

CHERWELL FILMS LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2017



Limited Liability Partnership Number: OC307696

CHERWELL FILMS LLP

MEMBERS' REPORT YEAR ENDED 5 APRIL 2017

The members present the annual report on the affairs of Cherwell Films LLP ("the Partnership"), together with the financial statements for the year ended 5 April 2017.

Principal activities

The Partnership was formed in order to develop commercial film opportunities through a combination of sale and leaseback transactions and film development projects.

Business review and future outlook

During the year ended 5 April 2017 the Partnership did not acquire any further films for sale and leaseback purposes. Details of the films previously acquired are outlined in Note 5 to the financial statements.

The Partnership will continue to consider opportunities to acquire film rights and other lease opportunities. Due to the phasing out of the film reliefs that supported sale and leaseback and the introduction of a new regime under which film production companies are entitled to claim tax credits, there will be fewer opportunities available.

Going concern

After making enquiries, the members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

Overseas branches

There are no overseas branches of the Partnership.

Policy regarding members' drawings and capital

The Designated Members serving during the year were Fleet Film Partners 1 Limited and Fleet Film Partners 2 Limited ("the Designated Members").

The Designated Members are not entitled to drawings in relation to the Original Film investments. In accordance with the Amended and Restated Members' Agreement, no ordinary member shall be entitled to make drawings on account of profits to which they are entitled, unless unanimously agreed by the ordinary members, or unless permitted under that Agreement.

The Designated Members are entitled to drawings in relation to New Film investments and all Reinvestment Films. In accordance with the Amended and Restated Members' Agreement, Designated Members and the ordinary members shall be entitled to make drawings on account of profits to which they are entitled jointly in the Partnership Proportions under that Agreement.

There were no transfers of members' capital to debt during the year. The operating cash requirements of the Partnership shall ordinarily be met out of the members' initial and additional contributions. No member shall be required to make further funding available after their admission as a member.

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MEMBERS' REPORT (CONTINUED) YEAR ENDED 5 APRIL 2017

Statement of members' responsibilities

Under the Members' Agreement, the Partnership is obliged to produce financial statements on an annual basis. The Designated Members are responsible for preparing the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships ("LLPs") requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Partnership law, as applied to LLPs, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that year. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Partnership will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to LLPs. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The operator of the Partnership is Ingenious Media Investments Limited ("the Operator")

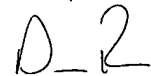
The members are responsible for ensuring the integrity of the corporate and financial information included on the Operator's website and for ensuring that the information is maintained. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the Designated Members on behalf of the Partnership.

Small company exemptions

This report has been prepared in accordance with the provisions applicable to entities entitled to the small companies exemption. This is in accordance with Part 15 of the Companies Act 2006, as applicable to LLPs. The Partnership has taken advantage of the exemption for the requirement to disclose an enhanced business review and to prepare a strategic report in accordance with section 414B of the Companies Act 2006, as applied to LLPs.

The report was approved by the Designated Members and signed on their behalf by:



Duncan Reid

Director of Fleet Film Partners 1 Limited

Designated Member

Date: 20 September 2017

Registered office:

15 Golden Square

London

W1F 9JG

Limited Liability Partnership Number: OC307696

CHERWELL FILMS LLP

PROFIT AND LOSS ACCOUNT
YEAR ENDED 5 APRIL 2017

	Notes	5 April 2017 £	5 April 2016 £
Turnover	1, 2	1,202,845	1,520,724
Operating expenses:			
Depreciation	4	(9,345,479)	(9,746,000)
Bank charges		-	(1)
OPERATING LOSS		(8,142,634)	(8,225,277)
LOSS FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND LOSS SHARE		(8,142,634)	(8,225,277)
RETAINED LOSS FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	7	(8,142,634)	(8,225,277)

All results are derived from continuing operations during the current and prior years.

The Partnership has no recognised gains and losses other than those shown above.

The Notes on pages 5 to 8 form an integral part of the financial statements.

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**BALANCE SHEET
AS AT 5 APRIL 2017**

	Notes	5 April 2017 £	5 April 2016 £
FIXED ASSETS			
Films acquired under operating leases	4	48,730,000	48,730,000
Less: Accumulated depreciation	4	(48,730,000)	(39,384,521)
		<u>-</u>	<u>9,345,479</u>
CURRENT ASSETS			
Amounts falling due within one year:			
Net investment in film finance leases	5	11,514,638	10,549,423
Accrued finance lease income		955,408	1,224,657
Called up members' capital not paid		2	2
Cash at bank		42,543	33,432
Other debtors		208	208
		<u>12,512,799</u>	<u>11,807,722</u>
CREDITORS			
Amounts falling due within one year:			
Loans	6	(623,350)	(623,350)
Rentals received in advance		(3,107,987)	(3,269,131)
Accruals		(78)	(78)
Other creditors		(41,705)	(32,594)
		<u>(3,773,120)</u>	<u>(3,925,153)</u>
NET CURRENT ASSETS		8,739,679	7,882,569
ASSETS			
Amounts falling due after more than one year:			
Net investment in film finance leases	5	28,492,062	40,006,700
NET ASSETS ATTRIBUTABLE TO MEMBERS		37,231,741	57,234,748
MEMBERS' OTHER INTERESTS REPRESENTED BY:			
Members' capital classified as equity under FRS 25	7	175,621,786	175,621,786
Other reserves	7	(138,390,045)	(118,387,038)
TOTAL MEMBERS' INTERESTS	7	37,231,741	57,234,748
MEMBERS' OTHER INTERESTS		37,231,741	57,234,748

The Notes on pages 5 to 8 form an integral part of the financial statements.

For the year ended 5 April 2017 the Limited Liability Partnership was entitled to exemption under section 477 of the Companies Act 2006 (as applied by Limited Liability Partnerships (Accounts and Audit)(Application of Companies Act 2006) Regulations 2008) relating to small LLPs. The members acknowledge their responsibility for complying with the requirements of the Companies Act 2006 (as applied to limited liability partnerships) with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime.

The financial statements were approved by the Designated Members and authorised for issue and signed on their behalf by:



Duncan Reid

Director of Fleet Film Partners 1 Limited

Designated Member

Date: 20 September 2017

Limited Liability Partnership Number: OC307696

CHERWELL FILMS LLP

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 5 APRIL 2017

1. ACCOUNTING POLICIES

The Partnership was incorporated in England and Wales as a limited liability partnership under the Limited Liability Partnerships Act 2000.

The financial statements have been prepared under the historical cost convention in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The particular accounting policies adopted, which have been applied consistently throughout the current and preceding year, are described below:

Turnover

Turnover, excluding VAT, is recognised on the following basis:

(i) Finance lease income

The recognition of finance lease income is calculated to reflect a constant periodic rate of return on the net cash investment in the lease.

(ii) Operating lease income

Operating lease income is determined by the commercial success of the film and recognised when received.

(iii) Participation in film net revenues

The Partnership's participation in film net revenues in excess of net investment in film finance leases, development and production expenditure, is recognised in turnover when notified by the relevant collection agent.

The members do not consider any one part of the worldwide market to be significantly different from any other.

Film finance leases

In accordance with SSAP 21 'Accounting for leases and hire purchase contracts', the amount due from the lessee under finance leases is recorded in the balance sheet of the Partnership as a debtor at the amount of the net investment in the lease, less provision for any items such as bad and doubtful rentals receivable.

Rentals received in advance

When lease rentals are received in advance of the period to which they relate, the amounts are recorded as rentals received in advance and included as creditors due within one year.

Film operating leases

Assets leased under operating leases have been recorded as fixed assets and depreciated on a straight-line basis at 20% p.a. Rental income is recognised when received.

Going concern

Under the terms of its sale and leaseback agreements the Partnership has contracted revenues and cash flows for the next 4 years. The Partnership is in a net assets position. Accordingly, the members believe that the Partnership will be able to maintain positive cash flows for the foreseeable future. As a result the going concern basis of accounting has been adopted.

Cash flow statement

The financial statements do not include a cash flow statement as the Partnership is exempt from the requirement to prepare such a statement under FRS 102 Section 1A Small Entities.

Taxation

No current or deferred taxation is provided in the financial statements as the liability for taxation falls on the individual members.

2. TURNOVER

Turnover represents finance lease income calculated to reflect a consistent periodic rate of return on the net cash investment in the lease plus any participation in net film revenues receivable in excess of the net investment made. Operating lease turnover is derived from operating lease charges on a cash received basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 5 APRIL 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Partnership's accounting policies, which are described in Note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the accounting policies

The following are the critical judgements that the members have made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of investments

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Income

For films acquired under operating leases the Partnership is entitled to receive rental payments which accrue to it and which are subject always to the performance of that film. Although the members periodically estimate the amount of rental income that would be received for the asset this revenue is recognised only when it is probable that the income will be received, which is normally when the event has occurred.

4. FIXED ASSETS

Films acquired for operating leases

	£
Cost at 6 April 2016:	48,730,000
Film additions during the year:	-
Cost at 5 April 2017:	<u>48,730,000</u>
Accumulated depreciation at 6 April 2016:	(39,384,521)
Depreciation charged during the year:	(9,345,479)
Accumulated depreciation at 5 April 2017:	<u>(48,730,000)</u>
Net Book Value at 5 April 2017:	<u>-</u>
Net Book Value at 5 April 2016:	<u>9,345,479</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 5 APRIL 2017

5. NET INVESTMENT IN FILM LEASES

Name of film	Gross Rentals £	Finance Charge £	2017 Net Investment £	2016 Net Investment £	2017 Films Acquired For Leasing £	2016 Films Acquired For Leasing £
Films acquired for operating leases:						
Prometheus	-	-	-	-	48,730,000	48,730,000
	-	-	-	-	48,730,000	48,730,000
Films acquired for finance leases:						
Shaadi Ka Laddoo	2,102,742	(364,693)	1,738,049	1,738,049	-	-
Kingdom of Heaven	137,502,660	(29,361,724)	108,140,936	108,140,936	-	-
The Dark	8,352,036	(1,163,646)	7,188,390	7,188,390	-	-
Double Cross	1,679,428	(263,814)	1,415,614	1,415,614	-	-
	149,636,866	(31,153,877)	118,482,989	118,482,989	-	-
Rentals accrued previously	(96,472,697)	28,545,831	(67,926,866)	(58,258,390)	-	-
Rentals accrued in the year	(11,752,269)	1,202,846	(10,549,423)	(9,668,476)	-	-
	<u>41,411,900</u>	<u>(1,405,200)</u>	<u>40,006,700</u>	<u>50,556,123</u>	<u>48,730,000</u>	<u>48,730,000</u>
Amounts falling due within one year			11,514,638	10,549,423		
Amounts falling due with two to five years			28,492,062	40,006,700		
Amounts falling due after more than five years			-	-		
			<u>40,006,700</u>	<u>50,556,123</u>		

6. LOANS

Falling due within one year	2017 £	2016 £
Ingenious Media Limited	<u>623,350</u>	<u>623,350</u>

Ingenious Media Limited has agreed to extend the original term of the loan. Interest does not accrue on the balance with regards to this extended period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 5 APRIL 2017

7. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTERESTS

	Members' Capital £	Other Reserves £	Total £	Loans and Other Amounts Due to Members £	2017 Total Members' Interests £	2016 Total Members' Interests £
Balance brought forward:	175,621,786	(118,387,038)	57,234,748	-	57,234,748	76,755,623
Loss for the financial year available for discretionary division among members	-	(8,142,634)	(8,142,634)	-	(8,142,634)	(8,225,277)
Members' interests after loss for the year	175,621,786	(126,529,672)	49,092,114	-	49,092,114	68,530,346
Other division of loss	-	(11,860,373)	(11,860,373)	11,860,373	-	-
Drawings	-	-	-	(11,860,373)	(11,860,373)	(11,295,598)
Balance carried forward:	<u>175,621,786</u>	<u>(138,390,045)</u>	<u>37,231,741</u>	<u>-</u>	<u>37,231,741</u>	<u>57,234,748</u>

8. INFORMATION RELATING TO MEMBERS

No member received any salaried remuneration from the Partnership during the current and prior year.

The average number of members in the year was 256 (2016: 256). The average allocation of loss was therefore £31,807 (2016: £32,130) and the largest allocation of loss to any single member was £1,783,889 (2016: £2,076,809).

9. RELATED PARTY TRANSACTIONS

The Designated Members and the Operator (also a member of the Partnership) are all wholly-owned subsidiaries of Ingenious Media Limited, which is itself a wholly-owned subsidiary of Ingenious Media Holdings Limited.

An unsecured interest free loan from Ingenious Media Limited, repayable on demand, previously made to the Partnership, remained outstanding during the year. See Note 6.

There were no material transactions with any related parties in the year.