover all the costs of fundraising for the Company, including the cost of introducers' commissions, the preparation and issue of this document and all relevant documentation. In addition, the Distributor shall be entitled to participate in the Deferred Annual Fee as set out on page 15.

## **Film and Administrative Services Agreement**

The principal role of Prescience Film Finance pursuant to the Film and Administrative Services Agreement will be to advise on the sourcing and production of suitable Film productions and their exploitation. The appointment of the Film Adviser shall be made by the Company. In the process of so doing, Prescience Film Finance will advise on a total funding package for each Film and will be entitled to receive a fee, paid out of the Film's budget, for which it will not be required to account to the Company.

For its services and in order to meet a variety of other costs, Prescience Film Finance will be charging a per annum fee equivalent to approximately 1% plus VAT of the funds raised by the Company.

Under this agreement, Prescience will provide administrative support services. These services shall include the provision of the registered office and the preparation of annual accounts. The costs for the provision of such services shall be included within the annual fee. In addition, Prescience shall be entitled to participate in the Deferred Annual Fee as set out on page 15.

## **Initial Fees**

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The Company will pay the Distributor a one-off fee of 5% plus VAT of all funds raised by the Company. This will cover all the costs of fundraising for the Company, including the costs of marketing, introducers' commissions and the preparation and issue of this document and all related documentation.

## **Annual Fees**

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The Film Adviser will receive an annual fee amounting to 1% plus VAT of the funds raised payable in advance.

## **Deferred Annual Fee**

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The Film Adviser and Distributor will receive a Deferred Annual Fee of 1.5% per annum but only once the returns to investors exceed their original gross investment. Such fee shall be payable in relation to each accounting period of the Company.

## **Performance Fee**

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The Film Adviser and Distributor will share in an entitlement to a Performance Fee of 20% of returns in excess of investors' original subscription.

## **Establishment Costs**

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The total costs and expenses of establishing the Company are payable by the Company. These may be shared with any Other Production Companies pro rata based on the level of Share subscriptions received by each as a percentage of the aggregate for all Companies combined in the current tax year 2011/2012. For the avoidance of doubt, the Establishment Costs are in addition to the Initial Fees.

## **Company Secretarial Fee**

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During the period of fundraising, the costs of company secretarial work will be met within the Establishment Costs above. In subsequent years a fee will be levied which is not anticipated to exceed £750 per annum.

## **Directors' Fees**

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Directors' Fees will be paid from the Annual Fees noted previously.

## **Other Fees and Expenses**

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It is anticipated that film project costs (e.g. legals) will be covered within the budget for each film. However, any direct costs incurred by a Company or the Companies as a whole in the future will be payable by the Company or Companies (pro rata).

# RISK FACTORS

This investment opportunity may not be suitable for all the recipients of this IM. Prospective investors are reminded that investment in unquoted shares of new start up companies carries higher risks than investment in quoted shares.

An investment in the Company is speculative, and involves a degree of risk due to the nature of the stated and likely trading activities, strategies, and techniques employed in the Company's business. Accordingly, an investment in the Company is suitable only for persons of adequate financial means, who have no requirement for liquidity, and who can bear the economic risk, including the possible complete loss of their investment.

Prospective investors should give consideration to the risk factors that follow in evaluating the suitability of an investment in the Company. The following list of risk factors and other considerations does not purport to provide a complete explanation of the risks and other factors involved in this offering. Prospective investors should read this IM in its entirety and discuss its contents with their professional advisers (financial, legal and otherwise) before deciding whether to invest in the Company.

## **Financial Returns**

The Company's trading strategies should be considered to be speculative. The success of the Company will be dependent upon many factors. No assurance can be given that the strategies employed by the Company will be successful. Subscribing for Placing Shares therefore carries risk, particularly given the speculative nature of the film, television, and media industries.

The value of the investment may go down as well as up, and an investor may not get back the amount he or she invests. No guarantees as to performance are given either expressly or by implication. Events in the past, or experience derived from these, or indeed present facts, beliefs or circumstances, or assumptions derived from any of these, do not predetermine the future. Projections contained in this IM are no more than that and should not be taken as forecasts.

## **Financial Services Compensation Scheme**

The opportunity to invest in the Company is not regulated by the FSA and the subscription for Placing Shares will not be covered by the Financial Services Compensation scheme, or any other compensation scheme.

## **Counterparty Risk**

The Company will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. The Company will seek to assess the solvency risk posed by counterparties, but in the event of an insolvency, the security held by the Company may have reduced value or be worthless.

## **Film Risks**

The success of the Company's intended trading activities will depend, to a great extent, upon the correct assessment of the opportunities in the film and media industry. The commercial success of a film cannot be guaranteed and there is always a possibility that a film may fail to perform at the box office. This will detrimentally affect the value of the Company's activities. A film may go over budget which may reduce any return to the Company and require funding from elsewhere (although insurance will be taken out to prevent this). Financial commitments to films may prove to be valueless. Notwithstanding that a film in which the Company takes an interest has the benefit of a completion bond and production insurance, the Company may also be exposed to the disruption of production. The income from a film or other media rights may fluctuate and investors should not rely on estimates of income. Income may be zero.

## **Concentration of Investments**

Where appropriate from an investment and risk management perspective, the Company will attempt to diversify its commitments. This, however, may not always be possible and accordingly, the Company's portfolio may at times be moderately or heavily concentrated. This may lead to a higher level of volatility.

The risk of the Company being exposed to a concentrated portfolio will be exacerbated if none of the Other Production Companies raise sufficient capital, so that the opportunity to diversify the portfolio cannot be achieved. In those circumstances, the Company will proceed with its business, but will not have the advantage of access to a broader slate of Films.

The success of the Company may be influenced by conditions in different economic zones. Such conditions may affect the level and volatility of interest rates and the extent and timing of participation in those zones.

## **Copyright Infringement**

There is a possibility that any given film production may be subject to a claim of an infringement of intellectual property rights. Errors and Omissions Insurance will be taken out and maintained in force during the period immediately following completion and delivery of the Film for protection. The Film Adviser, on behalf of the Company, will conduct its own due diligence prior to financing, to ensure suitable chain of title exists but there can be no guarantee that the owner of the asset does not have, in some manner, incomplete or defective title to the asset. Such title shortcoming or defect could result in legal challenges by other claimants to the asset.

## **Legislation and Tax**

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This IM is prepared in accordance with current legislation and practice and the Tax Advisers' interpretation thereof. Legislation, rules and practice may change and the interpretation thereof may not be correct. Changes in legislation may adversely affect an investor's position. New legislation or changes in practice or legislation may have a retrospective effect.

Any prospective investor should seek opinion from a qualified professional with regard to the implications of an investment from a legal and tax perspective.

The Company anticipates approval from HMRC that a subscription in Placing Shares should qualify for the taxation advantages offered under EIS. However, neither the Company, the Directors, nor the Company's advisors give any warranties or undertakings that EIS Income Tax Relief, EIS CGT Exemption or EIS Deferral Relief will be available, or that if given, such relief will not be withdrawn. If the Company ceases to trade during the period of 3 years from the time of the investment, this could prejudice its qualifying status under EIS.

## **Conflicts of Interest**

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The members of the Film Adviser may be active in the investments in which the Company takes an interest. Accordingly a conflict of interest may arise between the Film Adviser, its members and the Company from time to time. The parties involved will seek to resolve any such conflict in an equitable manner. In any event, neither the Film Adviser, nor its members or directors, shall be required to account to the Company for any profits enjoyed by their participation in projects outside the business of the Company, regardless of whether these compete with the Company's strategy.

There is also the possibility of conflicts of interest arising within the arrangements established with the Other Production Companies. Please see page 14 for further details of this and proposals as to how such risk will be managed.

## **Retention of Key Personnel and Advisers**

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The performance of the Company depends to a large extent on the experience and skills of the key personnel employed by the Company and its advisers, in particular the Film Adviser and its principals.

## **Term**

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The Company will be engaged in trading activity and the opportunity described in this Information Memorandum is not therefore suitable for those looking for a short term investment gain.

## **Restricted Market**

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Opportunities for investors to dispose of their Placing Shares are severely constrained. There is no established market in the Placing Shares. Investors may have difficulty in selling or realising their Placing Shares or obtaining reliable information about their value.

## APPENDIX 1 – GLOSSARY

**“Company”** Altus Productions 4 Limited (company no. 06984268) of Canon House, 27 London End, Beaconsfield, Bucks HP9 2HN.

**“Companies Act”** The Companies Act 1985 including any statutory modifications or re-enactment thereof for the time being in force and any provisions of the Companies Act 2006 for the time being in force.

**“Directors”** Means the directors of the Company from time to time.

**“Distributor”** Chancery (UK) LLP of Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA.

**“EIS”** The Enterprise Investment Scheme as set out in UK tax legislation.

**“EIS Income Tax Relief”** Income Tax relief and/or exemption from tax in respect of chargeable gains which is available with EIS.

**“EIS CGT Exemption”** Exemption from tax in respect of chargeable gains on the realisation of Ordinary Shares which is available with EIS.

**“EIS Deferral Relief”** Capital gains deferral on reinvestment pursuant to Section 150C and Schedule 5B of TCGA.

**“Film”** A film which the Company produces or co-produces, either in its own capacity or in an SPV.

**“Film and Administrative Services Agreement”** The agreement entered into between the Company and Prescience Film Finance to source Film projects, assist in production and provide certain advisory and administrative services.

**“Film Adviser”** Prescience Film Finance.

**“FSA”** Financial Services Authority.

**“HMRC”** HM Revenue and Customs.

**“Information Memorandum”** this document dated October 2011.

**“Investor”** A person who acquires Ordinary Shares pursuant to this offer.

**“IRR”** The internal rate of return, being the annualised discounted rate at which the net present value of the relevant cash flows sum to zero.

**“ITA”** the Income Tax Act 2007 (as amended).

**“ITR”** Income Tax Relief.

**“Net Sales”** The revenue received from film exploitation after the deduction of pre-sales, the Sales Agents’ fees and expenses and the collection agent’s fees.

**“Ordinary Shares”** or **“Shares”** The Ordinary Shares of £1 each in the capital of the Company.

**“Other Production Companies”** Means the other production companies, sponsored by the Film Adviser and the Distributor, conducting fund raising exercises by means of private placing of shares with a view to conducting business in the production or co-production of Films with advice from the Film Adviser.

**“Placing”** or **“Offer”** The private placing of the Placing Shares on the terms and conditions set out in this document.

**“Placing Price”** £1.00.

**“Placing Shares”** or **“Offer Shares”** Up to 2,000,000 new Ordinary Shares being the subject of the Placing.

**“Relevant Period”** or **“3 Year Period”** The period beginning on the date on which the Placing Shares are issued and ending 3 years after that date or 3 years after the commencement of the Company’s business, whichever is later.

**“Shareholder”** A holder of Ordinary Shares.

**“SPV”** Means a special purpose vehicle, being an entity incorporated solely for the purpose of producing a specific Film.

**“Tax Credit”** A credit issued by the Department of Culture, Media and Sport to film producers.

**“TCGA”** The Taxation of Chargeable Gains Act 1992 (as amended).

**“UKFC”** The UK Film Council.

**“UK Film Tax Credit”** Payable tax credit from HMRC for certain British qualifying Films.

**“UK”** or **“United Kingdom”** The United Kingdom of Great Britain and Northern Ireland.

## APPENDIX 2 – GENERAL AND STATUTORY INFORMATION

The information in this section includes a summary of some of the provisions of the Memorandum and Articles of Association.

### **The Company**

The Company was incorporated on 6 August 2009 (company no. 06984268).

### **Share Capital**

The authorised share capital of the Company is £2,000,000 divided into 2,000,000 Ordinary Shares of £1 each.

The Company currently has no subsidiaries.

### **Memorandum and Articles of Association**

The constitution of the Company is defined in the Memorandum and Articles of Association.

The Memorandum of Association provides that the Company's objects are, inter alia, to carry on business as a general commercial company. The objects of the Company are set out in full in the Memorandum of Association which is available upon request from the Company. The Articles contain, inter alia, provisions to the following effect:-

### **Allotment of Shares**

The Directors are authorised to allot the shares of the Company to such persons and for such consideration and upon such terms as the Directors may determine subject (in the case of any shares other than those comprising the Authorised Share Capital) to the provisions of Section 80 of the Companies Act and to such directions as to the allotment or disposal thereof as may be given by the Company in general meeting at the time of the creation of such shares.

Pursuant to Article 5 of the Articles of Association of the Company, the Directors are generally and unconditionally authorised to exercise any power of the Company to allot the authorised share capital of the Company and may do so at any time before the date of the fifth anniversary of the date of incorporation of the Company.

### **Transfer of Shares**

The Directors may in their absolute discretion decline to register the transfer of a share whether or not it is a fully paid share.

### **Lien**

The Company shall have a first and paramount lien on every share for all monies (whether presently payable or not) payable by the shareholder or his/her estate to the Company.

### **Appointment of Directors**

It is anticipated that the Company will appoint at least 2 Directors.

The Directors shall not be required to retire by rotation.

### **Borrowing Powers of Directors**

The Directors may exercise all the powers of the Company to borrow money without limit as to amount and on such terms as they think fit, and subject (in the case of any security convertible into shares) to section 80 of the Act to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

### **Dividend Distributions**

If a dividend is declared, all Shareholders will be entitled to participate equally (pro rata to the number of Shares held by each Shareholder) in the dividend.

### **Return of Assets**

On a liquidation, reduction of capital or otherwise (after payment of all liabilities) all Shareholders will be entitled to participate equally (pro rata to the number of shares held) in the return of assets.

### **Rights of Shareholders**

All Ordinary Shares rank *pari passu* as to voting, rights to income and rights to the return of capital.

### **Directors and Directors' interests**

A full list of the directorships of the Directors, along with their interests in any partnerships or limited liability partnerships is available upon request.

As at the date of this document, neither of the Directors has:

- (i) any unspent convictions in relation to indictable offences; or
- (ii) been declared bankrupt or made any individual voluntary arrangement; or
- (iii) been a director of a company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or
- (iv) been a partner or in a partnership at the time of or within the 12 months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or

## APPENDIX 2 – GENERAL AND STATUTORY INFORMATION

- (v) had any asset subject to receivership or been a partner of any partnership at the time of or within the 12 months preceding any asset of such partnership being subject to a receivership; or
- (vi) been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

### **Directors' Remuneration**

Directors' fees and expenses will be covered under the Annual Fee paid to the Film Adviser.

### **Indemnity**

Each Director shall be entitled to the benefit of an indemnity from the Company ("Indemnity"). Such Indemnity shall be a "qualifying third party indemnity provision" for the purposes of the Companies Act. Accordingly, pursuant to such Indemnity, the Company would be obliged to provide the relevant director or officer with funds to meet expenditure incurred or to be incurred (i) in defending criminal proceedings or civil proceedings; and (ii) in applying for relief from liability under the Companies Act. The Indemnity would not, however, indemnify the relevant director against any liability he incurs: (i) to the Company or an associated company; (ii) to pay a criminal fine or a regulatory penalty; (iii) in defending criminal proceedings in which he is convicted; or (iv) in an unsuccessful application for relief under the Companies Act.

### **Documents available for inspection**

Copies of the following documents may be inspected free of charge during normal business hours on any week day (Saturdays and public holidays excepted) at the registered office of the Company:

- (A) the Memorandum and Articles of Association; and
- (B) the agreements referred to under "Material Contracts" on page 14.

### **Transfer of Shares**

There is in general no restriction on the transferability of the Ordinary Shares. Any transfers of Ordinary Shares shall be effected in writing by an instrument approved by the Directors. The Directors retain the right to refuse any transfer of Ordinary Shares and suspend any transfer of Ordinary Shares.

### **Working Capital**

The Directors consider that, taking into account the net proceeds of the Placing after receiving subscriptions for the Minimum Amount, the Company will have sufficient resources for present requirements.

### **Reporting to Investors**

The Company will send the audited annual report and accounts to investors. Progress reports will also be issued to investors from time to time.

### **Information Memorandum**

Further copies of this document, which is dated October 2011, will be available free of charge during normal business hours on Monday to Thursday (Public holidays excluded) from Chancery (UK) LLP, Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA.

## The King’s Speech

Inspired by a true story, *The King’s Speech* is the tale of Albert, Duke of York, who ascended the British throne in the 1930s following the abdication of his brother. He had a severe speech impediment, and enlisted the help of a quirky speech therapist whose methods were all but conventional. With the British empire on the precipice of yet another great war, the Duke, now King George VI, must deliver the most important speech of his life and instill courage into his countrymen.

With 4 Oscars, including Best Picture and 7 BAFTAs, *The King’s Speech* has taken £46m at the UK box office, making it the most successful British independent film of all time. The film has also taken over \$135m in the US and currently \$430m worldwide.



*Cast:* Colin Firth (*A Single Man*, *St. Trinian’s 2*), Geoffrey Rush (*Pirates of the Caribbean 1, 2 & 3*), Helena Bonham Carter (*Harry Potter*, *Sweeney Todd*), Guy Pearce (*The Road*, *Memento*).

*Director:* Tom Hooper (*The Damned United*, *Longford*)

*UK Release Date:* 7th January 2011.

## 360

Starring Rachel Weisz, Jude Law and Anthony Hopkins and directed by Fernando Meirelles (*City of God*, *The Constant Gardener*), *360* follows pairs of characters and dissects their sexual encounters. The film is based on the 1900 play “Reigen” that inspired French drama “La Ronde”. The Fund provided finance against the UK tax credit and against unsold territories. The film was shown for the first time at the Toronto Film Festival in September 2011.



*Cast:* Rachel Weisz (*The Constant Gardener*, *The Lovely Bones*), Jude Law (*Sherlock Holmes*, *Alfie*), Anthony Hopkins (*Silence of the Lambs*, *The Remains of the Day*, *The Mask of Zorro*).

*Director:* Fernando Meirelles (*City of God*, *The Constant Gardener*)

*UK Release Date:* 1st Quarter 2012.

### The Guard



Three drug-dealers are planning to land half a billion dollars’ worth of cocaine off the west coast of Ireland. The only men standing in their way are straight-laced FBI agent Wendell Everett and Gerry Boyle, an unconventional Guard, with a dying mother, a fondness for prostitutes, and a heightened sense of the absurd.

*Cast:* Don Cheadle (*Ocean’s 11, 12 & 13, Crash*), Brendan Gleeson (*In Bruges, Beowulf*), Mark Strong (*Sherlock Holmes, Body of Lies*), Liam Cunningham (*Clash of the Titans, The Mummy: Tomb of the Dragon Emperor*).

*Director:* John Michael McDonagh (*Ned Kelly, The Second Death*).

*UK Release Date:* 19th August 2011.

### Horrid Henry: The Movie

The film is based on the hugely successful children’s book series of the same name.

The first ever British kids’ movie to be filmed in 3D, ***Horrid Henry: The Movie*** stars Anjelica Huston as Henry’s terrifying teacher Miss Battle-Axe, alongside Rebecca Front as Henry’s headmistress Mrs. Oddbod, Richard E. Grant as a rival headmaster, and Parminder Nagra as Miss Lovely. International sales are being handled by Protagonist Pictures. The Fund provided a blend of finance against the UK tax credit, 3 presale contracts and a GAP position. The film has taken over £6.5m at the UK box office.



*Cast:* Angelica Huston (*The Addams Family, Prizzi’s Honor*), Richard E. Grant (*Gosford Park, The Iron Lady*), Parminder Nagra (*Bend It Like Beckham*).

*Director:* Nick Moore (*Wild Child*)

*UK Release Date:* 29 July 2011.

## APPENDIX 4 – TERMS AND CONDITIONS OF APPLICATION

1. **The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned by crossed cheque through the post in favour of the applicant, at the risk of the person entitled thereto, within 7 days of the closing offer.**
2. By completing, signing and delivering an Application Form you:
  - 2.1 offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your application is accepted) at the offer price of £1.00 per Share on the terms of and subject to this document, including these terms and conditions, and the Memorandum and Articles of Association of the Company;
  - 2.2 agree that, in consideration of the Company agreeing that it will not issue or allot any Shares to any person other than by means of the procedures referred to in this document. Your application shall be irrevocable, and this paragraph shall constitute a conditional contract between you and the Company which will become binding upon receipt by Mazars Corporate Finance Limited of your Application Form and payment;
  - 2.3 confirm and warrant that your remittance will be honoured on first presentation;
  - 2.4 confirm and agree that any monies returnable to you may be retained by the Company pending clearance of your remittance and that such monies will not bear interest;
  - 2.5 confirm and agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of application and contracts in any other manner permitted by law or in any court of competent jurisdiction;
  - 2.6 confirm that in making such application you are not relying on any information or representation in relation to the Company other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information or representation;
  - 2.7 agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained herein;
  - 2.8 confirm that in making this application you simply want the transaction executed and that you are not looking to the Company or Film Adviser or Distributor for advice about the merits of investment or its suitability for you;
  - 2.9 confirm that you have taken such independent advice in relation to the Offer as you considered appropriate before submitting the Application Form;
  - 2.10 confirm, represent and warrant that you have read and complied with paragraph (3) below and that you are not person(s) otherwise prevented by legal or regulatory restraints from applying for the Shares, nor acting on behalf of any such person(s) on a discretionary basis or as a nominee or agent for any person;
  - 2.11 confirm, represent and warrant that you are not, and that you are not applying for the account or benefit of any person who is a US person (as defined in Regulation S under the United States Securities Act of 1933, as amended) or a citizen or resident of the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa and that you are not applying for the issue of the Shares on behalf of or with a view to the re-offer, re-sale, transfer or delivery of the Shares to or for the benefit of any person(s) resident in the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa;
  - 2.12 warrant that you are not under the age of 18;
  - 2.13 confirm and agree that all documents and cheques sent by post to, or on behalf of the Company, will be sent at the risk of the person(s) entitled thereto; and
  - 2.14 request that a definitive share certificate for the number of Shares in respect of which this Application is accepted, together with a cheque, if applicable, for any surplus application money, be issued to you.
3. No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him/her, nor should they in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself/herself as to full observance of the laws of any relevant territory, any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
4. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful. In the event that applications are received for an amount in excess of the maximum subscription under the Offer, the Directors reserve the right to exercise their discretion in the allocation of successful applications, although the allocation will usually be on a first come first served basis. The right is also reserved to reject in whole or in part any application not in all respects completed in accordance with the instructions relating to the Application Form.
5. Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the IM and any explanatory notes in relation thereto.

## APPENDIX 5 – GUIDE TO APPLICATION FORMS

**I**n order to make an application to subscribe for Shares in the Company you must have confirmed that you are a certified High Net Worth Individual and/or Self-Certified Sophisticated Investor for the purpose of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. You must make this declaration when submitting your Application by signing the Statement that is relevant to your circumstances to declare your eligibility for Application. The Statements are provided overleaf. The signed declaration must be returned either prior to or with the Application Form which is outlined below.

The following instructions should be read in conjunction with the Application Form:

1. **Insert your full name, address and other details in Block Capitals in Section 1.** Applications may only be made by persons aged 18 or over.
2. **Insert in Section 2 (in figures) the number of Shares for which you are applying.** Your application must be for a minimum of 10,000 shares.
3. **Insert in Section 3 (in figures) the amount of your payment.** Your cheque or bankers' draft should be for the amount which represents £1.00 multiplied by the number of Shares inserted in Section 2.
4. **Sign and date the Application Form. If the Application Form is signed under a power of attorney, such power of attorney or a duly certified copy thereof must accompany the Application Form.**
5. **Send the completed Application Form together with the cheque or bankers' draft by post, or deliver it by hand, to Altus Productions 2 Limited c/o Mazars Corporate Finance Limited, Tower Bridge House, St Katherine's Way, London E1W 1DD so as to be received no later than 10.00 am on the requested Closing Date. If you post your Application Form you are recommended to use first class post and to allow at least 2 working days for delivery. Photostat or faxed copies of the Application Form will not be accepted. Applicants are strongly recommended to submit applications and cheques as soon as possible. In the event that applications are received for an amount in excess of the maximum subscription. Shares will normally be allocated on a first come first served basis. The Directors reserve the right to accept any application in part only or to reject any application.**
6. **A share certificate will be sent to you incorporating the details included in Section 1 within 30 days of the allotment and issue of Shares under the Offer.**
7. **If you have any queries on the procedure for application and payment, you should contact Chancery (UK) LLP on 01908 699600.**

### **Money Laundering Regulations**

To ensure compliance with the Money Laundering Regulations 2007, the Company requires verification of identity from any person lodging an Application Form (the "Applicant") and, without prejudice to the

generality of the foregoing, in particular any person who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to be acting on behalf of some other person. In the latter case, verification of the identity of any person on whose behalf of the Applicant appears to be acting may be required.

Cheques and bankers' drafts must be drawn in Sterling on an account at a UK branch or a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of either of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided for the members of any of those institutions or that committee and must bear the appropriate sort code number in the top right hand corner.

Where possible Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used or cheque signed by the bank or building society and which does not quote the name of the Applicant, the Applicant should:

Write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and

Ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement; and

**All applications must be accompanied by 2 documents for personal identification purposes: the first such document must be a certified copy of the Applicant's passport or driving licence; and the second such document must be a bank, building society or credit card statement or a utility bill in the Applicant's name only and showing the Applicant's current residential address, which must be less than 3 months old in each case. A copy of a passport or driving licence should be certified as a true copy of the original by a solicitor, accountant, banker or regulated financial services professional, who should provide their full name, profession and business address as part of the certification.**

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and rejection of an Application Form. Original documents will be returned by post at the Applicant's own risk. Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained, the application will not be accepted.

**PLEASE NOTE:** By completing this application pack you consent to allow the Film Advisor and Distributor to share any of your personal information which they may hold with each other and such third parties (located within the EU) as the Film Advisor and/or Distributor shall in their sole discretion deem to be in the best interest of the Company and/or deem necessary to adhere to and fulfill their respective roles as defined in this IM. Should you not agree to your personal information being shared in this way you should not enter into this opportunity.

# ALTUS PRODUCTIONS 4 LIMITED APPLICATION FORM

PLEASE USE BLOCK CAPITALS

## 1 Personal details

Mr, Mrs, Miss or title							
Forename(s) (in full)							
Surname							
Address							
Postcode				Daytime Tel. No.			
Email							
Date of birth				National Insurance number			

## 2 Shares applied for

Shares		Minimum 10,000
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(or any smaller number of Shares for which this application is accepted) at the offer price of £1.00 per Share, payable in full on application, on the terms and conditions set out in this Application Form and the IM dated September 2011 and subject to the Memorandum and Articles of Association of Altus Productions 4 Limited.

3 I attach a cheque or bankers' draft for the amount below payable to "Altus Productions 4 Limited – Client Account"

or

I shall remit the amount to the Altus Productions 4 Limited – Client Account at Barclays Bank

Amount	£		Minimum £10,000
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Please send me (a) certificate(s) confirming my entitlement to Enterprise Investment Scheme tax reliefs.

## 4 By signing this form I HEREBY DECLARE THAT:

- I have received the Information Memorandum dated September 2011 and have read the terms and conditions of application contained at Appendix 4 therein and agree to be bound by them; and
- to the best of my knowledge and belief, the particulars I have given are correct.

HM Revenue & Customs may inspect this declaration. It is a serious offence to make a false declaration.

Signature

Date

## DELIVERY OF APPLICATION FORM

Send the completed Application Form, together with the cheque or bankers' draft by post, or deliver it by hand to Altus Productions 4 Limited, c/o Mazars Corporate Finance Limited, Tower Bridge House, St Katherine's Way, London E1W 1DD.



# INTRODUCTION AND IDENTITY VERIFICATION CERTIFICATE

## PLEASE USE BLOCK CAPITALS

This is required for Money Laundering purposes and must be completed by the Independent Financial Advisor.

Mr, Mrs, Miss or title			
Forename(s) (in full)			
Surname			
Address			
Postcode		Daytime Tel. No.	
Email			

Date of birth			
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We confirm that the applicant is a "Qualified Investor" pursuant to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, as summarised on page 2 of this Information Memorandum.

(Please tick either A or B)

A. We confirm that we have verified the identity of the applicant and that certified copies of the underlying documentary evidence received are enclosed with this certificate and that we have sighted the original documents.

ALTERNATIVELY

B. I/We have not verified the identity and current residence of the applicant.

Explanation	
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I/We confirm that the applicant is applying on his/her own behalf and not as nominee, trustee or in a fiduciary capacity for any other person

Full name of Regulated Firm	
FSA Regulatory No.	
Signed	
Full name (block capitals)	
Job title	
Date	

In the event that A is deleted, or an exemption or concession has been applied that would not be available to the product provider in the circumstances, then the Company will need to ensure that the identification and current residence evidence is obtained for its records.



# STATEMENT FOR CERTIFIED HIGH NET WORTH INDIVIDUAL

I declare that I am a Certified High Net Worth Individual for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

**I understand that this means:**

1. I can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority;
2. the content of such financial promotions may not conform to rules issued by the Financial Services Authority;
3. by signing this statement I may lose significant rights;
4. I may have no right to complain to either of the following
  - the Financial Services Authority; or
  - the Financial Ombudsman Scheme.
5. I may have no right to seek compensation from the Financial Services Compensation Scheme.

**I am a Certified High Net Worth Individual because at least one of the following applies:**

1. I had, during the financial year immediately preceding the date below, an annual income to the value of £100,000 or more;
2. I held, throughout the financial year immediately preceding the date below, net assets to the value of £250,000 or more. Net assets for these purposes do not include –
  - the property which is my primary residence or any loan secured on that residence;
  - any rights of mine under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or
  - any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependents are), or may be, entitled.

I accept that I can lose my property and other assets from making investment decisions based on financial promotions.

I am aware that it is open to me to seek advice from someone who specialises in advising on investments.

**Signature**

**Date**

**Name**



# STATEMENT FOR SELF-CERTIFIED SOPHISTICATED INVESTOR

I declare that I am Self-Certified Sophisticated Investor for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

**I understand that this means:**

1. I can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority;
2. the content of such financial promotions may not conform to rules issued by the Financial Services Authority;
3. by signing this statement I may lose significant rights;
4. I may have no right to complain to either of the following
  - the Financial Services Authority; or
  - the Financial Ombudsman Scheme.
5. I may have no right to seek compensation from the Financial Services Compensation Scheme.

**I am a Self-Certified Sophisticated Investor because at least one of the following applies:**

1. I am a member of a network or syndicate of business angels and have been so for at least 6 months prior to the date below;
2. I have made more than 1 investment in an unlisted company in the 2 years prior to the date below;
3. I am working, or have worked in the 2 years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises; or
4. I am currently, or have been in the 2 years prior to the date below, a director of a company with an annual turnover of at least £1 million.

I accept that I can lose my property and other assets from making investment decisions based on financial promotions.

I am aware that it is open to me to seek advice from someone who specialises in advising on investments.

**Signature**

**Date**

**Name**



# CONTACTS

## DISTRIBUTOR

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