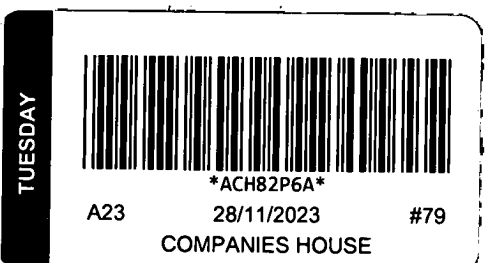


Registered number: 05041357

CORNSDALE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 DECEMBER 2022



CORNSDALE LIMITED

COMPANY INFORMATION

Directors	N A Forster D M Reid
Company secretary	S J Cruickshank
Registered number	05041357
Registered office	Parcels Building 14 Bird Street London W1U 1BU
Business address	Parcels Building 14 Bird Street London W1U 1BU
Independent auditor	BDO LLP Statutory Auditor 55 Baker Street London W1U 7EU
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP

CORNSDALE LIMITED

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CORNSDALE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 29 DECEMBER 2022

The directors present their report and the financial statements for the year ended 29 December 2022.

Principal activity

Cornsdale 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 has ceased to provide services to the media and entertainment industry. It's the directors' intention to await the final outcome of the tax litigation (as detailed in note 5 Taxation) before deciding on the best course of action for the business going forward.

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 5), as well as macroeconomic factors such as the recent increase in interest rates, the cost of living crisis, and the current war 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, such as conditions in the domestic and global financial markets and the wider economy. 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 operates a treasury policy to manage liquidity, credit, price and business risk as follows:

(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.

(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 partners 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) Price risk

Price risk is the current or prospective risk to earnings or capital arising from adverse movements in the value of funds managed or investments held.

CORNSDALE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 DECEMBER 2022**

(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 5 for further details.

Results and Dividends

The results for the year are set out on page 8.

The directors do not propose to pay a final dividend for the year (2021: £nil).

No interim dividends were paid during the year (2021: £nil).

Directors

The directors in office during the year and subsequently were as follows:

N A Forster
D M Reid

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 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.

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.

CORNSDALE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 DECEMBER 2022**

Provision of insurance to directors

All directors were covered by directors' and officers' liability insurance throughout the year under review 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.

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

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 of directors and signed on its behalf by:



D M Reid
Director

Date: 27 September 2023

CORNSDALE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNSDALE 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 2022 and of its loss 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.

We have audited the financial statements of Cornsdale Limited ("the Company") for the year ended 29 December 2022 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 the Company is dependent on financial support from its ultimate parent company to enable it to continue as a going concern. The ability of the ultimate parent company to provide such support depends on the ultimate parent company closing the film rights sale. 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 the 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.

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 2022. 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 Directors' report other than the financial statements and our auditor's report thereon. Our opinion

CORNSDALE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNSDALE LIMITED

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 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 material misstatements in 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 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

CORNSDALE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNSDALE LIMITED

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations; and

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias; and
- Obtaining independent confirmation of bank balances.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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,

CORNSDALE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNSDALE LIMITED

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.

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.

DocuSigned by:
Peter Smith
0F308806BCF046B...

Peter Smith (Senior Statutory Auditor)

For and on behalf of
BDO LLP, Statutory Auditor
London, United Kingdom

Date: 27 September 2023

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

CORNSDALE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 DECEMBER 2022**

		29 December 2022 £'000	<i>29 December 2021 £'000</i>
Administrative expenses		-	(6)
Operating Loss	3	-	(6)
Loss for the Financial Year		-	(6)

The notes on pages 11 to 18 form part of these financial statements.

CORNSDALE LIMITED
REGISTERED NUMBER: 05041357

BALANCE SHEET
AS AT 29 DECEMBER 2022

	Note	2022 £000	2021 £000
Current assets			
Debtors: amounts falling due within one year	6	318	317
		<u>318</u>	<u>317</u>
Creditors: amounts falling due within one year	7	(1,687)	(1,686)
Net current liabilities		<u>(1,369)</u>	<u>(1,369)</u>
Total assets less current liabilities		<u>(1,369)</u>	<u>(1,369)</u>
Provisions for liabilities			
Provisions	8	(3)	(3)
		<u>(3)</u>	<u>(3)</u>
Net liabilities		<u><u>(1,372)</u></u>	<u><u>(1,372)</u></u>
Capital and reserves			
Profit and loss account		(1,372)	(1,372)
		<u><u>(1,372)</u></u>	<u><u>(1,372)</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:



D M Reid
Director

Date: 27 September 2023

The notes on pages 11 to 18 form part of these financial statements.

CORNSDALE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 DECEMBER 2022**

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 30 December 2020	-	(1,366)	(1,366)
Loss for the year	-	(6)	(6)
Total comprehensive loss for the year	-	(6)	(6)
At 29 December 2021	-	(1,372)	(1,372)
Total comprehensive loss for the year	-	-	-
At 29 December 2022	-	(1,372)	(1,372)

The notes on pages 11 to 18 form part of these financial statements.

CORNSDALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 DECEMBER 2022

1. Accounting policies

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

1.1 General information and basis of accounting

Cornsdale Limited is a company incorporated in England and Wales under the Companies Act. Its registered office address is Parcels Building, 14 Bird Street, London, W1U 1BU. The nature of the Company's operations and principal operating activity are set out in the Directors' Report on pages 1 to 4.

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 and presentational 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. The Company is consolidated in the financial statements of its ultimate parent, Ingenious Media Holdings Limited, which may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. Exemptions that have been taken in these separate company financial statements are discussed further down in the accounting policies.

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 5).

The directors have considered the impact of recent interest rate increases, the cost of living crisis and the current war 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. Having assessed the risks facing the business as set out in the Directors' Report, its financial position and cash flow forecasts, the directors acknowledge that in order to continue to trade as a going concern, the Company is dependent on financial support from its ultimate parent, which is not guaranteed. Although the parent company is currently in a net current liability position as at the balance sheet date, the directors of the parent company and senior management are currently working to close the film rights sale, which is expected to generate significant revenue and cash for the parent company in the next financial year. The parent company is forecasted to return to an overall net asset position within the next financial year which will allow the parent company to provide the necessary financial support. Therefore, the directors consider the going concern basis of preparation to be appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2022**

1. Accounting policies (continued)

However, if the film rights sales revenue and cash does not crystallise over the next 12 months, the parent company, may be unable to provide the necessary financial support to 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, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. 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.

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 tax profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

CORNSDALE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2022**

1. Accounting policies (continued)

1.5 Collection Agreements

The Company has entered into a series of collection agreements with various producers, who authorise and request the Company to administer the collection and distribution of receipts (purchase price and any other receipts) in respect of the programmes produced.

As part of the arrangement, the Company agrees to hold the collected receipts received on trust for the producers. When receipts are collected the Company has an obligation to transfer all collected receipts (including interest earned from the balance of the collected receipts) to the producers.

In order to secure its obligations to the producers the Company places these funds into designated collection accounts. These collection accounts exist solely to meet the obligations to the producers and the Company will have no access to the funds other than to transfer to the producers. The funds therefore do not confer any economic benefits to the Company and do not represent assets of the Company. As the obligation to pay the producers is only triggered when the sums are received there is a matching asset to the liability. Therefore, the risks and benefits are offset.

Under FRS 102 Section 23 Revenue, the collected receipts, collection accounts and interest accruing, together with the corresponding payment obligations to the producers, are excluded from the financial statements.

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 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.

CORNSDALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 DECEMBER 2022

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 years in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future years.

Critical 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 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.

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

3. Operating loss

2022	2021
£'000	£'000

This is stated after charging:

Fees for the statutory audit of the Company	-	6
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Freeshire Limited, the immediate parent company of the Group, has borne the cost of the current audit fees of £3k.

4. Staff costs

The Company incurred no staff costs nor paid any remuneration to its directors during the year (2021: £nil). The Company had no employees during the current and prior year.

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.

CORNSDALE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2022**

5. Taxation

	2022 £000	2021 £000
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Tax on profit/(loss)	-	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit/(loss) on ordinary activities before tax	-	(6)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	-	(1)
Effects of:		
Group relief	-	1
Total tax charge for the year	-	-

Factors that may affect future tax charges

An increase in the rate of corporation tax from 19% to 25% has been substantively enacted at the time of the approval of these financial statements. The increase will be effective from 1 April 2023 and will impact the Company's future tax charges on its taxable profits accordingly.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2022**

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 partnerships have challenged the basis on which the closure notices have been calculated, resulting in a hearing before 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. 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 4 August 2021. In the absence of an HMRC application to appeal to the Supreme Court, the decision of the Court of Appeal on 4 August 2021 represents the final outcome of the tax case (subject to any out of time applications). During the process of agreeing the film partnership profits and losses subject to corporation tax with HMRC it has become apparent that HMRC have a different interpretation to the Company on one aspect of the First-tier Tribunal decision. The Company understands that the partnership asset created by the film expenditure and described by the First-tier tribunal as an intangible fixed asset should qualify for relief under Part 8 CTA 2009. HMRC consider that the asset is precluded from qualifying for relief under Part 8 CTA 2009 because it constitutes a financial asset. If the parties remain unable to resolve this point between themselves a referral back to the First-tier Tribunal will be required. If the Company is correct the impact on the financial statements for the Company of the Court of Appeal decision 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. If HMRC are correct, an additional tax liability of £nil, plus interest on late paid tax, would arise for the Company in addition to the estimate of the liability arising from the First-tier Tax Tribunal decision of £325k. As at 29 December 2022, payments totalling £314k (tax) and £99k (interest) had been made with regard to these amounts, as described further below.

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 year ended 29 December 2022, the directors have estimated an additional tax liability for the Company of £Nil (2021: £nil, 2020: £Nil, 2019: £nil, 2018: £nil, 2017: £Nil; 2016: £325k) together with a liability for late paid interest of £416 (2021: £287, 2020: £305, 2019: £359, 2018: £6k, 2017: £9k; 2016: £86k) based on the current 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

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consider that this decision provides the most likely outcome to the litigation.

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 £314k to HMRC in February 2018 together with an associated interest charge on late paid tax of £99k to HMRC in April 2018. If HMRC issues determinations in respect of representations submitted by other Members, a further payment of £15k 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

	2022 £'000	2021 £'000
Social Security & Other Taxes	4	3
Tax recoverable	314	314
	<u>318</u>	<u>317</u>

Tax recoverable relates to the payments on account made in respect of the PPNs (refer to note 5).

7. Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	-	6
Amounts owed to Group undertakings	1,362	1,349
Corporation tax	325	325
Accruals and deferred income	-	6
	<u>1,687</u>	<u>1,686</u>

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

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8. Provisions

	Interest provision £'000
At 30 December 2021	3
Charged to profit or loss	-
At 29 December 2022	3

Interest provision relates to interest on the estimated tax liability (refer to note 5).

9. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1 Ordinary share of £1.00	1	1

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 Related Party Disclosures. 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 year.

11. Controlling party

During the year 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 year was P A McKenna.