

Registered number: 04212056

MERCURY FILM PRODUCTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 DECEMBER 2019



MERCURY FILM PRODUCTIONS LIMITED

COMPANY INFORMATION

Directors	N A Forster D M Reid
Company secretary	S Cruickshank
Registered number	04212056
Registered office	15 Golden Square London W1F 9JG
Independent auditor	BDO LLP Statutory Auditor 55 Baker Street London W1U 7EU
Banker	Barlays Bank PLC 1 Churchill Place London E14 5HP

MERCURY FILM PRODUCTIONS LIMITED

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**DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 DECEMBER 2019**

The directors present their report and the financial statements for the period ended 30 December 2019 ("the period").

Principal activity

Mercury Film Productions Limited ("the Company"), a private company limited by shares, is a wholly-owned subsidiary of Freeshire Limited, a wholly-owned subsidiary within the Fernlakes Limited group ("the Group"). The principal activity of the Company is to undertake film production. The directors are not aware of any likely major changes in the Company's activities in the next year.

The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of its development, performance or position.

Going concern

The Company's business activities including the impact of the decisions of the First-tier Tax Tribunal and the Upper Tribunal, together with Partner Payment Notices (as further explained in note 5), Brexit and COVID19 have been reviewed by the directors.

Having assessed these risks, its financial position, and profit and cash flow forecasts, the directors intend to continue operating its business. The going concern basis of accounting is appropriate however there are material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue to adopt the going concern basis of accounting in the future.

Further details regarding the adoption of the going concern basis can be found in note 1.2.

Principal risks and uncertainties

The key business risks faced by the Company can be affected by a number of factors some of which may result from matters beyond the Company's control, such as conditions in the domestic and global financial markets and the wider economy, as well as changes in legislation. The financial risk and operational management policies are determined for the Group as a whole and are discussed in the Group's annual report and financial statements.

The directors have specifically considered the impact of Brexit and the COVID19 world pandemic outbreak on the business - please refer to note 1.2 Going concern for further details.

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are:

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. Given the Company's balance sheet and low level of activity no individual financial asset or liability poses a significant risk.

Liquidity risk

The Group operates a group-wide treasury management strategy to manage the liquidity requirements of the Group as a whole (including the Company) and is discussed in the Group's annual reports and financial statements.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 DECEMBER 2019

Business risk

Business risk is the failure of the business to execute its business strategy and therefore being unsuccessful in achieving projected returns. This includes changes to tax legislation or financial regulation. Please refer to note 5 for further details.

Future developments and events after the balance sheet date

The Company intends to continue to undertake its principal activity.

Results and dividends

The results for the period are set out on page 7.

The directors do not propose to pay a final dividend (period ended 31 December 2018: £nil).

No interim dividend was paid during the period (period ended 31 December 2018: £nil).

Directors

The directors who served during the period and subsequently were:

D M Reid
N A Forster

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report 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 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 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;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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 transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 DECEMBER 2019**

Provision of insurance to directors

All directors were covered by Directors and Officers liability insurance, provided by the ultimate parent company Fernlakes Limited, throughout the period and this will continue to remain in force.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

In the absence of a notice proposing that the appointment be terminated, the auditor, BDO LLP, will be deemed to be re-appointed in accordance with section 487(2) of the Companies Act 2006.

Small company provision

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board of directors and signed on its behalf by:



D M Reid
Director

15 Golden Square
London
W1F 9JG

Company Registration Number: 04212056 (England and Wales)

Date: 11/03/2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCURY FILM PRODUCTIONS LIMITED

Opinion

We have audited the financial statements of Mercury Film Productions Limited (the "Company") for the period ended 30 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 December 2019 and of its loss for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to note 1.2 of the financial statements which indicates that the Company's ability to continue as a going concern is dependent on its ability to recover its debtors from other Group companies, which in turn is linked to the outcome of the tax tribunal. These circumstances therefore indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw your attention to notes 2 and 5 in the financial statements which highlight the uncertain outcome of the Tax Tribunal and key sources of estimation uncertainties that the directors have made in the process of determining the tax liability as at 30 December 2019. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCURY FILM PRODUCTIONS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCURY FILM PRODUCTIONS LIMITED

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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. A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Peter Smith (Senior statutory auditor)

for and on behalf of
BDO LLP

Statutory Auditor

London, UK

Date: 18 March 2021

MERCURY FILM PRODUCTIONS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 DECEMBER 2019**

		Period ended 30 December 2019 £000	Period ended 31 December 2018 £000
	Note		
Administrative expenses		(5)	(4)
Operating loss	3	(5)	(4)
Tax on loss	5	-	-
Loss for the financial period		<u>(5)</u>	<u>(4)</u>

Loss for the current and prior period is fully attributable to the equity shareholders of the Company.

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

All of the Company's loss is derived from continuing operations during the current and prior period.

The notes on pages 10 to 18 form part of these financial statements.

BALANCE SHEET
AS AT 30 DECEMBER 2019

	Note	30 December 2019 £000	31 December 2018 £000
Current assets			
Debtors	6	111	114
		<u>111</u>	<u>114</u>
Creditors: amounts falling due within one year	7	(22)	(20)
		<u></u>	<u></u>
Net current assets		89	94
		<u></u>	<u></u>
Total assets less current liabilities		89	94
Provisions for liabilities			
Other provisions		(2)	(2)
		<u>(2)</u>	<u>(2)</u>
		<u></u>	<u></u>
Net assets		87	92
		<u></u>	<u></u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		87	92
		<u></u>	<u></u>
Shareholders' funds		87	92
		<u></u>	<u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by:



D M Reid
Director

Date: 11/03/2021

MERCURY FILM PRODUCTIONS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 DECEMBER 2019**

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 July 2017	-	96	96
Loss for the financial period	-	(4)	(4)
At 1 January 2019	-	92	92
Loss for the financial period	-	(5)	(5)
At 30 December 2019	-	87	87

The notes on pages 10 to 18 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019**

1. Accounting policies

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

1.1 General information and basis of preparation of financial instruments

Mercury Film Productions Limited is a company incorporated in England and Wales under the Companies Act. Its place of business and head office address is 15 Golden Square, London, W1F 9JG. The nature of the Company's operations and principal operating activity are set out in the Directors' Report on pages 1 to 3.

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling which is the currency of the primary economic environment in which the Company operates. Foreign transactions are included in accordance with the policies set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions that have been taken in these separate Company financial statements are discussed further down in the accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019**

1. Accounting policies (continued)**1.2 Going concern**

The Company's business activities including the impact of the First-tier Tax Tribunal and Partner Payment Notices (as further explained in note 5), Brexit and the impact of the COVID19 world pandemic have been reviewed by the directors.

As the Company is wholly based in the UK and is not taking on any new business at the moment, the directors believe that Brexit will have minimal (if any) impact on the Company.

The directors have considered the impact of the COVID19 pandemic on the business. The Company's principal activity is unaffected as all transactions completed in the past and future transactions and profits are not dependent on the broader economic activity that may be negatively affected by the pandemic. The directors also do not believe that any assets on the balance sheet will be impaired as a result of COVID19. Furthermore, the Company does not have any direct employees, and the cost base of the Company should not be affected in any way by the pandemic. Therefore, the directors have concluded that the impact of the pandemic on the business is insignificant.

The Company incurred a net loss of £5k during the period ended 30 December 2019 and at that date, it had net current assets of £89k and net assets of £87k.

The directors have prepared cash flow forecasts for 12 months following approval of these financial statements assuming a range of operational transactions including HMRC's determination of the Partner Payment Notices. These cash flow forecasts indicate that if the Company receives its receivables from Group undertakings, which is not guaranteed, the Company can reasonably expect to have sufficient funds to pay the remaining Partner Payment Notices during this period. Should there be a further adverse outcome in the tax and civil cases in respect of the Group, this could result in the Group undertakings being unable to settle their debt with the Company. These circumstances therefore indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

1.3 Accounting period

For administrative purposes, the financial year end was shortened from 24 December to 23 December 2019.

The Company has taken advantage of section 390(3)(b) of the Companies Act 2006 in preparing these financial statements to 30 December 2019 which is within seven days of the Company's 23 December 2019 accounting reference period end.

1.4 Investments*Other investments*

Where fair value cannot be reliably measured, other investments are stated at cost less any provision for permanent diminution in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019**

1. Accounting policies (continued)**1.5 Provisions for liabilities and charges**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.6 Taxation

Current tax, including United Kingdom corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current taxable rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

1.7 Disclosure exemptions

The Company is a qualifying entity under FRS 102 and it is taking advantage of some of the disclosure exemptions available to such entities in its financial statements. As such, the financial statements do not include a Cash Flow Statement, a note on financial instruments and a reconciliation of number of shares outstanding. Further details can be found in note 11 about the name of the immediate parent company of the Company and details of where the consolidated financial statements of that parent can be obtained.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019****2. Critical accounting judgements and key sources of estimation uncertainty**

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

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

Critical accounting judgements in applying the accounting policies

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

Tax liability

In estimating the potential tax liability relating to the First-tier Tax Tribunal and Upper Tribunal decisions (refer to note 5), the following key elements as set out in the Tribunal decision were taken into account in calculating the partnerships' revised profits or losses: treatment of the operator and executive producer fees, deductibility of contracted film cost, recognition of film income and the calculation of the film net realisable values. These reduce the income and expenditure recognised by the partnerships which reduces the losses available to be utilised by the Group.

3. Operating loss

The operating loss is stated after charging:

	Period ended 30 December 2019 £000	Period ended 31 December 2018 £000
Fees for the audit of the Company	5	3

4. Staff costs

The Company incurred no staff costs nor paid any remuneration to its directors during the period (2018: £nil). The Company had no employees during the current and prior period.

The emoluments of the directors were paid and borne by other Group undertakings and none of their remuneration was specifically attributable to their services to the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019**

5. Taxation

	Period ended 30 December 2019 £000	Period ended 31 December 2018 £000
Current tax on loss for the period	-	-
Total current tax	-	-

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Period ended 30 December 2019 £000	Period ended 31 December 2018 £000
Loss on ordinary activities before tax	(5)	(4)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(1)	(1)
Effects of:		
Group relief surrendered	1	1
Total tax charge for the period	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019**

5. Taxation (continued)

In prior accounting periods the Company has received the benefit of tax losses associated with the Group's investment in a number of film and game production partnerships. The Group has challenged the basis on which the closure notices of the partnerships have been calculated, resulting in a hearing before the First-tier Tax Tribunal ("the Tribunal"). The initial decision of the Tribunal was delivered on 2 August 2016 and a second decision which clarified the findings of the first decision was delivered in May 2017 and an amended decision was received on 16 November 2017. The effect of the decisions is to reduce both the losses available to Group entities that invested in the film and game production partnerships and their share of taxable income from the partnerships. The partnerships received permission to appeal in full on 7 of the 8 grounds requested from the Tribunal and on all aspects of the 8th ground the Upper Tribunal was asked to consider. The appeal hearing before the Upper Tribunal was heard in March and April 2019.

On 26 July 2019 the film and game production partnerships received the decision of the Upper Tribunal on their appeals against the decision of the First-tier Tax Tribunal. The Upper Tribunal concluded that the partnerships were not trading and did not have a view to profit. The finding that the partnerships were not trading is sufficient to dispose of the entirety of the partnerships' appeals. However, mindful that the decision may itself be appealed, the Upper Tribunal went on to briefly consider the remaining questions, where it often corrected the First-tier Tribunal's approach but generally supported the First-tier Tribunal's overall conclusions. An application for permission to appeal the Upper Tribunal's decision was submitted in November 2019 and was refused by the Upper Tribunal. An application was therefore made for permission to appeal to the Court of Appeal in December 2019 and authority was granted by the Court of Appeal in February 2020 to appeal the findings on trading and view to profit. The appeal hearing before the Court of Appeal commenced on 11 March 2021 and is ongoing. If the film and game production partnerships are successful in their appeal on the view to profit issue the quantum of tax relief for expenditure incurred by the partnerships and taxable income attributable to the corporate members of the partnerships should be consistent with that expected to follow the First-tier Tax Tribunal decision.

The quantum of both tax losses available to the Group and income taxable on Group entities arising from the Group's investment in these partnerships will remain uncertain until the tax cases are finally resolved.

For the period ended 30 December 2019, the directors have estimated an additional tax liability for the Company of £Nil (31 December 2018: £Nil, 30 June 2017: £Nil, 30 June 2016: £17k) together with a liability for late paid interest of £0.1k (31 December 2018: £0.5k, 30 June 2017: £1k, 30 June 2016: £5k) based on the First-tier Tax Tribunal decision. The directors' estimate of the additional tax and interest liability continues to be calculated on the basis of the decision of the First-tier Tax Tribunal as the directors consider that this decision provides the most likely outcome to the litigation. If, at the end of the appeals process, all contested areas of the Tribunal decision are found in favour of HMRC, an additional tax liability of £nil would arise for the Company in addition to the estimate of the liability arising from the Tribunal decision of £17k. These figures are subject to any future court decisions. As at 30 December 2019, we have made payments on account of £11k tax and £4k interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019****Taxation (continued)**

During November 2016, a number of companies, all subsidiaries of Fernlakes Limited, as corporate members of film production partnerships received Partner Payment Notices ("PPNs"), which are demands for payments on account in respect of a tax liability in dispute, from HMRC. These corporate member companies (together the "Members") submitted written representations to HMRC within the authorised 90 day period. On 10 November 2017 HMRC issued amended PPNs to some Members and as a consequence of the determination, on 13 December 2017, the Group notified HMRC of an intended claim for judicial review of the decision to uphold the PPNs and filed its claim with the court on 5 January 2018. At the date of signing these financial statements the claim for judicial review has not been heard. Meanwhile, as the PPN remains payable, the Company made payments totalling £11k to HMRC in February 2018 together with an associated interest charge on late paid tax. If HMRC issues determinations in respect of representations submitted by other Members, a further payment of £2k will be due to HMRC by the Company together with an associated interest charge. Subject to the final court decision; these payments on account may be repaid so are shown as debtors (note 6) with the gross amount of total taxes provided included in creditors (note 7). When determining the best estimate of the ultimate cash outflows, the directors have considered the effect of the notices received but believe that the best estimate of ultimate cash outflows should still be based on the decision delivered by the First-tier Tax Tribunal as this represents the most likely outcome to the litigation.

6. Debtors: Amounts falling due within one year

	30 December 2019 £000	31 December 2018 £000
Amounts owed by Group undertakings	100	103
Tax recoverable	11	11
	<u>111</u>	<u>114</u>

Amounts owed by Group undertakings represents balances receivable in respect of intra-group loans with other subsidiary companies within the Group. There are no fixed terms of repayment.

Tax recoverable relates to the payments on account made in respect of the PPNs.

7. Creditors: Amounts falling due within one year

	30 December 2019 £000	31 December 2018 £000
Corporation tax	17	17
Accruals and deferred income	5	3
	<u>22</u>	<u>20</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019****8. Provision for liabilities**

	30 December 2019 £000	31 December 2018 £000
Interest provision	2	2
	<u>2</u>	<u>2</u>

Interest provision relates to interest on the estimated tax liability (refer to note 2).

9. Share capital

	30 December 2019 £	31 December 2018 £
Allotted, called up and fully paid		
1 Ordinary share of £1.00	1	1
	<u>1</u>	<u>1</u>

10. Related party transactions

The financial statements do not include disclosure of transactions between the Company and entities that are wholly-owned within the Group. This is because, as a subsidiary whose voting rights are wholly controlled within the Group, it is exempt from the requirement to disclose such transactions under FRS 102 section 33.

11. Controlling Party

During the period the Company was a wholly-owned subsidiary of Freeshire Limited, a company registered in England and Wales. Freeshire Limited is a wholly-owned subsidiary of Fernlakes Limited. Fernlakes Limited is the only parent undertaking for which consolidated financial statements are prepared.

The consolidated financial statements of Fernlakes Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. The controlling shareholder of Fernlakes Limited during the period was P A McKenna.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 DECEMBER 2019**

12. Events after balance sheet date

Tribunal hearing

The appeal hearing before the Court of Appeal commenced on 11 March 2021 and is ongoing. Refer to note 5 for further details.

COVID19

The outbreak and unprecedented spread of the COVID19 pandemic across the globe has had a profound impact on the local and global markets in a matter of months, and is expected to continue to shape the economic landscape for the immediate future. The directors continue to monitor closely the impact of unfolding events in order to respond swiftly to any consequential implications on the business. Refer to note 1.2 for the impacts of going concern.