

REGISTERED NUMBER: 03917536

**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
FOR
FILMLIGHT LIMITED**

THURSDAY



LD6 *L5MCECFM* 22/12/2016 #55
COMPANIES HOUSE

FILMLIGHT LIMITED (REGISTERED NUMBER: 03917536)
CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

	Page
Company Information	1
Group Strategic Report	2
Report of the Directors	3 to 4
Report of the Independent Auditors	5
Consolidated Statement of Comprehensive Income	6
Consolidated Balance Sheet	7
Company Balance Sheet	8
Consolidated Statement of Changes in Equity	9
Company Statement of Changes in Equity	10
Consolidated Cash Flow Statement	11
Notes to the Consolidated Cash Flow Statement	12
Notes to the Consolidated Financial Statements	13 to 25

FILMLIGHT LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2016

DIRECTORS:

S Chapman
W Lempp
P Stothart
M Harris

SECRETARY:

M Harris

REGISTERED OFFICE:

14-15 Manette Street
London
W1D 4AP

REGISTERED NUMBER:

03917536

AUDITORS:

Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London
SE1 9QR

FILMLIGHT LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The directors present their strategic report of the company and the group for the year ended 31 March 2016.

REVIEW OF BUSINESS

The four-year decline in company turnover from £13.8M in 2011 to £8.4M in 2015, driven by profound changes and a serious weakness in the post production market, has finally been reversed. Company turnover grew by 8% to £9.035M in the year to March 2016 (FY14), while profit grew 27% to £789,000. As indicated in the previous report, this was primarily due to a reorganisation of our sales channels in Asia and the US, with above average growth for both of these markets, while keeping costs under control.

It also reflects the recognition of the FilmLight and Baselight brands in our industry, and the acknowledgement that we offer a clear alternative with a sustainable business model for our customers against a backdrop of fierce competition from new entrants to the market in a general race to the bottom.

By maintaining our pricing for the main Baselight product family, by promoting our strategy of increased productivity through integrated scene-to-screen workflows, by promoting our technology lead through workshops and seminars, and by maintaining our unique, high quality support model, our message to the market is getting through. We are the aspirational brand for ambitious creative colourists and the benchmark for quality colour processing in the professional content creation market.

Looking forward to FY15, we are confident in improving our position further, with the announcement of a major new Baselight release, and continued success in Asia and the US. However, there is no doubt that the prevailing political sentiment is making business for a global company like FilmLight harder, with both recruitment and sales to BRIC countries in particular seeing increased administrative barriers. We will defend the company against these trends as much as possible by adopting a more flexible and distributed organisation, making the most of our international workforce and our global outlook.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's financial instruments at the balance sheet date comprised a bank overdraft, a bank loan, a HP loan, cash and liquid resources. In addition, the group has other financial instruments such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the group's activities.

The main risks from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. In common with businesses of similar size, these risks are managed by the Board, who set the policies and circumstances for the use of financial instruments and which are monitored and reviewed on an ongoing basis.

The group has no exposure to publicly quoted equity securities as it holds no such financial assets.

Interest rate risk

The group's loans comprise both fixed and floating rate liabilities. Any exposure to interest rate fluctuations is managed in order that the group's operations are financed through retained profits.

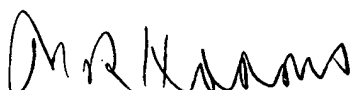
Liquidity and cash flow risk

Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash, overdraft and loan facilities are in place.

Foreign currency risk

Some of the group's trade debtors and creditors are denominated in US dollars and Euro. Whilst the group makes sufficient sales and purchases in foreign currency to possibly justify use of hedging instruments, given the cost of using such instruments, transactions are presently settled at spot rate.

ON BEHALF OF THE BOARD:



M Harris - Director

20 December 2016

FILMLIGHT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2016.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the development, design, manufacture and supply of digital systems for the professional post-production of television and feature film projects.

DIVIDENDS

Interim dividends per share were paid as follows:

£0.5102	- 1 October 2015
£0.5981	- 1 March 2016
<u>£1.1083</u>	

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 March 2016 will be £599,991.

RESEARCH AND DEVELOPMENT

The group continued its focus in the year on research and development, with considerable technical staff effort applied to developing the next generation systems. Costs in the year amounted to £1,529,426 (2015: £1,260,083).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2015 to the date of this report.

S Chapman
W Lempp
P Stothart
M Harris

DISCLOSURE IN THE STRATEGIC REPORT

The group has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information and would otherwise be required to be contained in the Report of the Director:

Review of the business

Financial risk management objectives; and

Indication of exposure to interest rate risk, liquidity and cash flow risk and foreign currency risk

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the 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 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FILMLIGHT LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2016**

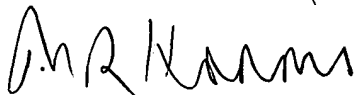
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Wilkins Kennedy LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'M Harris', is written over the text 'ON BEHALF OF THE BOARD:'.

M Harris - Director

20 December 2016

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FILMLIGHT LIMITED**

We have audited the financial statements of Filmlight Limited for the year ended 31 March 2016 on pages six to twenty five. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors 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 group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors 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 group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

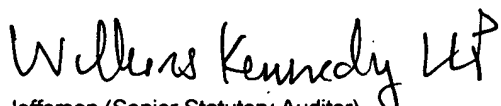
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 requires us to report to you if, in our opinion:

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



Ian Jefferson (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London
SE1 9QR

20 December 2016

FILMLIGHT LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

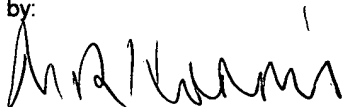
	Notes	2016 £	£	2015 £	£
TURNOVER					
Group and share of joint ventures			9,035,322		8,761,013
Less:					
Share of joint ventures' turnover			-		(396,911)
GROUP TURNOVER	3		9,035,322		8,364,102
Cost of sales			2,627,643		3,008,820
GROSS PROFIT			6,407,679		5,355,282
Distribution costs		50,549		59,315	
Administrative expenses		5,846,633		5,579,434	
			5,897,182		5,638,749
			510,497		(283,467)
Other operating income			56,783		4,761
GROUP OPERATING PROFIT/(LOSS)	5		567,280		(278,706)
Share of operating profit in Joint ventures			-		43,716
Interest receivable and similar income			10,156		6,686
			577,436		(228,304)
Interest payable and similar charges	6		-		4,644
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			577,436		(232,948)
Tax on profit/(loss) on ordinary activities	7		(211,237)		(854,244)
PROFIT FOR THE FINANCIAL YEAR			788,673		621,296
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			788,673		621,296
Profit attributable to: Owners of the parent			788,673		621,296
Total comprehensive income attributable to: Owners of the parent			788,673		621,296

The notes form part of these financial statements

CONSOLIDATED BALANCE SHEET
31 MARCH 2016

	Notes	2016 £	2015 £
FIXED ASSETS			
Intangible assets	10	968,204	1,104,180
Tangible assets	11	376,278	132,051
Investments	12	-	-
		<u>1,344,482</u>	<u>1,236,231</u>
CURRENT ASSETS			
Stocks	13	2,777,344	2,863,757
Debtors	14	4,197,924	4,364,829
Cash at bank		607,733	326,501
		<u>7,583,001</u>	<u>7,555,087</u>
CREDITORS			
Amounts falling due within one year	15	2,933,100	2,985,617
NET CURRENT ASSETS		<u>4,649,901</u>	<u>4,569,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>5,994,383</u></u>	<u><u>5,805,701</u></u>
CAPITAL AND RESERVES			
Called up share capital	20	270,688	270,688
Share premium	21	136,617	136,617
Capital redemption reserve	21	27,695	27,695
Retained earnings	21	5,559,383	5,370,701
SHAREHOLDERS' FUNDS		<u><u>5,994,383</u></u>	<u><u>5,805,701</u></u>

The financial statements were approved by the Board of Directors on 20 December 2016 and were signed on its behalf by:



M Harris - Director

COMPANY BALANCE SHEET
31 MARCH 2016

	Notes	2016	2015
		£	£
FIXED ASSETS			
Intangible assets	10	968,204	1,104,180
Tangible assets	11	372,465	127,525
Investments	12	1	1
		<u>1,340,670</u>	<u>1,231,706</u>
CURRENT ASSETS			
Stocks	13	2,777,344	2,862,860
Debtors	14	3,607,959	4,084,079
Cash at bank		522,871	192,290
		<u>6,908,174</u>	<u>7,139,229</u>
CREDITORS			
Amounts falling due within one year	15	2,352,686	2,655,853
NET CURRENT ASSETS		<u>4,555,488</u>	<u>4,483,376</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,896,158</u>	<u>5,715,082</u>
CAPITAL AND RESERVES			
Called up share capital	20	270,688	270,688
Share premium	21	136,617	136,617
Capital redemption reserve	21	27,695	27,695
Retained earnings	21	5,461,158	5,280,082
SHAREHOLDERS' FUNDS		<u>5,896,158</u>	<u>5,715,082</u>

The financial statements were approved by the Board of Directors on 20 December 2016 and were signed on its behalf by:



M Harris - Director

FILMLIGHT LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 April 2014	270,688	4,766,431	136,617	27,695	5,201,431
Changes in equity					
Dividends	-	(17,026)	-	-	(17,026)
Total comprehensive income	-	621,296	-	-	621,296
Balance at 31 March 2015	<u>270,688</u>	<u>5,370,701</u>	<u>136,617</u>	<u>27,695</u>	<u>5,805,701</u>
Changes in equity					
Dividends	-	(599,991)	-	-	(599,991)
Total comprehensive income	-	788,673	-	-	788,673
Balance at 31 March 2016	<u><u>270,688</u></u>	<u><u>5,559,383</u></u>	<u><u>136,617</u></u>	<u><u>27,695</u></u>	<u><u>5,994,383</u></u>

The notes form part of these financial statements

FILMLIGHT LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 April 2014	270,688	4,984,801	136,617	27,695	5,419,801
Changes in equity					
Dividends	-	(17,026)	-	-	(17,026)
Total comprehensive income	-	312,307	-	-	312,307
Balance at 31 March 2015	<u>270,688</u>	<u>5,280,082</u>	<u>136,617</u>	<u>27,695</u>	<u>5,715,082</u>
Changes in equity					
Dividends	-	(599,991)	-	-	(599,991)
Total comprehensive income	-	781,067	-	-	781,067
Balance at 31 March 2016	<u><u>270,688</u></u>	<u><u>5,461,158</u></u>	<u><u>136,617</u></u>	<u><u>27,695</u></u>	<u><u>5,896,158</u></u>

The notes form part of these financial statements

FILMLIGHT LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	712,410	155,003
Interest paid		-	(4,644)
Tax refunded		304,828	301,430
Net cash from operating activities		<u>1,017,238</u>	<u>451,789</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		-	(269,826)
Purchase of tangible fixed assets		(30,504)	(85,029)
Sale of fixed asset investments		-	123,489
Interest received		10,156	6,686
Net cash from investing activities		<u>(20,348)</u>	<u>(224,680)</u>
Cash flows from financing activities			
Loan repayments in year		(29,160)	(258,789)
Movement in intercompany		-	41,346
Equity dividends paid		(599,991)	(17,026)
Net cash from financing activities		<u>(629,151)</u>	<u>(234,469)</u>
Increase/(decrease) in cash and cash equivalents		<u>367,739</u>	<u>(7,360)</u>
Cash and cash equivalents at beginning of year	2	<u>118,908</u>	<u>126,268</u>
Cash and cash equivalents at end of year	2	<u><u>486,647</u></u>	<u><u>118,908</u></u>

The notes form part of these financial statements

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
Profit/(loss) before taxation	577,436	(232,948)
Depreciation charges	292,074	220,933
Profit on disposal of fixed assets	-	(12,558)
Finance costs	-	4,644
Finance income	(10,156)	(6,686)
	<u>859,354</u>	<u>(26,615)</u>
(Increase)/decrease in stocks	(283,408)	560,336
Decrease in trade and other debtors	73,314	97,354
Increase/(decrease) in trade and other creditors	63,150	(476,072)
	<u>712,410</u>	<u>155,003</u>
Cash generated from operations	<u><u>712,410</u></u>	<u><u>155,003</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Consolidated Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2016

	31/3/16 £	1/4/15 £
Cash and cash equivalents	607,733	326,501
Bank overdrafts	(121,086)	(207,593)
	<u>486,647</u>	<u>118,908</u>

Year ended 31 March 2015

	31/3/15 £	1/4/14 £
Cash and cash equivalents	326,501	475,189
Bank overdrafts	(207,593)	(348,921)
	<u>118,908</u>	<u>126,268</u>

FILMLIGHT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. GENERAL INFORMATION

Filmlight Limited is a limited liability company registered in England and Wales. The registered and trading office is 14-15 Manette Street, London, W1D 4AP.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in sterling (£) which is also the functional currency for the group.

The group transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. No restatement of opening balances at the date of transition were required in making the transition to FRS102.

Going concern

After reviewing the group's forecasts and projections and taking into account the economic conditions and possible changes in trading performance, the directors have a reasonable expectation that Filmlight Limited has adequate resources to continue in operational existence for the foreseeable future. Filmlight Limited therefore continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The consolidated financial statements include the results of Filmlight Limited and its subsidiary undertaking and joint venture interests drawn up to 31 March. The results of these undertakings during the period are included in the profit and loss account.

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Significant judgements and estimates

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 a continuing 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.

The key judgements and sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Impairment of intangible assets and goodwill

Useful economic life of tangible and intangible assets

Fair value measurement

Utilisation of tax losses

FILMLIGHT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2016

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Service contract income is recognised as invoiced.

Hardware sales income equivalent to cost of sales is recognised when the ordered goods are substantially complete and ready for shipment. The margin is recognised after shipment and on acceptance.

Governments grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute.

Grants received which relate to capitalised research and development costs are netted off against that expenditure.

Grants received in relation to capital expenditure are deferred and recognised over the period of the useful economic life of the assets.

Deferred income represents amounts invoiced for hardware not yet shipped or installed.

Long term contracts

Turnover and profit on long term contracts is ascertained in a manner appropriate to the stage of completion of the contract and credit taken for profit when the outcome can be assessed with reasonable certainty. All foreseeable losses are provided in full.

Amounts recoverable on contracts are valued at cost with an appropriate addition or provision for estimated profits or losses and after the deduction of amounts received and recoverable.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Long leasehold	- Over 4 years
Plant and machinery	- Straight line over 5 years
Fixtures and fittings	- Over 4 years
Motor vehicles	- 33% on cost
Computer equipment	- Over 4 years

At each reporting date, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment is recognised immediately in profit or loss.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

2. ACCOUNTING POLICIES - continued

Research and development

Development expenditure is recognised as an intangible asset when all of the following criteria are met: It is technically feasible to complete the intangible asset so that it will be available for use or sale; management intends to complete the intangible asset and use or sell it; there is an ability to use or sell the intangible asset; it can be demonstrated how the intangible asset will generate probable future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and the expenditure attributable to the intangible asset during its development can be reliably measured.

Amortisation is charged to write off the cost of the intangible assets less their residual values over their estimated useful lives on a straight line basis. The intangible assets are written off over the following useful economic lives:

Development costs - 3 years

If there are indicators of a significant movement in the useful life or residual value of the asset, amortisation is revised prospectively to reflect this.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Employee benefits

Short term employee benefits, including holiday entitlement and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against future taxable profits or against the reversal of deferred tax liabilities.

In a business combination, a deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of that difference. The amount that is attributable to goodwill is adjusted by the amount of the deferred tax recognised.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

3. TURNOVER

The turnover and profit (2015 - loss) before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2016	2015
	£	£
United Kingdom	1,613,458	1,234,291
Europe	1,868,517	1,842,617
United States of America	2,495,833	1,927,876
Rest of the world	3,057,514	3,359,318
	<u>9,035,322</u>	<u>8,364,102</u>

4. STAFF COSTS

	2016	2015
	£	£
Wages and salaries	3,579,914	3,329,733
Social security costs	283,361	278,344
Other pension costs	107,940	154,165
	<u>3,971,215</u>	<u>3,762,242</u>

The average monthly number of employees during the year was as follows:

	2016	2015
Development staff	20	20
Production staff	7	7
Support staff	10	8
Finance staff	3	2
Sales staff	5	6
Admin staff	3	5
Management staff	4	4
	<u>52</u>	<u>52</u>

5. OPERATING PROFIT/(LOSS)

The operating profit (2015 - operating loss) is stated after charging/(crediting):

	2016	2015
	£	£
Other operating leases	424,608	443,945
Depreciation - owned assets	156,098	84,894
Profit on disposal of fixed assets	-	(12,558)
Knowhow amortisation	9,500	9,500
Research and development costs amortisation	126,476	126,540
Audit fee	20,100	16,250
Foreign exchange differences	(8,016)	749
	<u>299,272</u>	<u>311,435</u>
Directors' remuneration	55,980	60,474
Directors' pension contributions to money purchase schemes	<u>55,980</u>	<u>60,474</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>2</u>
------------------------	-----------------	-----------------

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

5. OPERATING PROFIT/(LOSS) - continued

Information regarding the highest paid director is as follows:

	2016 £	2015 £
Emoluments etc	133,721	139,885
Pension contributions to money purchase schemes	31,380	26,882
	<u>165,101</u>	<u>166,767</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Bank loan interest	-	4,644
	<u>-</u>	<u>4,644</u>

7. TAXATION

Analysis of the tax credit

The tax credit on the profit on ordinary activities for the year was as follows:

	2016 £	2015 £
Current tax:		
UK corporation tax	(360,325)	(811,873)
Prior year underprovision	(32,826)	-
Foreign tax	6,924	10,443
Total current tax	(386,227)	(801,430)
Deferred tax	174,990	(52,814)
Tax on profit/(loss) on ordinary activities	(211,237)	(854,244)
	<u>(211,237)</u>	<u>(854,244)</u>

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	577,436	(232,948)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 21%)	115,487	(48,919)
Effects of:		
Expenses not deductible for tax purposes	226	(12,535)
Adjustments to tax charge in respect of previous periods	(32,826)	-
Enhanced relief on R&D expenditure	(301,048)	(803,233)
Foreign taxes	6,924	10,443
Total tax credit	(211,237)	(854,244)
	<u>(211,237)</u>	<u>(854,244)</u>

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £781,067 (2015 - £312,307).

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

9. DIVIDENDS

	2016 £	2015 £
Ordinary shares shares of £0.50 each		
Interim	<u>599,991</u>	<u>17,026</u>

10. INTANGIBLE FIXED ASSETS

Group

	Knowhow £	Research and development costs £	Totals £
COST			
At 1 April 2015 and 31 March 2016	<u>190,000</u>	<u>1,292,427</u>	<u>1,482,427</u>
AMORTISATION			
At 1 April 2015	123,500	254,747	378,247
Amortisation for year	<u>9,500</u>	<u>126,476</u>	<u>135,976</u>
At 31 March 2016	<u>133,000</u>	<u>381,223</u>	<u>514,223</u>
NET BOOK VALUE			
At 31 March 2016	<u>57,000</u>	<u>911,204</u>	<u>968,204</u>
At 31 March 2015	<u>66,500</u>	<u>1,037,680</u>	<u>1,104,180</u>

Company

	Knowhow £	Research and development costs £	Totals £
COST			
At 1 April 2015 and 31 March 2016	<u>190,000</u>	<u>1,292,427</u>	<u>1,482,427</u>
AMORTISATION			
At 1 April 2015	123,500	254,747	378,247
Amortisation for year	<u>9,500</u>	<u>126,476</u>	<u>135,976</u>
At 31 March 2016	<u>133,000</u>	<u>381,223</u>	<u>514,223</u>
NET BOOK VALUE			
At 31 March 2016	<u>57,000</u>	<u>911,204</u>	<u>968,204</u>
At 31 March 2015	<u>66,500</u>	<u>1,037,680</u>	<u>1,104,180</u>

The £190,000 relates to technical knowhow acquired with the employees of Filmlight and is being amortised over twenty years.

Within Research & Development is an amount of £65,026 which relates to the precursor stage of development in Baselight and Truelight products. The asset is now fully written down.

A balance in Research & Development of £1,227,401 relates to the products FLIP, FLUX and CNC. FLIP commenced selling in 2013 and is being amortised at 33% straight line. FLUX and CNC were still being developed as at 31 March 2016.

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

11. TANGIBLE FIXED ASSETS

Group	Long leasehold £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 April 2015	26,400	352,011	80,818
Additions	-	373,126	7,583
At 31 March 2016	26,400	725,137	88,401
DEPRECIATION			
At 1 April 2015	26,400	323,709	49,997
Charge for year	-	110,490	11,192
At 31 March 2016	26,400	434,199	61,189
NET BOOK VALUE			
At 31 March 2016	-	290,938	27,212
At 31 March 2015	-	28,302	30,821
	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 April 2015	9,736	425,070	894,035
Additions	-	19,616	400,325
At 31 March 2016	9,736	444,686	1,294,360
DEPRECIATION			
At 1 April 2015	9,736	352,142	761,984
Charge for year	-	34,416	156,098
At 31 March 2016	9,736	386,558	918,082
NET BOOK VALUE			
At 31 March 2016	-	58,128	376,278
At 31 March 2015	-	72,928	132,051

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

11. TANGIBLE FIXED ASSETS - continued

Company

	Long leasehold £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 April 2015	26,400	349,491	79,760
Additions	-	373,126	7,583
	<u>26,400</u>	<u>722,617</u>	<u>87,343</u>
At 31 March 2016	26,400	722,617	87,343
DEPRECIATION			
At 1 April 2015	26,400	321,189	48,939
Charge for year	-	110,490	11,192
	<u>26,400</u>	<u>431,679</u>	<u>60,131</u>
At 31 March 2016	26,400	431,679	60,131
NET BOOK VALUE			
At 31 March 2016	-	290,938	27,212
At 31 March 2015	-	28,302	30,821

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 April 2015	9,736	416,364	881,751
Additions	-	19,616	400,325
	<u>9,736</u>	<u>435,980</u>	<u>1,282,076</u>
At 31 March 2016	9,736	435,980	1,282,076
DEPRECIATION			
At 1 April 2015	9,736	347,962	754,226
Charge for year	-	33,703	155,385
	<u>9,736</u>	<u>381,665</u>	<u>909,611</u>
At 31 March 2016	9,736	381,665	909,611
NET BOOK VALUE			
At 31 March 2016	-	54,315	372,465
At 31 March 2015	-	68,402	127,525

12. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 April 2015 and 31 March 2016	1
NET BOOK VALUE	
At 31 March 2016	1
At 31 March 2015	1

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

12. FIXED ASSET INVESTMENTS - continued

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

Filmlight Inc

Country of incorporation: USA

Nature of business: Development and supply of film equipment

	%		
Class of shares:	holding		
Ordinary	100.00		
		2016	2015
		£	£
Aggregate capital and reserves		98,226	76,707
Profit/(loss) for the year		21,519	(572)

Filmlight Inc was set up as a legal entity in order for Filmlight Limited to trade in the US.

Filmlight Inc is reported in USD, the balances above have been translated at a rate of 1.5 (2015: \$1.4:£1)

13. STOCKS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Stocks	2,676,056	2,775,432	2,676,056	2,774,535
Finished goods	101,288	88,325	101,288	88,325
	2,777,344	2,863,757	2,777,344	2,862,860

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	2,534,632	2,460,833	1,557,057	1,850,285
Amounts owed by group undertakings	-	-	422,072	365,652
Amounts recoverable on contract	-	193,783	-	193,783
Other debtors	426,623	464,378	392,161	428,524
Directors' loan accounts	63,619	78,621	63,619	78,621
Tax	616,240	534,841	616,240	534,841
VAT	59,264	12,485	59,264	12,485
Deferred tax asset	224,732	399,721	224,732	399,721
Prepayments and accrued income	272,814	220,167	272,814	220,167
	4,197,924	4,364,829	3,607,959	4,084,079

Deferred tax asset

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Deferred tax	224,732	399,721	224,732	399,721

An impairment loss of £41,088 (2015: £35,218) was recognised against trade debtors.

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts (see note 16)	121,086	236,753	121,086	236,753
Trade creditors	489,717	475,459	489,717	475,459
Amounts owed to group undertakings	332,407	332,407	332,407	332,407
Social security and other taxes	81,818	79,981	81,818	79,981
Other creditors	285,741	374,686	259,804	366,949
Accruals and deferred income	1,622,331	1,486,331	1,067,854	1,164,304
	<u>2,933,100</u>	<u>2,985,617</u>	<u>2,352,686</u>	<u>2,655,853</u>

16. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank overdrafts	121,086	207,593	121,086	207,593
Bank loans	-	29,160	-	29,160
	<u>121,086</u>	<u>236,753</u>	<u>121,086</u>	<u>236,753</u>

The bank loan and overdraft, is secured by debenture comprising fixed and floating charges over all the assets and undertaking of Filmlight Limited, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group	Non-cancellable operating leases	
	2016	2015
	£	£
Within one year	336,651	336,651
Between one and five years	1,137,940	1,137,940
In more than five years	378,365	662,850
	<u>1,852,956</u>	<u>2,137,441</u>

18. FINANCIAL ASSETS AND LIABILITIES

Group	2016	2015
	£	£
Financial assets that are debt instruments measured at amortised cost	4,197,924	4,364,829
Financial liabilities measured at amortised cost	<u>(2,933,100)</u>	<u>(2,985,617)</u>
Company		
Financial assets that are debt instruments measured at amortised cost	3,607,959	4,084,079
Financial liabilities measured at amortised cost	<u>(2,352,686)</u>	<u>(2,655,853)</u>

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

19. DEFERRED TAX

Group

	£
Balance at 1 April 2015	(399,721)
Excess capital allowances	70,361
Tax losses	104,628
	<u>(224,732)</u>
Balance at 31 March 2016	<u>(224,732)</u>

Company

	£
Balance at 1 April 2015	(399,721)
Excess capital allowances	70,361
Tax losses	104,628
	<u>(224,732)</u>
Balance at 31 March 2016	<u>(224,732)</u>

The recognition of the deferred tax asset on the trading losses of £1,444,509 (2015: £1,873,951) is based on the likelihood that future available profits available for offset will be greater than the effect of any deferred tax liabilities on timing differences of £320,850 (2015: £64,583).

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2016 £	2015 £
Number:	Class:			
541,377	Ordinary shares	£0.50	<u>270,688</u>	<u>270,688</u>

21. RESERVES

Group

	Retained earnings £	Share premium £	Capital redemption reserve £	Totals £
At 1 April 2015	5,370,701	136,617	27,695	5,535,013
Profit for the year	788,673			788,673
Dividends	(599,991)			(599,991)
At 31 March 2016	<u>5,559,383</u>	<u>136,617</u>	<u>27,695</u>	<u>5,723,695</u>

Company

	Retained earnings £	Share premium £	Capital redemption reserve £	Totals £
At 1 April 2015	5,280,082	136,617	27,695	5,444,394
Profit for the year	781,067			781,067
Dividends	(599,991)			(599,991)
At 31 March 2016	<u>5,461,158</u>	<u>136,617</u>	<u>27,695</u>	<u>5,625,470</u>

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

21. RESERVES - continued

Retained earnings - this includes all of the current and prior period retained profits and losses

Share premium account - this represents the premium received upon issue of share capital. The transaction costs incurred with the issuing of shares is deducted from this account

22. ULTIMATE PARENT COMPANY

Filmlight Holdings Limited is regarded by the directors as being the company's ultimate parent company.

23. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 March 2016 and 31 March 2015:

	2016 £	2015 £
M Harris		
Balance outstanding at start of year	17,471	16,799
Amounts advanced	666	672
Amounts repaid	(4,000)	-
Balance outstanding at end of year	<u>14,137</u>	<u>17,471</u>
P Stothart		
Balance outstanding at start of year	61,150	58,798
Amounts advanced	2,331	2,352
Amounts repaid	(14,000)	-
Balance outstanding at end of year	<u>49,481</u>	<u>61,150</u>

During a prior year the group made loans to the directors in respect of the share options exercised in its parent company, Filmlight Holdings Limited.

The loans attract interest at 4% per annum, of which £2,997 (2015: £3,024) was outstanding at the year end.

24. RELATED PARTY DISCLOSURES

During the year, total dividends of £470,700 were paid to the directors.

Included in trade debtors is a balance of £182,394 (2015: £147,767) and in other debtors, a balance of £nil (2015: £120,000) which are owed by a related company, Soho Post Finance Limited, a company with directors and shareholders in common.

Filmlight Limited has paid consultancy fees totalling £15,000 (2015: £15,013) during the year to Mike Harris, a director of the company.

Included in other debtors is a loan balance of £244,231 (2015: £288,079) owed from NCAM Technologies Limited, a company with common directors, the group has a bad debt provision of £23,258 against the balance. During the year, the group charged NCAM Technologies Limited £32,672 in respect to development recharges.

All the directors who have authority and responsibility for planning directing and controlling activities of the Group are considered to be key management personnel. Total remuneration of £299,272 (2015: £311,435) was paid during the year.

25. ULTIMATE CONTROLLING PARTY

The directors believe the group is ultimately controlled equally between S Chapman and W Lempp.

FILMLIGHT LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2016**

26. PENSION COSTS

The company also operates a defined contribution pension scheme for current directors and employees. This scheme does not require an actuarial valuation under FRS102. The assets of the scheme are held separately from those of the company. The pension charge for the period to this scheme was £107,940 (2015: £154,165). There were no outstanding contributions payable to this scheme at the balance sheet date.