

INSIDE TRACK 2 LLP

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ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2017

Limited Liability Partnership Number: OC304622



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YEAR ENDED 5 APRIL 2017**

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**MEMBERS' REPORT
YEAR ENDED 5 APRIL 2017**

The members present the Annual Report and Financial Statements of Inside Track 2 LLP ("the Partnership") for the year ended 5 April 2017.

Principal activities

The principal activity of Inside Track 2 LLP, a Partnership registered in England and Wales, was to produce a high quality slate of feature films with the potential for commercial exploitation across all media.

The principal place of business for the Partnership is 15 Golden Square, London, W1F 9JG.

In assessing which films to produce, the Partnership has endeavoured to work with the most successful distributors and sales agents and to engage the highest quality production services companies and personnel to carry out its production activities. The Partnership has also benefited from the expertise of Ingenious Media Investments Limited which performs an Executive Producer role on all films.

Review of the year and future outlook

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

In previous financial years the Partnership delivered six films to commissioning distributors. All of these films have been completed and delivered to the commissioning distributors. No further film production contracts were entered into thereafter. The films have been theatrically released and are now generating DVD/television income. The Partnership will continue to participate in distribution receipts arising from sales made of the films by the commissioning distributors.

Operating profit for the year ended 5 April 2017 is £817k (2016: 782k).

On 2 August 2016 Inside Track Productions LLP received the decision of the First-tier Tribunal ("FTT") in respect of its appeals and the appeals brought by Inside Track 1 LLP, Inside Track 2 LLP and Inside Track 3 LLP against the enquiry closure notices issued by HMRC. The decision was complex and a clarification of aspects of the decision was received on 17 May 2017. An application for permission to appeal the decision was lodged on 13 July 2017 and the Tribunal subsequently granted Inside Track 2 LLP leave to appeal on a number of grounds.

Limited liability partnerships and partnerships are not subject to taxation in the United Kingdom, and it is their members who are subject to taxation. The overall financial impact of the FTT's decision (to the extent that it may eventually be enforced) might represent a personal liability of the members (individual or corporate) and not the limited liability partnerships. Hence, it is not reflected in the financial statements of the Partnership because it affects members' individual tax calculations only.

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 of the financial statements.

MEMBERS' REPORT (CONTINUED)
YEAR ENDED 5 APRIL 2017

Policy regarding members' drawings, profit and capital

The Designated Members are not entitled to drawings. In accordance with the Members' Agreement, drawings shall be made at the discretion of the Operator of the Partnership.

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. There were no transfers of members' capital to debt during the year.

Where profit or losses of the LLP arise in relation to any film prior to recoupment, a ratio between the Individual Members and the Corporate Member is taken at 99:1.

Where profit or losses of the Partnership arise in relation to any film after recoupment, a ratio between the Individual Members and the Corporate Member in respect of the Gross Individual Members' Entitlement, is determined by the Operator (acting pursuant to the terms of the Operator's Agreement) on behalf of the Individual Members.

The operating cash requirements of the Partnership shall ordinarily be met out of the members' initial contributions and no member shall be required to make any further funding available after their admission as a member (save to the extent of their liability on a winding up).

Statement of members' responsibilities

The members are responsible for preparing the Annual Report and 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 period. 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 period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 limited liability partnerships. 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 Capital Management Limited ("the Operator"). The Operator is exclusively responsible for the provision to the Partnership of the services set out in Schedule 1 of the Operators' Agreement.

In so far as the Designated Members are aware:

- there is no relevant audit information of which the Partnership's auditor is unaware; and
- each Designated Member has taken all steps (such as making enquiries of other members and the auditor and any other steps required by the Designated Members' duty to exercise due care, skill and diligence) that they should have taken to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

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

MEMBERS' REPORT (CONTINUED)
YEAR ENDED 5 APRIL 2017

Auditor

Deloitte LLP are deemed to be re-appointed under Section 487(2) of the Companies Act 2006 as applicable to LLPs.

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 414(B) of the Companies Act 2006.

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



DIRECTOR OF: TRAFALGAR FILM PARTNER 1 LIMITED

Designated Member: *DUNCAN REID*

Date: *20 October 2017*

Registered office:

15 Golden Square

London W1F 9JG

Limited Liability Partnership Number: OC304622

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSIDE TRACK 2 LLP

We have audited the financial statements of Inside Track 2 LLP for the year ended 5 April 2017 which comprise the Profit and Loss Account, the Balance Sheet and the related Notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership's members those matters we are required to state to them in an auditor's 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Designated Members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:


- give a true and fair view of the state of the Partnership's affairs as at 5 April 2017 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSIDE TRACK 2 LLP (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to take advantage of the small companies exemption as applicable to limited liability partnerships in preparing the members' report.



Mark Rhys (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date:

20th Oct 2017

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 5 APRIL 2017**

	NOTES	Year ended 5 April 2017 £'000	Year ended 5 April 2016 £'000
Turnover	1	872	835
Cost of sales		(30)	(49)
Operating expenses		(25)	(4)
OPERATING PROFIT	3	817	782
Interest receivable and similar income	4	3	1
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARE		820	783
RETAINED PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG THE MEMBERS		820	783

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

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

The notes on pages 9 to 11 form an integral part of the financial statements.

**BALANCE SHEET
AT 5 APRIL 2017**

	Notes	5 April 2017 £'000	5 April 2016 £'000
CURRENT ASSETS			
Amounts falling due within one year:			
Debtors	5	64	224
Cash at bank		678	492
		<u>742</u>	<u>716</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts falling due within one year:			
Other creditors	6	(609)	(670)
Accruals		(3)	(2)
		<u>(612)</u>	<u>(672)</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS		130	44
MEMBERS' OTHER INTERESTS REPRESENTED BY:			
Members' capital accounts		121,884	121,884
Other reserves		<u>(121,755)</u>	<u>(121,840)</u>
TOTAL MEMBERS' OTHER INTERESTS		129	44

The notes on pages 9 to 11 form an integral part of the financial statements.

The Designated Members acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 (as applicable to limited liability partnerships) with respect to accounting records and the preparation of financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A Small Entities.

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



DIRECTOR OF: TRAFALGAR FILM PARTNER 1 LIMITED

Designated Member: *DUNCAN REID*

Date: *20 October 2017*

Limited Liability Partnership Number: OC304622

**RECONCILIATION OF MOVEMENT IN MEMBERS' INTERESTS
YEAR ENDED 5 APRIL 2017**

	Members' capital £'000	Other reserves £'000	Total £'000	Loans and Other Amounts Due To Members £'000	2017 Total members' interests £'000	2016 Total members' interests £'000
Balance at 6 April 2016	121,884	(121,840)	44	-	44	49
Profit for the financial year available for discretionary division among members	-	820	820	-	820	783
Members' interests after profit for the year	121,884	(121,020)	864	-	864	832
Other division of profits	-	(735)	(735)	735	-	-
Members' drawings	-	-	-	(735)	(735)	(788)
Balance at 5 April 2017	121,884	(121,755)	129	-	129	44

Amounts due to be distributed to members at the year end amounted to £567k (2016: £615k).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year.

General information and basis of accounting

The Partnership was incorporated in England and Wales as a limited liability partnership under the Limited Liability Partnerships Act 2000. Its place of business and head office address is 15 Golden Square, London, W1F 9JG. The nature of the Partnership's operations and principal activity are set out in the Members' Report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 issued by the Financial Reporting Council. This is the first period in which the financial statements have been prepared under FRS 102. Refer to note 10 for an explanation of the transition. The adoption of FRS 102 in the current period did not have a material impact on the prior year financial statements.

The functional currency of the Partnership is considered to be pounds sterling which is the currency of the primary economic environment in which the Partnership operates.

The figures throughout the financial statements have been presented to round thousands. The comparative figures have been updated to reflect this rounding level.

Turnover

Turnover derives from one class of business, the production of films and participation in distribution receipts arising from the sale of those films by the commissioning distributors, and is stated net of Value Added Tax.

Turnover is recognised at the fair value of the right to consideration and is not recognised until there is certainty over the right to that consideration.

Taxation

No current or deferred taxation is provided in these financial statements as the liability for taxation falls on the Individual Members.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate ruling at the Balance Sheet date. Exchange differences are taken to the Profit and Loss Account.

Going concern

The Partnership's business activities, together with the factors likely to affect its future development, performance and position has been reviewed by the members.

The Partnership is in a net asset position and 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 Company is a qualifying entity under FRS 102 Section 1A Small Entities and it is taking advantage of the disclosure exemptions available to such entities in its financial statements. As such, the financial statements do not include a Cash Flow Statement or a note on financial instruments.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND OTHER KEY ASPECTS OF 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.

No critical accounting judgements were made in the year.

3. OPERATING PROFIT

	5 April 2017 £'000	5 April 2016 £'000
The operating profit is stated after charging:		
Auditor's remuneration	3	2
Other professional fees	22	2
	<u>25</u>	<u>4</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	5 April 2017 £'000	5 April 2016 £'000
Foreign exchange gain	3	1

5. DEBTORS

	5 April 2017 £'000	5 April 2016 £'000
VAT receivable	6	20
Trade debtors	55	196
Other debtors	3	8
	<u>64</u>	<u>224</u>

6. OTHER CREDITORS

	5 April 2017 £'000	5 April 2016 £'000
Distributions due to members	560	615
Other creditors	50	55
	<u>609</u>	<u>670</u>

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

7. INFORMATION RELATING TO MEMBERS

No member received any salaried remuneration from the Partnership during the year (2016: £nil).

The average number of members in the year was 335 (2016: 336). The average allocation of profit was therefore £2,440 (2016: £2,331). The maximum profit allocated to any single member was £21,194 (2016: £36,122).

8. RELATED PARTIES

The Designated Members are wholly-owned subsidiaries of Ingenious Media Limited, a company registered in England and Wales. Ingenious Media Limited is a wholly-owned subsidiary of Ingenious Media Holdings Limited.

As at 6 April 2012, Ingenious Capital Management Limited ("The Operator") replaced Ingenious Asset Management Limited as the operator of the Partnership under a deed of novation dated 8 March 2012. The operator, registered in England and Wales, is a wholly-owned subsidiary of Ingenious Capital Management Holdings Limited.

N A Forster and D M Reid are directors of the Designated Members and the Operator. During the year, P A McKenna was an ordinary member of the Partnership and also a director of the Operator. N A Forster, D M Reid and P A McKenna are also directors of Ingenious Media Holdings Limited and Ingenious Capital Management Holdings Limited.

There was no change to the capital subscribed by P A McKenna in the year (2016: £Nil) and the profit allocated to P A McKenna was £992 (2016: £903).

£36,090 was owed to the Operator at the year end (2016: £Nil).

9. CONTROLLING PARTY

In the opinion of the members there is no one controlling party.

10. TRANSITION TO FRS 102

The last financial statements under previous UK GAAP were for the year ended 30 June 2016 and the date of transition to FRS 102 was therefore 1 July 2016. The adoption of FRS 102 in the current period did not have a material impact on the current period and prior year financial statements.