
LANTERNBURY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 DECEMBER 2021

LANTERNBURY LIMITED

COMPANY INFORMATION

Directors	P A McKenna D M Reid P W Vorster
Company secretary	S J Cruickshank
Registered number	03894400
Registered office	15 Golden Square London W1F 9JG
Business address	15 Golden Square London W1F 9JG
Independent auditor	BDO LLP Statutory Auditor 55 Baker Street London W1U 7EU
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP

LANTERNBURY LIMITED

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LANTERNBURY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 29 DECEMBER 2021

The directors present their report and the financial statements for the year ended 29 December 2021. ("the year").

Principal activity

Lanternbury 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 Company's principal activity was the provision of corporate finance services to the media and technology industries. The Company has ceased to provide corporate finance services whilst its investment in Pall Mall Film Partners reached the end of its investment period in 2019.

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 and performance or position.

Going concern

The Company's business activities including the impact of the decisions of the First-tier Tax Tribunal, the Upper Tribunal and Court of Appeal, together with Partner Payment Notices (as further explained in note 6), and Brexit and the COVID19 world pandemic and the current conflict between Russia and Ukraine have been reviewed by the directors.

Having assessed these risks, its financial position, results and cash flow forecasts, the directors intend to continue operating its business and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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. These may include for example conditions in the domestic and global financial markets and the wider economy, as well as change in legislation.

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

The financial risk and operational management policies are determined for the Group as a whole and are discussed in the Group's annual reports and financial statements.

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

(a) 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 YEAR ENDED 29 DECEMBER 2021

(b) Credit risk

The Company's principal financial assets are bank balances and debtors with the Company's credit risk primarily attributable to its debtors. Where possible the Company reviews the credit rating of its counterparties and undertakes regular detailed reviews of any outstanding receivable balances. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables.

(c) Interest rate risk

The Company is exposed to interest rate risk on its borrowings and deposit balances. The Company negotiates a fixed margin of interest payable on borrowings and seeks to maximise its margin on interest receivable, subject to the requirements of liquidity risk noted above.

(d) 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 6 for further details.

Results and dividends

The results for the period are set out on page 9.

The directors do not propose to pay a final dividend for the year (2020 - £nil).

No interim dividends were paid during the year (2020 - £nil).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 DECEMBER 2021

Directors' responsibilities statement

The directors are responsible for preparing the annual reports and 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting 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;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Directors

The directors who served during the period and subsequently were as follows:

P A McKenna
D M Reid
P W Vorster

Creditors payment policy

The Company does not follow any specific code or standard on payment of creditors. The Company agrees the payment terms as part of the commercial arrangement negotiated with suppliers. Payments are made on these terms provided the supplier meets its obligations.

LANTERNBURY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 DECEMBER 2021**

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.

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies

Act 2006.

Provision of insurance to directors

All directors were covered by directors' and officers' liability insurance throughout the period under review and this will continue to remain in force.

Small companies note

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 and signed on its behalf by:

P W Vorster

Director

Date: 27 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANTERNBURY LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 December 2021 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.

We have audited the financial statements of Lanternbury Limited ("the Company") for the period ended 29 December 2021 which comprise the Profit and Loss Account, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements which indicates that in order to continue as a going concern the Company is dependent on the Group undertakings settling their debt which is not guaranteed and may not be forthcoming if some or all of the expected revenue and cash assumptions made by the Group do not crystallise over the next 12 months. Should the Group undertakings be unable to settle their debt the Company will need to seek alternate funding. As stated in note 1.2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANTERNBURY LIMITED

Emphasis of matter- Tax liability

We draw attention to note 2 in the financial statements which highlights the key sources of estimation uncertainties that the directors have made in the process of determining the tax liability as at 29 December 2021. Our opinion is not modified in respect of this matter.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Other Companies Act 2006 reporting

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

- the information given in the Directors' report for the financial period 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 material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANTERNBURY LIMITED

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

- We obtained an understanding of the legal and regulatory framework applicable to the entity. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (FRS 102) and the Companies act 2006;
- We enquired of management to identify how the entity is complying with those legal and regulatory frameworks and whether there were any known instances of non-compliance, or any actual, suspected or alleged fraud. We corroborated our enquiries through review of board minutes;
- We assessed the risk of susceptibility of the entity's financial statements to material misstatement, including how fraud might occur;
- We considered the entity's control environment that has been established to prevent, detect and deter fraud;
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments in the general ledger and evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business;
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

LANTERNBURY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANTERNBURY LIMITED

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.

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, United Kingdom

Date: 27/09/2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

LANTERNBURY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 DECEMBER 2021

		29 December 2021 £000	29 December 2020 £000
	Note		
Administrative expenses		(6)	(5)
		<hr/>	<hr/>
Operating loss	3	(6)	(5)
Interest payable and similar expenses	5	(17)	(18)
		<hr/>	<hr/>
Loss before tax		(23)	(23)
Tax on loss	6	-	3
		<hr/>	<hr/>
Loss for the financial year		<u>(23)</u>	<u>(20)</u>

The notes on pages 12 to 19 form part of these financial statements.

LANTERNBURY LIMITED
REGISTERED NUMBER: 03894400

BALANCE SHEET
AS AT 29 DECEMBER 2021

	Note	29 December 2021 £'000	29 December 2020 £'000
Current assets			
Debtors: amounts falling due within one year	7	2,651	2,655
Bank and cash balances		20	20
		<u>2,671</u>	<u>2,675</u>
Creditors: amounts falling due within one year	8	(1,305)	(1,303)
		<u></u>	<u></u>
Net current assets		<u>1,366</u>	<u>1,372</u>
Total assets less current liabilities		<u>1,366</u>	<u>1,372</u>
Provisions for liabilities			
Other provisions	9	(177)	(160)
		<u>(177)</u>	<u>(160)</u>
Net assets		<u><u>1,189</u></u>	<u><u>1,212</u></u>
Capital and reserves			
Called up share capital	10	31	31
Profit and loss account		1,158	1,181
		<u></u>	<u></u>
Shareholders' funds		<u><u>1,189</u></u>	<u><u>1,212</u></u>

The 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 and authorised for issue by the board and were signed on its behalf by:

P W Vorster
Director

Date: 27 September 2022

Company Registration Number: 03894400 (England and Wales)

LANTERNBURY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 DECEMBER 2021

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2019	31	1,201	1,232
Loss for the financial year	-	(20)	(20)
At 30 December 2020	31	1,181	1,212
Loss for the year	-	(23)	(23)
At 29 December 2021	31	1,158	1,189

The notes on pages 12 to 19 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2021**

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 accounting

Lanternbury Limited is a company, limited by shares, incorporated in England and Wales under the Companies Act. Its place of business and head office registered 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 and in accordance with FRS 102 issued by the Financial Reporting Council.

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

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 separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Fernlakes Limited. Exemptions that have been taken in these separate Company financial statements are discussed further down in the accounting policies.

The Company has taken advantage of section 390(3)(b) of the Companies Act 2006 in preparing these financial statements to 29 December 2021 which is within seven days of the Company's 22 December 2021 accounting reference period end.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2021**

1. Accounting policies (continued)

1.2 Going concern

The Company's business activities including the impact of the decisions of the First-tier Tax Tribunal, the Upper Tribunal and Court of Appeal, together with Partner Payment Notices (as further explained in note 6) have been reviewed by the directors.

In addition to the risks identified in the Directors' Report, the directors have considered the impact of Brexit, the COVID19 pandemic and the current conflict between Russia and Ukraine on the business. The Company is wholly based in the UK and is not taking on any new business, and the main source of any potential revenue in the future is unaffected as it is attributable to transactions that completed in the past and is not dependent on broader economic activity that may be negatively affected by these circumstances. The directors do not believe that any assets on the Balance Sheet will be impaired, the Company does not have any direct employees, and the cost base of the Company should not be affected in any way by the circumstances. Therefore, the directors have concluded that the aforementioned events has had a minimal (if any) impact on the Company.

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. The Group is currently in a net current liability position as at the balance sheet date and the directors of the Ultimate Parent Company and senior management are currently working across a number of activities, notably a Film Rights sale, a Music Rights consultancy project, whilst awaiting a legal fee rebate awarded following the Court of Appeal decision, which are all expected to generate significant revenues and cash for the Group in the next 12 months. The Group is forecasted to return to an overall net asset position within the next financial year, resulting in the Group undertakings being able to settle their debt with the Company. Therefore, the directors consider the going concern basis of preparation to be appropriate.

However, if some or all of the Group's expected revenue and cash assumptions do not crystallise over the next 12 months, the Group undertakings may be unable to settle its debt with the Company which will result in the Company needing to seek alternate funding. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary should the going concern basis of preparation be inappropriate.

1.3 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the Profit and Loss Account.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2021**

1. Accounting policies (continued)

1.4 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 tax 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 taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

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 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 the Financial Instruments and a Reconciliation of number of shares outstanding. Further details can be found in note 12 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 YEAR ENDED 29 DECEMBER 2021

2. Judgements in applying accounting policies 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 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, the Upper Tribunal and Court of Appeal decisions (refer to note 6), 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.

Aside from the estimated tax liability noted above, there were no other key sources of estimation uncertainty in the Company.

3. Operating loss

The operating loss is stated after charging:

	2021	2020
	£000	£000
Fees for the audit of the annual accounts of the Company	<u>6</u>	<u>5</u>

4. Staff costs

The Company incurred no staff costs nor paid any remuneration to its directors during the period (2020 - £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.

LANTERNBURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2021

5. Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on estimated tax liability	17	18
	<u>17</u>	<u>18</u>

6. Taxation

	2021 £'000	2020 £'000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	(3)
Total deferred tax	<u>-</u>	<u>(3)</u>
Taxation on profit/(loss) on ordinary activities	-	(3)

Factors affecting the tax credit for the current and prior period

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Loss on ordinary activities before tax	<u>(23)</u>	<u>(23)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(4)	(4)
Effects of:		
Group relief claimed	4	1
Total tax charge for the year	<u>-</u>	<u>(3)</u>
No factors affecting the future tax charge		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2021

6. 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, 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 was heard in March 2021.

On 4 August 2021 the film and game production partnerships received the decision of the Court of Appeal. The Court of Appeal reversed the decision of the Upper Tribunal and restored the decision of the First-tier Tribunal that the film partnerships were trading with a view to profit. Ingenious Games was found to be in business with a view to profit. The effect of restoring the First-tier Tribunal decision 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. On receipt of the draft decision HMRC submitted an application to the Court of Appeal to appeal its decision, which was declined on 4th August 2021. The decision of the Court of Appeal on 4th August 2021 represents the final outcome of the tax case (subject to any out of time applications). The impact on the financial statements for the Company of the Court of Appeal decision has not yet been agreed with HMRC but is expected to be consistent with the directors' estimate of the additional tax and interest liability calculated on the basis of the decision of the First-tier Tax Tribunal.

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 29 December 2021, the directors have estimated an additional tax liability for the Company of £nil (2020: £nil, 2019: £nil, 2018: £nil, 2017: £29k, 2016: £1,266k) together with an additional liability for late paid interest of £16.7k (2020: £18k, 2019: £21k, 2018: £40k, 2017: £47k, 2016: £413k). The director's 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 c.£837k, plus interest on late paid tax, would arise for the Company in addition to the estimate of the liability arising from the Tribunal decision of £1,295k. As at 29 December 2021, payments totalling £826k (tax) and £380k (interest) had been made with regard to these amounts, as described further below.

LANTERNBURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2021**

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. As a result of these representations, the PPNs were not due and payable until 30 days after the date on which HMRC responded to the representations. 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 £826k to HMRC in February 2018 together with an associated interest charge on late paid tax of £380k to HMRC in April 2018. If HMRC issues determinations in respect of representations submitted by other Members, a further payment of £187k 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 7) with the gross amount of total taxes provided included in creditors (note 8). 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.

7. Debtors

	2021	2020
	£'000	£'000
Amounts owed by Group undertakings	1,824	1,822
Other debtors	1	7
Tax recoverable	826	826
	<u>2,651</u>	<u>2,655</u>

8. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	6	-
Corporation tax	1,293	1,293
Accruals and deferred income	6	10
	<u>1,305</u>	<u>1,303</u>

LANTERNBURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2021

9. Provisions

	Other provisions £'000
At 30 December 2020	160
Charged to profit or loss	17
	<hr/>
At 29 December 2021	<hr/> 177 <hr/>

Other provisions relate to interest on the estimated tax liability (refer to note 6).

10. Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
31,001 (2020 - 31,001) Ordinary shares of £1.00 each	<hr/> 31 <hr/>	<hr/> 31 <hr/>

11. 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. Under this standard, disclosure is only required of material transactions with related parties that are not at arms length. There were no such transactions during the period.

At the period end, the Company had a receivable from Ingenious Capital Management Limited, a company under common control, amounting to £7k (2020: £7k)

12. Controlling party

During the year ended 29 December 2021 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 registered address of Fernlakes Limited is 15 Golden Square, London, W1F 9JG.

The consolidated financial statements of Fernlakes Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

During the year under review, the controlling shareholder of Fernlakes Limited was P A McKenna.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.