

EALING STUDIOS OPERATIONS LIMITED

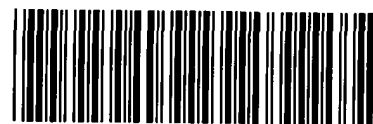
Annual Report and Audited Financial Statements

Year Ended

31st December 2021

Company Number 3902482

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Ealing Studios Operations Limited

Annual report and financial statements for the year ended 31 December 2021

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Directors

The directors of the company during the year are listed in the Report of the directors.

Secretary and registered office

London Registrars Ltd, Suite A, 6 Honduras Street, London, United Kingdom, EC1Y 0TH

Company number

3902482

Auditors

PricewaterhouseCoopers CI LLP, 37 Esplanade, St Helier, Jersey, Channel Islands JE1 4XA

Bankers

Barclays Bank PLC, 50 Pall Mall, London, SW1Y 5AX.

Ealing Studios Operations Limited

Report of the directors for the year ended 31 December 2021

The directors present their report together with the financial statements for the year ended 31 December 2021.

Principal activities, results and dividends

The principal activity of the company is the provision and operation of film studio facilities.

The statement of comprehensive income is set out on page 8 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Future Developments

The Directors continue to explore opportunities for the expansion to exploit the expanding Film & TV production sector.

Directors and their interests

The directors of the company during the year were:

H Handelsman (resigned 15 September 2021)
U Fruchtmann (resigned 15 September 2021)
B D W Thompson (resigned 15 September 2021)
N M Chadwick (appointed 15 September 2021)
R Arcot (appointed 20 May 2022)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and Audited Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A ("FRS 102 Section 1A"), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- make judgements and accounting estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ealing Studios Operations Limited

Report of the directors for the year ended 31 December 2021 (continued)

Auditors

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers CI LLP, were appointed during the year and have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting in accordance with section 485 of the Companies Act 2006,

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006,

Climate Change

The Directors consider the impact on the climate of their decisions

By order of the Board



R ARCOT

Director

Date 15 December 2022

Independent Auditors' Report to the members of Ealing Studios Operations Limited

Report of the audit of the financial statements

Opinion

In our opinion, Ealing Studios Operations Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Balance sheet as at 31 December 2021; Statement of Comprehensive Income; Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent Auditors' Report to the members of Ealing Studios Operations Limited

(continued)

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and the potential for management bias in accounting estimates and key judgements impacting the financial statements, specifically the valuation of investment property. Audit procedures performed by the engagement team included:

- enquiring with management and those charged with governance of the company as to any actual or suspected instances of fraud or non-compliance with laws and regulation;
- reading the minutes of meetings of the board of directors for additional matters relevant to the audit;
- obtaining the rental schedule and testing completeness of the report by selecting a sample of customers and agreeing the terms, conditions, periodic rental income, other incidental income and termination point of the engagement to duly signed rental agreements and studio use agreements;
- enquiries with management and reviewing the accounting treatment to ensure accuracy of classification of the land and building of the Company as investment property;
- obtaining property valuation report prepared by an independent third party valuer to understand and assess the reasonableness of the key assumptions used in the fair valuation model such as the trading projections and cash flows, the yield and the discount rate;
- identifying and testing journal entries considered to be of higher fraud risk and the evaluation of any business rationale for any significant or unusual transactions identified as being outside the normal course of business;
- performing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing; and
- testing the disclosures made in the financial statements for compliance with the requirements of Companies Act 2006.

Independent Auditors' Report to the members of Ealing Studios Operations Limited

(continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Karl Hairon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Jersey

Date: 16 December 2022

Ealing Studios Operations Limited

Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Rental income	3	5,573	-
Turnover	3	-	4,723
Cost of sales	4,5	-	(2,750)
Gross Profit		5,573	1,973
Administrative expenses	4,5	(3,620)	(256)
Profit on ordinary activities before interest and taxation		1,953	1,717
Interest expenses	7	(2,709)	(403)
Fair value gain on investment property		20,209	-
Profit on ordinary activities before taxation		19,453	1,314
Taxation	8	(35)	(254)
Profit for the financial year		19,418	1,060
Other Comprehensive Income:			
Gain from changes in fair value of freehold land and buildings		-	6,716
Total comprehensive income for the year		19,418	7,776

All amounts relate to continuing activities. There are no items of comprehensive income other than the profit and total comprehensive income for the year as presented above.

The notes on pages 11 to 24 form an integral part of these financial statements.

Ealing Studios Operations Limited

Balance sheet at 31 December 2021

Company Number 3902482

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Intangible assets	9		7		102
Investment Properties	10		49,926		-
Tangible assets	11		233		30,298
			<u>50,166</u>		<u>30,400</u>
Current assets					
Debtors	12	832		1,099	
Cash at bank and in hand		1,382		3,201	
		<u>2,214</u>		<u>4,300</u>	
Creditors: amounts falling due within one year	13	(13,705)		(13,494)	
Net current (liabilities)			<u>(11,491)</u>		<u>(9,194)</u>
Total assets less current liabilities			<u>38,675</u>		<u>21,206</u>
Creditors: amounts falling due after more than one year	14		(3,515)		(4,990)
			<u>35,160</u>		<u>16,216</u>
Capital and reserves					
Share capital	16		2		2
Revaluation Reserve			12,347		12,347
Other reserves			20,209		2,224
Profit and loss account			3,076		1,643
Shareholders' funds			<u>35,634</u>		<u>16,216</u>

These financial statements have been prepared in accordance with the provisions applicable to the small companies' regime

The financial statements on pages 8 to 10 were authorised for issue by the board of directors on 15 December 2022 and were signed on its behalf:



R ARCOT
Director

The notes on pages 11 to 24 form an integral part of these financial statements.

Ealing Studios Operations Limited

Statement of changes in equity for the year ending 31 December 2021

	Share capital £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2021	2	12,347	2,224	1,643	16,216
Comprehensive income for the year					
Profit for the year	-	-	-	19,418	19,418
Total comprehensive income for the year	-	-	-	19,418	19,418
Reserve Transfers					
Difference between actual and historical cost depreciation	-	-	20,209	(20,209)	-
Revaluation	-	-	(2,224)	2,224	-
At 31 December 2021	2	12,347	20,209	3,076	35,634
	2020	2020	2020	2020	2020
	Share capital £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2020	2	5,746	2,033	659	8,440
Comprehensive income for the year					
Profit for the year	-	-	-	1,060	1,060
Total comprehensive income for the year	-	-	-	1,060	1,060
Reserve Transfers					
Difference between actual and historical cost depreciation	-	(115)	-	115	-
Revaluation	-	6,716	-	-	6,716
Imputed Interest on shareholder loans	-	-	191	(191)	-
At 31 December 2020	2	12,347	2,224	1,643	16,216

The notes on pages 11 to 24 form an integral part of these financial statements.

1 Significant accounting policies

Ealing Studios Operations Limited is a private company limited by shares incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the Companies operations and its principal activities are set out in the directors report.

Basis of Preparation

The financial statements have been prepared in accordance with a) FRS 102 Section 1A and b) taking advantage of the Small Entities exemption as defined in section 382 of the Companies Act 2006. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the companies accounting policies.

The following principal accounting policies have been applied and these policies have been consistently applied to all the years presented, unless otherwise stated

Going Concern

The directors have prepared the financial statements on a going concern basis. In preparing the financial statements on this basis, the directors have prepared trading and cash flow projections for the foreseeable future that show that the company can meet its liabilities as they fall due. The operating activities of the Company generates sufficient cash flow in order to meet the day-to-day working capital requirements.

Demand for production space remains high, and tenants continue to honour their rent commitments.

In March 2022 The company refinanced its bank loan with a bank loan amounting to £21m at with maturity date of 15 March 2025.

At 31 December 2021, the company had substantial cash balances, which have continued to improve subsequent to year end, through the implementation of appropriate cash mitigation measures.

In preparing the financial statements, the directors have prepared trading and cash flow projections that show that the company is able to meet its liabilities as they fall due for the foreseeable future.

The ultimate parent company has committed to providing financial support for a period of at least 12 months from the date that these financial statements are approved and authorised for issue.

The directors have considered the possible impact on the company of the disruption in the energy markets. The company has fixed its energy prices for the next two years and is contractually able to pass on substantial parts of its energy costs to customers, and therefore does not consider energy price disruption a going concern issue.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover and Rental income

Revenue represents income receivable for the provision of film stage and related facilities net of VAT.

Cost of Sales and Administrative Expenses

Cost of Sales and Administrative Expenses are recognised on an accruals basis.

1 Significant accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

During 2020, Freehold property is carried at fair value using the Revaluation Method, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Plant and machinery	15% - 20% straight line
Office equipment	15% - 33% straight line
Freehold Property	Useful economic life

Where assets are held at under the Revaluation Method, depreciation is charged over the assets remaining useful economic life up to a maximum of 50 years.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income or losses' in the statement of comprehensive income.

Depreciation on assets under the course of construction does not commence until the assets are available for use.

Intangible fixed assets

Goodwill

Goodwill arising on the transfer of trade of a former subsidiary is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years.

Purchased trademarks are capitalised and amortised through the profit and loss account over the directors' estimate of their useful economic life of 5 years.

Capitalisation

Interest has been capitalised where it relates to loans directly attributable to the construction of tangible fixed assets. Other costs directly attributable to tangible fixed assets in the course of construction have also been capitalised.

1 Significant accounting policies (continued)

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property in accordance with FRS 102 Section 16 'Investment Property'

Investment property is measured initially at its cost, including related transaction costs, and thereafter is stated at fair value

The fair value of Investment Property is determined using output provided by external independent professional valuers who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of the investment property is based on recognised valuation methodologies which may reflect, among other things, recent market transactions, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects any cash outflows that could be expected in respect of the property and adjustments for lease incentives.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair value are recognised in profit or loss and presented in the statement of comprehensive income

The Company has entered into commercial property leases on its investment property as lessor. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the property and so accounts for these leases as operating leases.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

1 Significant accounting policies (continued)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Pension Costs

Contributions to the company defined contribution pension scheme are charged to the statement of comprehensive income in the year in which they become payable.

Reserves

Revaluation reserve

This reserve represents the accumulated unrealised gains in respect of freehold property in prior years

Profit and Loss account

This reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Other reserves

This reserve represents the difference between 1) the fair value and the consideration received from shareholders at inception of the loan. This reserve is reduced annually by an amount equal to the imputed interest charged on the loan which is transferred to the profit and loss account, 2) The Directors transfer the unrealised fair value movement on investment property at the end of each year from profit and loss account to other reserves in order to separate distributable and non-distributable profits.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom where the company operates and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

Deferred tax balances are not recognised in respect of permanent differences.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

As part of a REIT group, the Company's taxation is limited to the extent of its minority shareholding and thus its deferred tax is not considered material.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

• Fair Value of Land and Buildings

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The fair value of land and buildings was determined with regard to the change of control of the company in September 2021 and an external valuation report by Cushman & Wakefield using Royal Institute of Chartered Surveyors ("RICS") valuation standards. Given the consistencies of these two valuations, management concluded that the valuation provided in February 2022 approximated the fair value of the investment property at 31 December 2021. In arriving at their estimates of market values, the valuers used their market knowledge and professional judgement and did not rely solely on comparable historic transactions. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The company are satisfied with the valuation techniques applied by the professional valuers. Whilst the valuation represents the best estimation of fair value at the reporting date, the actual price achieved, should the investment property be sold, may be higher or lower than the most recent valuation.

The method and significant assumptions used by the valuers in estimating the fair value of investment property are set out in note 10.

• Goodwill (see note 9)

In assessing whether a reliable estimate can be made with regards to the useful life of goodwill, the directors consider that there should be no change in the useful economic life previously determined because the previous estimate is still reliable based on the stability of the business, the barriers to entry into the market and the future business expected to be generated in the long term.

Ealing Studios Operations Limited**Notes to the financial statements for the year ended 31 December 2021 (continued)****3 Revenue**

Rental income and Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

4 Operating profit

	2021 £'000	2020 £'000
This has been arrived at after charging		
Depreciation of tangible assets	80	402
Rates	740	743
Security	298	280
Amortisation of goodwill	94	94
Auditors remuneration	52	19

5 Employees

	2021 £'000	2020 £'000
Staff costs (including directors) consist of:		
Wages & Salaries	442	413
Consultancy fees	60	60
Social security cost	44	48
Other pension cost	34	27
	580	548

The average number of employees (including directors) during the year was 11.7 (2020 - 12.3).

6 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration	60	51
	60	51

Emoluments of the highest paid director were £60,000 (2020 - £51,000).

None of the directors accrued benefits under the companies defined contribution pension scheme during the year (2020- nil).

Ealing Studios Operations Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

7 Interest Expenses

	2021 £'000	2020 £'000
Bank Interest	313	403
Long term loans	173	191
Finance charge arising under fair value assessment of long term loan	-	367
Adjustment to the carrying value of long term loan arising as a result of the reassessment of expected future cashflows	2,223	(558)
	<u>2,709</u>	<u>403</u>

8 Taxation

	2021 £'000	2020 £'000
Current tax on profits of the year	35	254
<i>Deferred Tax</i>		
Origination and reversal of timing differences	-	-
Changes to tax rates	-	-
	<u>35</u>	<u>254</u>
Taxation on Profit on ordinary activities		

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation	19,453	1,314
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020– 19%)	3,696	250
Effects of:		
Expenses not deductible for tax purposes	(3,530)	22
other adjustments	12	32
Adjust closing deferred tax charge to average rate of 19.00%	-	(14)
Adjust Opening deferred tax charge to average rate of 19.00%	(14)	(36)
Exempt property rental profits	(129)	-
	<u>35</u>	<u>254</u>
Current tax charge for year		

Ealing Studios Operations Limited**Notes to the financial statements for the year ended 31 December 2021 (continued)****9 Intangible assets**

	Goodwill £'000
At 1 January 2021	1,428
Additions	-
At 31 December 2021	1,428
<i>Amortisation</i>	
At 1 January 2021	1,327
Charge for the year	94
At 31 December 2021	1,421
<i>Net book value</i>	
At 31 December 2021	7
At 31 December 2020	102

In 2017 the company purchased intellectual property and trademarks relevant to the name "Ealing Studios" for consideration of £150,000 and is amortised over the directors estimate of its useful life of 5 years.

Goodwill of £1,278,000 arose in 2002 as a result of the trade and assets of Ealing Studios Management Limited and is amortised over the directors estimate of its useful life of 20 years.

10 Investment Property

	Investment Property £'000
Fair value as at 1 January 2021	-
Reclassification from Tangible Assets	30,015
Capitalised Costs	176
Net unrealised gain from fair value adjustments	19,735
	<hr/>
Fair value as At 31 December 2021	49,926
	<hr/>

The fair value of investment property was determined as at 31 December 2021 using the output provided by external, independent property valuers, Cushman and Wakefield, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of this property on an annual basis.

The valuer's report is based on:

- information provided by the Company, such as current rents, terms and conditions of lease agreements, service charges, and capital expenditure. This information is derived from reports provided by the Company; and
- assumptions and valuation models used by the valuers. The assumptions are typically market related, as outlined below. The selection of market related assumptions are based on the valuers professional judgment and market observations.

The information provided to the valuers, and the assumptions and the valuation models used by the valuers, are reviewed by the property manager and the company. This includes a review of fair value movements over the period.

When the company consider that the valuation report is appropriate, the resulting valuation is adopted as the investment property's fair value in the financial statements.

The fair value measurement for investment property of £50,400,000 has been categorised as a level 3 fair value based on the inputs to the valuation technique used (see critical accounting estimates). The valuation method used reflects the yield methodology using market rental values capitalised with a capitalisation rate based on available market transaction data, less estimated cost of administration and capital expenditure.

The valuation is based on an EBITDA of £3,227,498 with a net initial yield of 6%, giving a capital value per sq. ft of £425.16.

Other assumptions, used in the 2021 valuations, include a purchasers' costs assumption of 6.78%, comprising stamp duty land tax of 5.00% and other costs of 1.78%. The valuation does not take into account the possible impact on fair value of a purchaser incurring a different level of costs upon acquisition.

The relationship between the significant unobservable inputs used and the fair value measurement of the investment property is as follows:

- A decrease in the estimated annual rent, including the effect of voids and rent-free periods, will decrease the fair value; and
- An increase in the initial yield or discount rate will decrease the fair value.

The above assumptions are interrelated as they are partially determined by reference to a limited pool of observable market transaction data.

10 Investment Property (continued)

During the year ended 31 December 2021, the current directors assessed the business model of the company, its future business plan and its current rental arrangements with its existing customers. The directors noted that the old business model involved an owner-occupied Freehold property and provision of film studio space and facility services, including the operation of the studio itself. As a result of organic changes, the business model evolved to that of a passive studio lease or rental arrangement, which was evident during the course of the year ended 31 December 2021. The Directors concluded that the Freehold property met the definition of "Investment Property" in accordance with FRS 102 Section 1A.

It was impractical to determine the exact time the business model shifted, and although the quantitative effect of the reclassification is material, the directors concluded that accounting the property as PPE is no longer correct and have reclassified it as Investment Property. However, the prior period numbers have not been restated as the directors believe that the changes are not qualitatively material and would not provide sufficient benefit to the users of the financial statements.

11 Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
<i>Cost or valuation</i>				
At 1 January 2021	39,665	308	528	40,501
Additions	176	10	20	206
Reclassification	(39,841)			(39,841)
At 31 December 2021	-	318	548	866
<i>Depreciation</i>				
At 1 January 2021	9,650	165	388	10,203
Charge for the year	-	34	46	80
Reclassification	(9,650)			(9,650)
At 31 December 2021	-	199	434	633
<i>Net book value</i>				
At 31 December 2021	-	119	114	233
At 31 December 2020	30,015	143	140	30,298

	2021 Freehold Land and Buildings £'000	2020 Freehold Land and Buildings £'000
The historical cost of freehold land and buildings is:		
Cost	21,510	21,364
Additions	-	146
Reclassification	(17,747)	-
Accumulated depreciation based on historical cost	(3,763)	(3,763)
Historical cost net book value	-	17,747

During the year, the directors decided to reclassify Freehold land and buildings from owner occupied to Investment Property as at 1 January 2021 as disclosed in note 10

Ealing Studios Operations Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

12 Debtors

	2021	2020
	£'000	£'000
Trade debtors	494	815
Other debtors	7	2
Accrued Income	229	199
Prepayments	102	81
Amounts due from related entities	-	2
	832	1,099

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Bank loans	10,850	10,850
Trade creditors	194	116
Corporation Tax Payable	42	261
Other taxation and social security	281	474
Other creditors	667	484
Deferred Income	1,152	1,024
Accruals	519	285
	13,705	13,494

Ealing Studios Operations Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

14 Creditors: amounts falling due after more than one year

	2021		2020
	£'000		£'000
Amounts due to parent undertaking	3,515		-
Other creditors	-		4,990
	3,515		4,990
Maturity of debt:			
	2021	2021	2020
	Bank	Other	Bank
	Loan	Creditors	Loan
	£'000	£'000	£'000
Within one year	10,850	-	10,850
In more than one but not more than two years	-	-	-
In more than two but not more than five years	-	-	-
In more than five years	-	3,515	4,990
	10,850	3,515	10,850
	10,850	3,515	4,990

The bank loans are secured by a fixed and floating charge over the assets of the company. Interest on the bank loans is charged at SONIA +2.4%. The facility was extended in March 2022 and now has a maturity date of March 2025.

2021: Other creditors falling due after more than one year relate to loan from the parent company.

2020: Other creditors falling due after more than one year relate to shareholder loans and are repayable at the option of the company.

The parent company loan include accrued interest calculated on a non compounded interest rate of 2.5%.

Notes to the financial statements for the year ended 31 December 2021 (continued)

	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
	Current	Non Current	Current	Non Current
Financial assets measured at amortised cost	2,112	-	4,219	-
Financial liabilities measured at amortised cost	12,230	3,515	11,735	4,990

Financial liabilities measured at amortised cost comprise trade creditors, payments received on account, hire purchase liabilities, amounts owed to group undertakings, bank and other creditors falling due after one year.

Share capital	2021 £000	2020 £000
	2	2
	Allotted, called up and fully paid	
	2021 £	2020 £
	Number	Number
'A' ordinary shares of £0.01 each	1,380	1,380
'B' ordinary shares of £0.01 each	1,020	1,020
	2,400	2,400

17. Operating Leases

	2021 £	2020 £
Not later than 1 year	1,923	979
Later than 1 year and less than 5 years	259	1,474
Later than 5 Years	-	-
	<u>2,182</u>	<u>2,453</u>

Ealing Studios Operations Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

18 Related party transactions

At the balance sheet date other creditors falling due after more than one year included loans amounting to £0 (2020 - £7,212,456) which were made to the company including the following related party amounts.

	2021 £'000	2020 £'000
Manhattan Loft Corporation NV	-	5,144
U Fruchtmann	-	1,265
B Thompson	-	803

H Handelsman is a director in Manhattan Loft Corporation NV.

The above loans include accrued interest due at 2.5% above Barclays base rates.

During the year Thompson Robert Partnership, a company in which B D W Thompson was a director and has a material interest charged the company an amount of £60,000 (2020 - £51,000) in respect of consulting and management services.

During the year £817,511 (2020 £nil) was repaid to Barnaby Thompson.

During the year £1,189,137 (2020 £nil) was repaid to Uri Fruchtmann.

During the year £99,474 (2020 £nil) was repaid to Frontier Industrial Holdings, in which Uri Fruchtmann has a material interest.

During the year £5,239,441 (2020 £nil) was repaid to Manhattan Loft Corporation NV.

The company has taken advantage of the exemption in section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

19 Immediate and Ultimate Parent Undertaking

In the opinion of the directors the immediate parent is Grace BidCo Limited and the ultimate parent undertaking is SOF-12 Master REITCo. Both companies are incorporated in Guernsey and their registered office is 1 Royal Plaza, Royal Avenue, St Peter Port, GUERNSEY GY1 2HL.

20 Post Balance sheet events

In March 2022 The company refinanced its bank loan with a bank loan amounting to £21m at with maturity date of 15 March 2025.