

Registered number: 05718471

**Ingenious Games Services Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2016**



**INGENIOUS GAMES SERVICES LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	N A Forster D M Reid
<b>Company secretary</b>	S Cruickshank
<b>Registered number</b>	05718471 (England and Wales) Private Company, Limited by shares
<b>Registered office</b>	15 Golden Square London W1F 9JG
<b>Independent auditor</b>	Deloitte LLP Statutory Auditor 1 Little New Street London EC4A 3TR
<b>Banker</b>	Barclays Bank Plc 1 Churchill Place London E14 5HP

**INGENIOUS GAMES SERVICES LIMITED**

**CONTENTS**

	<b>Pages</b>
<b>Directors' Report</b>	<b>1 - 4</b>
<b>Independent Auditor's Report</b>	<b>5 - 6</b>
<b>Profit and Loss Account</b>	<b>7</b>
<b>Balance Sheet</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Notes to the Financial Statements</b>	<b>10 - 18</b>

## **INGENIOUS GAMES SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016**

The directors present their annual report and the financial statements of Ingenious Games Services Limited ("the Company") for the year ended 30 June 2016.

#### **Principal activity**

The Company is a wholly-owned subsidiary of Ingenious Media Limited, which is a wholly-owned subsidiary within the Ingenious Media Holdings Limited group ("the Group"). The Company continues to provide advisory services to the media and entertainment industry. 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 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 First-tier Tax Tribunal and Partner Payment Notices (as further explained in notes 6 and 16) have been reviewed by the directors.

Having assessed these risks including those set out in the Directors' Report, its financial position, and profit and cash flow forecasts, the directors intend to continue operating its business despite the current uncertain economic outlook. 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 1.4 of the Notes to the Financial Statements.

#### **Principal risk 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 Report and Financial Statements.

#### **Financial risk**

The Company is exposed to financial risk through its financial assets and liabilities. The Company has an investment in the Partnership which it reviews on a regular basis. All other balances are predominantly amounts owed by or owing to companies within the Group or are connected to the investment in the Partnership.

#### **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 Report and Financial Statements.

#### **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.

## **INGENIOUS GAMES SERVICES LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016**

#### **Results and dividends**

The loss for the year, after taxation, amounted to £530k (period ended 30 June 2015: loss of £3k).

The directors do not propose to pay a final dividend (period ended 30 June 2015: £nil).

No interim dividend was paid during the year (period ended 30 June 2015: £nil).

#### **Future developments and events after the balance sheet date**

The Company intends to continue to undertake its principal activity.

#### **Directors**

The directors who served during the year and subsequently were:

N A Forster  
D M Reid  
M T Bugden (resigned 30 November 2015)  
S J Speight (resigned 1 December 2015)  
J L Boyton (resigned 19 June 2016)

#### **Provision of insurance to directors**

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

#### **Change of year end**

On 9 July 2015 it was resolved to amend the accounting period of the Company and to extend it to 30 June so as to be coterminous with the year end of the Group. Accordingly, the prior financial statements were prepared for 15 months from 6 April 2014 to 30 June 2015.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 year. In preparing these financial statements, the directors are required to:

## **INGENIOUS GAMES SERVICES LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016**

#### **Directors' responsibilities statement (continued)**

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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 may differ from legislation in other jurisdictions.

#### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's 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, Deloitte LLP, will be deemed to be re-appointed in accordance with section 487(2) of the Companies Act 2006.

#### **FRS 102 - Early adoption**

The July 2015 amendments to FRS 102 Section 1A are applicable for periods beginning on or after 1 January 2016, with early adoption permitted and required if and only if the entity is early adopting the new Accounting Regulations (or from 1 January 2015 if the entity is not subject to company law). The Company has elected to early adopt these new Accounting Regulations.

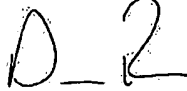
#### **Small company exemptions**

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. This is in accordance with Part 15 of the Companies Act 2006. The Company has taken advantage of the exemption for the requirement to disclose an enhanced business review and to prepare a Strategic Report in accordance with section 414B of the Companies Act 2006.

**INGENIOUS GAMES SERVICES LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2016**

This report was approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D M Reid', written over a horizontal line.

D M Reid  
Director

Date: 20/03/2018

15 Golden Square  
London  
W1F 9JG

Company Registration Number: 05718471 (England and Wales)

## **INGENIOUS GAMES SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS GAMES SERVICES LIMITED**

We have audited the financial statements of Ingenious Games Services Limited for the year ended 30 June 2016, which comprise the Profit and Loss Account, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Generally Accounting Practice applicable to Smaller Entities, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as applicable to small companies.

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.

#### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



## INGENIOUS GAMES SERVICES LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS GAMES SERVICES LIMITED (CONTINUED)

#### Emphasis of matter

Without qualifying our opinion, we draw attention to the disclosures made in note 2 of the financial statements concerning the critical accounting judgements and key sources of estimation uncertainties that the directors have made in the process of determining the tax liability of the Company and which have a significant effect on the amount recognised in the financial statements.

Although the First-tier Tax Tribunal released its decision on 2 August 2016 and further clarification was received in May 2017 from the judge, the ultimate outcome of this case remains uncertain and the provision recognised in the financial statements is the directors' best estimate of the amount required to settle the obligation at the reporting date based on the latest tribunal decision.

Additionally, in forming our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1 of the financial statements concerning the Company's ability to continue as a going concern.

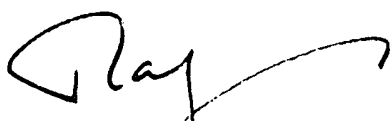
The Company incurred a net loss of £530k during the year ended 30 June 2016 and at that date, it had a net current liabilities of £438k and net liabilities of £594. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue 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 the adjustments that would result if the Company was unable to continue as a going concern.

#### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report.



Mark Rhys (Senior Statutory Auditor)

for and on behalf of  
Deloitte LLP

Statutory Auditor  
1 Little New Street  
London  
United Kingdom  
EC4A 3TR

Date:

20<sup>th</sup> March 2018

**INGENIOUS GAMES SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2016**

		<b>Year ended 30 June 2016 £000</b>	<b>Period ended 30 June 2015 £000</b>
	<b>Note</b>		
Administrative expenses		(3)	(3)
<b>Operating loss</b>	<b>3</b>	<b>(3)</b>	<b>(3)</b>
Interest receivable and similar income		1	-
Interest payable and expenses	<b>5</b>	<b>(157)</b>	-
<b>Loss on ordinary activities before taxation</b>		<b>(159)</b>	<b>(3)</b>
Taxation	<b>6</b>	<b>(371)</b>	-
<b>Loss on ordinary activities after taxation</b>		<b>(530)</b>	<b>(3)</b>
<b>Other comprehensive income for the year/period</b>		-	-
<b>Total comprehensive income for the year/period</b>		<b>(530)</b>	<b>(3)</b>

There were no recognised gains and losses for 2016 or 2015 other than those included in the profit and loss account.

Total comprehensive income is attributable to the equity shareholders of the Company.

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

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

**INGENIOUS GAMES SERVICES LIMITED**  
**REGISTERED NUMBER: 05718471**

**BALANCE SHEET**  
**AS AT 30 JUNE 2016**

	Note	30 June 2016 £000	30 June 2015 £000
<b>Fixed assets</b>			
Investments	7	1	1
		<u>1</u>	<u>1</u>
<b>Current assets</b>			
Cash at bank and in hand	9	130	129
		<u>130</u>	<u>129</u>
Creditors: amounts falling due within one year	10	(568)	(194)
		<u>(568)</u>	<u>(194)</u>
<b>Net current liabilities</b>		<u>(438)</u>	<u>(65)</u>
<b>Total assets less current liabilities</b>		<u>(437)</u>	<u>(64)</u>
Other provisions	11	(157)	-
		<u>(157)</u>	<u>-</u>
<b>Net liabilities</b>		<u>(594)</u>	<u>(64)</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account		(594)	(64)
		<u>(594)</u>	<u>(64)</u>
<b>Shareholder's deficit</b>		<u>(594)</u>	<u>(64)</u>

The financial statements have been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard 102 for Smaller Entities, section 1A (effective January 2015).

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: 20/03/2018

The notes on page 10 to 18 form an integral part of these financial statements.

**INGENIOUS GAMES SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 July 2015	-	(64)	(64)
<b>Comprehensive income for the year</b>			
Loss for the financial year	-	(530)	(530)
<b>Other comprehensive income for the year</b>			
	-	-	-
<b>Total comprehensive income for the year</b>	-	(530)	(530)
<b>At 30 June 2016</b>	-	(594)	(594)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2015**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 6 April 2014	-	(61)	(61)
<b>Comprehensive income for the period</b>			
Loss for the financial period	-	(3)	(3)
<b>Other comprehensive income for the period</b>			
	-	-	-
<b>Total comprehensive income for the period</b>	-	(3)	(3)
<b>At 30 June 2015</b>	-	(64)	(64)

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

## **INGENIOUS GAMES SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

#### **1. Accounting policies**

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

##### **1.1 General information and basis of preparation of financial instruments**

The Company is incorporated in England and Wales under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on the Company Information page.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 Section 1A, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 Section 1A, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies

The financial statements do not include a cash flow statement because the Company is a qualifying entity under FRS 102 for taking advantage of the exemption from preparing such a statement.

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

##### **1.2 Accounting period**

During the prior period the Company changed its financial year end from 5 April to 30 June to align with group accounting policy. Comparative figures are stated as at 30 June 2015 for the 15 month period ended as at that date.

##### **1.3 Change of accounting reference date**

The Company has taken advantage of section 390(3)(b) of the Companies Act 2006 in preparing these financial statements to 30 June 2016 which is within seven days of the Company's 28 June 2016 accounting reference period end.

##### **1.4 Going concern**

The Company's business activities including the impact of the First-tier Tax Tribunal and Partner Payment Notices (as further explained in notes 6 and 15), have been reviewed by the directors.

The Company incurred a net loss of £530k during the year ended 30 June 2016 and the Company's current liabilities exceeded its current assets by £437k and it had net liabilities of £594k.

The directors have prepared cash flow forecasts for 12 months following approval of these financial statements assuming a range of operational transactions including the outcome of HMRC's determination of the Partner Payment Notices. The events, as noted above, have cast significant doubt upon the Company's ability to continue to adopt the going concern basis in future.

Having assessed these risks including those set out in the Directors' Report, its financial position, and profit and cash flow forecasts, the directors intend to continue operating its business despite the current uncertain economic outlook. The going concern basis of accounting is appropriate but 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.

## **INGENIOUS GAMES SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

#### **1. Accounting policies (continued)**

##### **1.5 Turnover**

Turnover represents the Company's entitlement to drawings from its investment in the Partnership and is recorded at the value of consideration due. Drawings are recognised on an accruals basis when the Company's right to consideration is secured in accordance with the terms of the Partnership's Members' Agreement.

##### **1.6 Cost of sales**

Cost of sales represents the impairment of investments.

##### **1.7 Fixed asset investments**

The investment in the Partnership is stated at cost less any permanent diminution in value.

##### **1.8 Trade loans**

Trade loans are recorded at the full extent of their legal liability at the date that the loan agreement was signed, less any repayments made.

##### **1.9 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within the Profit and Loss Account.

##### **1.10 Provision 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.

##### **1.11 Taxation**

Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

## **INGENIOUS GAMES SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

#### **1. Accounting policies (continued)**

##### **1.12 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 and a note on financial instruments. Further details can be found in note 13 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.

#### **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 (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.

##### **Impairment of investments**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### **Financial assets**

For year ended 30 June 2016 the Company did not recognise an impairment loss in relation to its financial assets (period ended 30 June 2016 - £nil). For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

# **INGENIOUS GAMES SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

### **3. Operating loss**

The operating loss before taxation is stated after charging:

	<b>Year ended 30 June 2016 £000</b>	<b>Period ended 30 June 2015 £000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>3</u>	<u>3</u>

### **4. Staff costs**

The Company incurred no staff costs nor paid any remuneration to its directors during the year (period ended 30 June 2015: £nil). The Company had no employees during the current year 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.

### **5. Interest payable and similar charges**

	<b>30 June 2016 £000</b>	<b>30 June 2015 £000</b>
Interest provision on estimated tax liability	<u>157</u>	<u>-</u>
	<u>157</u>	<u>-</u>

### **6. Taxation**

	<b>Year ended 30 June 2016 £000</b>	<b>Period ended 30 June 2015 £000</b>
UK corporation tax at 20% (21% for the period 6 April 2014 to 31 March 2015 and 20% for the period from 1 April 2015 to 30 June 2015).	<u>371</u>	<u>-</u>
<b>Current tax charge</b>	<u>371</u>	<u>-</u>



# INGENIOUS GAMES SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 6. Taxation (continued)

#### Factors affecting tax charge for the year/period

	Year ended 30 June 2016 £000	Period ended 30 June 2015 £000
Loss on ordinary activities before taxation	(159)	(3)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (21% for the period 6 April 2014 to 31 March 2015 and 20% for the period from 1 April 2015 to 30 June 2015) based on the adjusted results for the year/period.	(32)	(1)
<b>Effects of:</b>		
Group relief surrendered	32	1
Group relief withdrawn and film production losses denied	371	-
<b>Total tax charge for the year/period</b>	<b>371</b>	<b>-</b>

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 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. At the date of signing the financial statements the partnerships have received permission to appeal in full on 7 of the 8 grounds applied for and on some aspects of the remaining ground. 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. The directors have estimated an additional tax liability for the Company of £371k together with an interest liability for late paid tax of £157k based on the current Tribunal decision. These figures are subject to any future court decisions.

During November 2016, a number of companies, all subsidiaries of Ingenious Media Holdings 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 and therefore have not been recognised as a liability at year end. HMRC reverted back following the representatives and issued amended PPNs on 10 November 2017.

**INGENIOUS GAMES SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**7. Fixed asset investments**

	<b>£000</b>
<b>Cost or valuation</b>	
At 1 July 2015	1
At 30 June 2016	<u>1</u>
<b>Net book value</b>	
At 30 June 2016	<u>1</u>
At 30 June 2015	<u>1</u>

**8. Additional information on Partnership undertaking**

The investment represents an interest in Pall Mall Film Partners ("the Partnership") which had net assets at 5 April 2016 of £4.7m (5 April 2015: £6.0m) and a profit for the year ended 5 April 2016 of £0.1m (year ended 5 April 2015: £0.2m). The principal activity of the Partnership is to develop and exploit commercial film opportunities. At 30 June 2016 the Company held a 0.01% (30 June 2015: 0.01%) interest in the capital of the Partnership. The principal place of business of the Partnership is 15 Golden Square, London W1F 9JG, United Kingdom.

**9. Cash and cash equivalents**

	<b>30 June 2016 £000</b>	<b>30 June 2015 £000</b>
Cash at bank and in hand	130	129
	<u>130</u>	<u>129</u>

**INGENIOUS GAMES SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**10. Creditors: Amounts falling due within one year**

	<b>30 June 2016 £000</b>	<b>30 June 2015 £000</b>
Corporation tax	<b>371</b>	-
Amount owed to Group undertakings	<b>194</b>	<b>191</b>
Accruals and deferred income	<b>3</b>	<b>3</b>
	<b>568</b>	<b>194</b>

Trade loans relate to loans from commissioning distributors. The Company has granted security to the lenders for its obligations under the loan agreements. The security pledged is a charge over all of the Company's rights, title and interest in relation to the underlying film productions. No interest is payable and there are no terms of repayment.

**11. Provisions for liabilities**

	<b>30 June 2016 £000</b>
Interest provision on estimated tax liability	<b>157</b>

Interest provision relates to interest on the estimated tax liability (refer to note 6).

**12. Share capital**

	<b>30 June 2016 £</b>	<b>30 June 2015 £</b>
<b>Allotted, called up and fully paid</b>		
Ordinary share of £1 each issued at par	<b>1</b>	<b>1</b>

## **INGENIOUS GAMES SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

#### **13. Related party transactions**

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

Ingenious Media Investments Limited (registered in the United Kingdom) acts as an agent of the Partnership. N A Forster and D M Reid were also directors of Ingenious Media Investments Limited during the year. The Company and Ingenious Media Investments Limited are wholly-owned subsidiaries of Ingenious Media Limited, which is itself a wholly-owned subsidiary of the Group.

D M Reid is a member of the Executive Committee of the Partnership and is also a director of the Company.

At the year end the amount due to Ingenious Media Limited was £195k (period ended 30 June 2015: £192k).

#### **14. Controlling party**

During the year ended 30 June 2016 the Company was a wholly-owned subsidiary of Ingenious Media Limited, a company registered in England and Wales. Ingenious Media Limited is a wholly-owned subsidiary within the Group. Ingenious Media Holdings Limited is the only parent undertaking for which consolidated financial statements are prepared.

The controlling shareholder of Ingenious Media Holdings Limited is P A McKenna.

The registered office address of Ingenious Media Holdings Limited is 15 Golden Square, London, W1F 9JG, United Kingdom.

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

#### **15. Contingent liability**

In November 2015 HMRC approached the Group and some of its related entities and set out the basis on which they would settle the open enquiries into a film sale and leaseback partnership in which the Company holds an investment. The settlement offer proposed by HMRC would result in a tax and interest cost to the Company arising from tax relief generated by the partnership being moved to a later year than originally claimed. The directors of the Company believe that the principles used in HMRC's settlement offer are inconsistent with the law and therefore, ultimately, no adjustment will be made to the partnership's tax returns. Therefore no provision has been made in the financial statements.

#### **16. Events after balance sheet date**

Having considered the representations, explained in note 6, HMRC reverted back and issued amended PPNs, which are demands for payments on account in respect of a tax liability in dispute, on 10 November 2017 to the Corporate Members. As a consequence, a payment of £371k will be due to HMRC in respect of the group relief being withdrawn. 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 latest decision delivered by the First-tier Tax Tribunal. As at 30 June 2016, the Company does not have an obligation to make payment in respect of the notices and the determinations subsequently received do not represent an adjusting post balance sheet event.

**INGENIOUS GAMES SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**17. Transition to FRS 102**

This is the first year that the Company has presented its financial statements under FRS 102 issued by the Financial Reporting Council. The following disclosures are required in the year of transition.

- a. The Statement of Changes in Equity is a new disclosure within the Financial Statements.
- b. The Statement of Accounting Policies is now presented as note 1 within the Notes to the Financial Statements.
- c. Critical Accounting Judgements is a new disclosure presented as note 2 within the Notes to the Financial Statements.
- d. Taxation presented as note 6, now reconciles the total tax charge/(credit) and not just the current tax charge/(credit).

The last financial statements under previous UK GAAP were for the period ended 30 June 2015 and the date of transition to FRS 102 was therefore 1 July 2015, however, there was no material restatement required to the comparatives as a result of adoption of FRS 102.

The financial statements for the prior period were prepared in accordance with the previously effective UK accounting standards. The transition to the new financial reporting framework has had no impact on recognition and measurement, but has required amendments to presentation and disclosure. The additional or amended disclosures in relation to the prior period have been presented consistently with those for the current year.