

Chelmer Films LLP

Report and Financial Statements

Period from 3rd December 2004 to 5th April 2006



Chelmer Films LLP

REPORT AND FINANCIAL STATEMENTS 2006

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Chelmer Films LLP

REPORT OF THE MEMBERS

Period from 3rd December 2004 to 5th April 2006

Activities

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

Review of the Year

The Partnership was formed on 3rd December 2004.

The Designated Members serving during the period were: Fleet Film Partners 1 Limited (appointed 3rd December 2004) and Fleet Film Partners 2 Limited (appointed 3rd December 2004).

During the period to 5th April 2006, 16 films, costing some £24 million were acquired and leased back to their producers. Details of these films are as set out in note 6 to the financial statements.

Future Developments

As set out in the Finance Bill 2006, film tax reliefs provided under Section 42 Finance (No. 2) Act 1992 and Section 48 Finance (No. 2) Act 1997, which enabled individuals carrying on business in partnership to obtain tax relief for expenditure on the production or acquisition of films, are in the process of being withdrawn. Relief under those provisions will continue to be available for acquisition expenditure on films which commenced principal photography before 1st April 2006, provided the film is completed before 1st January 2007 and the acquisition takes place before 1st October 2007.

For films which commence principal photography on or after 1st April 2006, a new regime is being introduced which allows film production companies (but not individuals or partnerships) to claim an additional tax deduction or a tax credit in respect of UK production expenditure incurred on the production of British qualifying films.

The partners will continue to consider opportunities to acquire film rights for development. Once completed, such projects will either be sold, or licensed to other film makers.

Chelmer Films LLP

STATEMENT OF MEMBERS' RESPONSIBILITIES

Under the Members' Agreement, the Partnership is obliged to produce financial statements on an annual basis. The Designated Members organise the preparation of financial statements which give a true and fair view of the state of affairs of the Partnership as at the end of the financial year and of the profit or loss of the Partnership for that period.

In so doing, the Designated Members are required to :

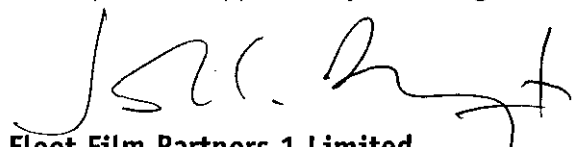
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis, unless that is deemed to be inappropriate.

The Designated Members are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Partnership, and enable the Members to ensure that the financial statements comply with the Members' Agreement. They are also responsible for the system of internal control, for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Policy regarding Members' Drawings and Capital

Designated Members are not entitled to drawings. In accordance with the Members' Agreement, no ordinary member shall be entitled to make any drawings on account of profits to which they are entitled, unless unanimously agreed by the Ordinary Members, or unless permitted under that Agreement. There were no transfers of Members' capital to debt during the period. Members' capital is subscribed in accordance with the current Members' agreement, and retained by the Partnership until such time as the Members agree to repay that capital. The operating cash requirements of the Partnership shall be met out of the Members' initial contributions, no Member shall be required to make any further funding available after his admission as a Member.

This report was approved by the Designated Members and signed on their behalf on 7th June 2006.



Fleet Film Partners 1 Limited
Designated Member



Fleet Film Partners 2 Limited
Designated Member

Chelmer Films LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHELMER FILMS LLP

We have audited the financial statements of Chelmer Films LLP for the period from incorporation on 3 December 2004 to 5 April 2006 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 6. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the LLP's members, as a body, in accordance with Section 235 of the Companies Act 1985, as applicable to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Members and auditors

As described in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Accounting (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as applicable to limited liability partnerships. We also report if, in our opinion, the members' report is not consistent with the financial statements, if the LLP has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the LLP's circumstances, consistently applied and adequately disclosed.

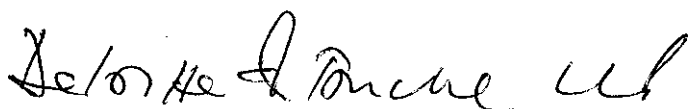
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Chelmer Films LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHELMER FILMS LLP

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Partnership's affairs as at 5th April 2006 and of its loss for the period ended 5th April 2006 and have been properly prepared in accordance with the Companies Act 1985, as applicable to limited liability partnerships.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

Date 9 June 2006

Chelmer Films LLP

PROFIT AND LOSS ACCOUNT

Period from 3rd December 2004 to 5th April 2006

	Notes	£	£
Turnover	1,2		5,069
Cost of Sales			<u>-</u>
GROSS PROFIT			5,069
Operating Expenses:			
Agency fees		1,038,681	
Audit and accountancy		4,500	
Bank charges		<u>204</u>	
			<u>(1,043,385)</u>
OPERATING LOSS			(1,038,316)
Interest receivable and similar income	3		<u>3,696</u>
LOSS FOR THE FINANCIAL PERIOD BEFORE MEMBERS' REMUNERATION			(1,034,620)
Salaried Members' Remuneration			<u>-</u>
LOSS FOR THE FINANCIAL PERIOD AVAILABLE FOR DIVISION AMONG THE MEMBERS			<u><u>(1,034,620)</u></u>

All results are derived from continuing operations.

There are no recognised gains or losses during the financial period other than as stated in the profit and loss account above, and accordingly no separate statement of total recognised gains and losses is presented.

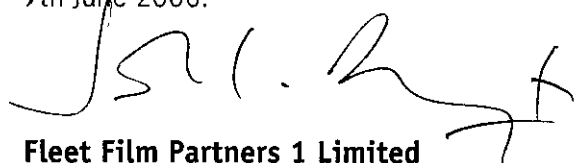
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BALANCE SHEET

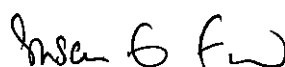
At 5th April 2006

	Notes	£	£
CURRENT ASSETS			
Amounts falling due within one year :			
Net investment in film finance leases	6	51,626	
Accrued finance lease income		5,069	
Films acquired for leasing	6	22,654,168	
Other debtors	4	19,399,926	
Cash at bank		<u>4,294,594</u>	
			46,405,383
Amounts falling due after more than one year :			
Net investment in film finance leases	6		<u>1,376,654</u>
			<u>47,782,037</u>
CREDITORS			
Amounts falling due within one year :			
Trade creditors			22,654,168
VAT payable			30,882
Rentals received in advance			67,900
Accruals			<u>985,667</u>
			<u>(23,738,617)</u>
NET ASSETS			<u><u>24,043,420</u></u>
MEMBERS' INTERESTS			
Members' Capital	4		25,159,955
Other Reserves	4		<u>(1,116,535)</u>
TOTAL MEMBERS' INTERESTS			<u><u>24,043,420</u></u>

The financial statements were approved by the Designated Members and signed on their behalf on 9th June 2006.



Fleet Film Partners 1 Limited
Designated Member



Fleet Film Partners 2 Limited
Designated Member

Chelmer Films LLP

NOTES TO THE FINANCIAL STATEMENTS

Period from 3rd December 2004 to 5th April 2006

1. ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention, in accordance with applicable United Kingdom Accounting Standards in compliance with the Statement of Recommended Practice on Accounting for Limited Liability Partnerships. 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) 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 '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.

Cashflow

The financial statements do not include a cash flow statement as the Partnership is exempt from the requirement to prepare such a statement under Paragraph 5(g) Financial Reporting Standard 1 Cash flow statements.

Taxation

No current or deferred taxation is provided on the losses attributable to the members as the liability for taxation falls on the individual members.

Chelmer Films LLP

NOTES TO THE FINANCIAL STATEMENTS

Period from 3rd December 2004 to 5th April 2006

2. TURNOVER

Turnover is derived from charges arising from the servicing of finance lease debtors on a receivable basis.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	£
Bank interest received	3,696

4. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTERESTS

	Members' Other Interests			Loans and other amounts due to Members	Total Members' Interests
	Members' Capital £	Other Reserves £	Total £	£	£
Balance at 3rd December 2004	-	-	-	-	-
Loss for the financial period available for division among Members	-	(1,034,620)	(1,034,620)	-	(1,034,620)
Members' interests after loss for the year	-	(1,034,620)	(1,034,620)	-	(1,034,620)
Allocated Profits	-	(81,915)	(81,915)	81,915	-
Capital introduced	25,159,955	-	25,159,955	-	25,159,955
Drawings	-	-	-	(81,915)	(81,915)
Balance at 5th April 2006	25,159,955	(1,116,535)	24,043,420	-	24,043,420

Members' capital includes £18,721,451 due from Members, included in Other debtors on the Balance Sheet.

Chelmer Films LLP

NOTES TO THE FINANCIAL STATEMENTS

Period from 3rd December 2004 to 5th April 2006

5. INFORMATION RELATING TO MEMBERS

No Member received any salaried remuneration from the Partnership during the period.

The average number of Members in the period was 21. The average allocation of loss was therefore £49,268 and the largest allocation of loss to any single member was £250,238.

6. NET INVESTMENT IN FILM FINANCE LEASES

Name of film	Gross Rentals £	Finance Charge £	Net Investment £	Films Acquired For Leasing £
Films purchased during the period:				
Game Over	1,671,843	(233,986)	1,437,857	-
History Boys	-	-	-	3,220,911
Fated	-	-	-	527,193
Meri Life Mein Uski Wife	-	-	-	1,220,841
Too Much Too Young	-	-	-	494,228
Dushman	-	-	-	1,728,010
The Backwoods	-	-	-	3,478,160
Fade To Black	-	-	-	6,017,666
Intergalactic Combat	-	-	-	559,166
Bekaraar	-	-	-	1,221,838
The Lives of The Saints	-	-	-	991,343
Popcorn	-	-	-	528,473
Outlanders	-	-	-	523,357
Crossing Bridges	-	-	-	226,117
Displaced	-	-	-	282,707
Why Kyun	-	-	-	1,634,158
	<u>1,671,843</u>	<u>(233,986)</u>	<u>1,437,857</u>	<u>22,654,168</u>
Rental accrued to 5th April 2006	<u>(14,646)</u>	<u>5,069</u>	<u>(9,577)</u>	<u>-</u>
	<u>1,657,197</u>	<u>(228,917)</u>	<u>1,428,280</u>	<u>22,654,168</u>
Amounts falling due within one year			51,626	
Amounts falling due after more than one year				
(of this, £1,117,185 falls due after more than five years)			1,376,654	
			<u>1,428,280</u>	