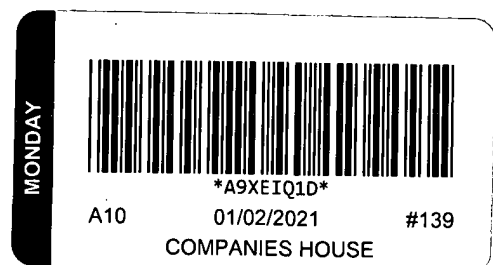

FERNLAKES LIMITED
PREVIOUSLY KNOWN AS INGENIOUS MEDIA HOLDINGS LIMITED

GROUP ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2018



FERNLAKES LIMITED

COMPANY INFORMATION

Directors	N A Forster P A McKenna D M Reid P M Shawyer
Company secretary	S J Cruickshank
Registered number	06525088
Registered office	15 Golden Square London W1F 9JG
Business address	15 Golden Square London W1F 9JG
Independent auditor	BDO LLP Statutory Auditors 55 Baker Street London W1U 7EU
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP Metro Bank PLC 1 Southampton Row London WC1B 5HA Clydesdale Bank 30 St. Vincent Place Glasgow G1 2HL

FERNLAKES LIMITED

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FERNLAKES LIMITED

GROUP STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

The Group Strategic Report has been prepared for Fernlakes Limited (the "Company") and the Fernlakes Limited group of companies (the "Group") for the period from 1 July 2017 to 31 December 2018 (the "period").

Principal activity and review of the business

The principal activities of the Group include managing its remaining trading and investment activities and using its net assets to provide lending facilities to the media, real estate and infrastructure sectors. The subsidiaries of the Group are listed in the Appendix to the financial statements. The Group generated a loss after tax of £28,895k (2017: restated loss after tax of £7,400k). The loss for the period is mainly attributable to the impairment of a loan that was given to a related party that invested in anaerobic digestion technology, as well as high overhead expenses with dwindling revenue. As a result of the entities that were put in liquidation/administration (see below), the fixed asset balance and loans payable reduced by £728m. The tax tribunal case is ongoing (see note 10 (Taxation) and note 28 (Events after the balance sheet date) for further details).

At the end of the period, as part of a strategic review of the business, some subsidiaries were put into voluntary liquidation and some others in administration. Please see note 27 for further details.

All employees of the Group were transferred to a related entity in April 2020. The directors are not aware of any other significant changes in the Group's activities in the next year. Despite the loss for the current financial period, the Group has net assets of £24,289k which continues to be used to fund the principal activities of the Group.

FERNLAKES LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

Principal risks and uncertainties

The Group actively manages risks and uncertainties facing its business by undertaking regular strategic reviews. The principal risks identified are those relating to the national and global economy, and changes to the tax and regulatory environment governing investment business. Damage to reputation and competitive pressure are also continuing risks for the Group. These principal risks can be stratified into the following categories:

COVID19

The outbreak and unprecedented spread of the COVID19 pandemic across the globe has had a profound impact on local and global markets in a matter of months, and is expected to continue to shape the economic landscape for the immediate future - see note 2.2 for further details.

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 10 for further details.

External Risks

These include risks affecting the economic, political, regulatory and legal environment in which the Group operates. Changes in legislation will therefore have a significant impact on the Group, thus appropriate resources are deployed to perform detailed assessments of current legislation, as well as understand and predict the sentiment of the future political and regulatory environment.

Operational Risk

Operational risk relates to the efficacy of the Group's systems, controls and processes. The Group's risk management committee is responsible for overseeing the design and operational effectiveness of our systems and controls, and are monitored on a regular basis. Any significant risks or issues identified are immediately assessed, resolved and debriefed to ensure any possible future related risks are mitigated to the utmost.

Dividends

The results for the Group for the period are set out on pages 11-12.

The directors do not propose to pay a final dividend to the 'A' shareholder (2017: £nil).

FERNLAKES LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

Financial instruments and risk management

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk and credit risk.

(a) Liquidity risk

The Group manages its liquidity assets in order to maximise returns, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business as well as the regulatory capital requirements as laid down by the Financial Conduct Authority.

(b) Interest rate risk

The Group is exposed to interest rate risk on its lending and deposit balances. The Group 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.

(c) Credit risk

The Group's principal financial assets are cash, trade debtors and loans receivable, to which the Group's credit risk is primarily attributable. The Group regularly reviews its treasury management strategy based upon all available information. Where loans are provided in the normal course of business, credit reviews are undertaken where possible.

Statement in compliance with section 172(1) of Companies Act 2006

The directors of the Group are acutely aware of the requirement for them to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. In considering this duty the directors consider the following stakeholders:

Shareholders

The shares of the Company are 100% owned by Patrick McKenna. Patrick McKenna is also a director of the Company. This enhances the decision-making process to ensure the interests of the shareholder is put first and maintained.

Employees

The Group employed more than 200 people during the period ending 31 December 2018. Employees are a key stakeholder as they are the principal asset which generates revenue for the business. Employees are involved in the operational management of the Group, with direct access to senior management including the CEO. The Group provides regulatory training as required for a financial services firm within the Group and promotes further learning by subsidising study fees. There is also a formal annual goal setting and assessment process, ensuring that staff members remain competent and continue to develop.

Customers

Customers of the Group mainly consist of investors into the funds that the Group operates, being private individuals, their financial advisors, and other intermediaries. The Group also has a small number of corporate customers. The Group is focussed on providing quality discretionary management services to its entire customer base. Treating customers fairly is ingrained in the organisation. Engagement with customers is mainly through the investment portal and the client services team.

FERNLAKES LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

Suppliers

Relationships with suppliers is maintained through regular contact and interaction. The Group does not follow any specific code or standard on payment of creditors. The Group agrees the payment terms as part of the commercial arrangement negotiated with counterparties. Payments are made on these terms provided the counterparty meets its obligations.

HMRC

The relationship with HMRC is maintained through a dedicated tax team.

Community and the environment

The Group has a minimal direct impact on the environment as it's currently only managing its existing investments and is currently not involved in any new investment activity. However, the Group remains committed to having a positive impact on the sectors and communities it operates in.

Other stakeholders

The directors also consider the FCA a stakeholder as the regulator of Goldwoodshire Limited (previously known as Ingenious Media Investments Limited) a subsidiary in the Group.


Key decisions made in the period

There were no key decisions made during the period as the Group has limited transactions and trading activity.

Future developments

The Group intends to continue providing investment and advisory services to the media and entertainment and real estate industries.

Approved by the board of directors and signed on its behalf by:



D M Reid
Director

Date: 19 January 2021

FERNLAKES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the period ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group'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 Group and 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 the Group 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 the Group 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Report may differ from legislation in other jurisdictions.

FERNLAKES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

Directors

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

N A Forster
P A McKenna
D M Reid
P M Shawyer

Directors' remuneration

Directors' remuneration is disclosed in note 7 to the financial statements.

Going concern

The Group's business activities including the impact of the First-tier Tax Tribunal ("the Tribunal") and the Upper Tribunal, Partner Payment Notices ("PPNs") (as further explained in notes 10 and 28) the civil claims (refer to note 26), as well as the impact of the COVID19 world pandemic have been reviewed by the directors.

Having assessed these risks including those set out in the Group Strategic Report, the financial position, and profit and cash flow forecasts, the directors intend to continue operating its business. The going concern basis of accounting is appropriate, however there are material uncertainties related to events or conditions that may cast significant doubt upon the Company's and Group'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 2.2.

Creditors payment policy

The Group does not follow a specific code or standard on payment of creditors. The Group 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.

Charitable contributions

During the period the Group made charitable donations of £317,987 (2017: £230,120).

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.

FERNLAKES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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.

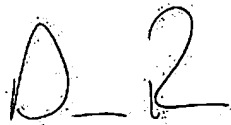
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Other disclosures

Other disclosures relating to future developments, dividends and financial risk management have been disclosed in the Group Strategic Report.

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



D M Reid
Director

Date: 19 January 2021

FERNLAKES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERNLAKES LIMITED

Opinion

We have audited the financial statements of Fernlakes Limited (the "Company") and its subsidiaries (the "Group") for the period ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated and the Company Balance Sheets, the Consolidated and the Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw your attention to note 2.2 in the financial statements which highlights that the ability of the Company and Group to continue as a going concern is dependent on the final outcome of the Tribunal and Upper Tribunal. As stated in note 2.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter - tax liability

We draw your attention to notes 3 and 10 in the financial statements which highlights the uncertain outcome of the Tribunal and Upper Tribunal and key sources of estimation uncertainties that the directors have made in the process of determining the tax liability as at 31 December 2018. 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 reports, 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.

FERNLAKES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERNLAKES LIMITED

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

FERNLAKES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERNLAKES LIMITED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

BDO LLP

Peter Smith (Senior Statutory Auditor)

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

Date: 19 January 2021

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

FERNLAKES LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2018**

		Continuing operations	Discontin'd operations	Total Period ended 31 Dec 2018 £'000	Restated Continuing operations 2017 £'000	Discontin'd operations 2017 £'000	Restated Total Year ended 30 June 2017 £'000
	Note	2018 £'000	2018 £'000				
Turnover	4	55,573	7,184	62,757	33,758	16,845	50,603
Cost of sales		(36,349)	(6,473)	(42,822)	(23,643)	(14,300)	(37,943)
Gross profit		19,224	711	19,935	10,115	2,545	12,660
Administrative expenses		(60,615)	(135)	(60,750)	(10,388)	(737)	(11,125)
Other operating income/ (expenses)		14,093	-	14,093	(4,378)	15	(4,363)
Operating (loss)/ profit	5	(27,298)	576	(26,722)	(4,651)	1,823	(2,828)
Fair value movement of financial assets and liabilities through profit and loss		(73)	-	(73)	(101)	-	(101)
Interest receivable and similar income	8	391	3	394	293	3	296
Interest payable and similar expenses	9	(2,591)	(25)	(2,616)	(2,136)	(60)	(2,196)
(Loss)/ profit before tax		(29,571)	554	(29,017)	(6,595)	1,766	(4,829)
Tax credit/ (charge)	10	122	-	122	(2,623)	52	(2,571)
(Loss)/profit for the financial period		(29,449)	554	(28,895)	(9,218)	1,818	(7,400)
(Loss)/profit for the period attributable to:							
Owners of the parent		(29,449)	554	(28,895)	(7,527)	127	(7,400)
		(29,449)	554	(28,895)	(7,527)	127	(7,400)

FERNLAKES LIMITED

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated profit and loss account.

The notes and appendix on pages 20 to 56 form part of these financial statements.

FERNLAKES LIMITED
REGISTERED NUMBER: 06525088

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	31 December 2018 £000	<i>Restated 30 June 2017 £000</i>
Fixed assets			
Intangible assets	12	219	60
Tangible assets	13	1,560	1,580
Investments	11	2,960	770,017
		<u>4,739</u>	<u>771,657</u>
Current assets			
Debtors	14	85,069	103,438
Cash at bank and in hand	15	9,560	62,826
		<u>94,629</u>	<u>166,264</u>
Creditors: amounts falling due within one year	16	(60,464)	(83,709)
Net current assets		<u>34,165</u>	<u>82,555</u>
Total assets less current liabilities		<u>38,904</u>	<u>854,212</u>
Creditors: amounts falling due after more than one year	17	-	(763,531)
Provisions for liabilities			
Other provisions	19	(14,175)	(37,057)
		<u>(14,175)</u>	<u>(37,057)</u>
Net assets		<u><u>24,729</u></u>	<u><u>53,624</u></u>
Capital and reserves			
Called up share capital	20	154	154
Merger reserve	21	(149,945)	(149,945)
Profit and loss account		174,520	203,415
Shareholder's funds		<u><u>24,729</u></u>	<u><u>53,624</u></u>

FERNLAKES LIMITED
REGISTERED NUMBER: 06525088

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

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



D M Reid
Director

Date: 19 January 2021

The notes and appendix on pages 20 to 56 form part of these financial statements.

FERNLAKES LIMITED
REGISTERED NUMBER: 06525088

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	31 December 2018 £'000	<i>Restated</i> 30 June 2017 £'000
Current assets			
Debtors	14	24,946	53,576
Cash at bank and in hand	15	55	53
		<u>25,001</u>	<u>53,629</u>
Creditors: amounts falling due within one year	16	(272)	(5)
Net current assets		<u>24,729</u>	<u>53,624</u>
Total assets less current liabilities		<u>24,729</u>	<u>53,624</u>
Net assets		<u><u>24,729</u></u>	<u><u>53,624</u></u>
Capital and reserves			
Called up share capital		154	154
Profit and loss account brought forward		53,470	60,870
Loss for the period/ year		(28,895)	(7,400)
Profit and loss account carried forward		<u>24,575</u>	<u>53,470</u>
		<u><u>24,729</u></u>	<u><u>53,624</u></u>

The Company's loss for the financial period amounted to £28,895k (2017: restated loss of £7,400k).

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



D M Reid

Director

Date: 19 January 2021

The notes and appendix on pages 20 to 56 form part of these financial statements.

FERNLAKES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Called up share capital £'000	Merger reserve £'000	Profit and loss account £'000	Equity attributable to owners of the parent company £'000	Total equity £'000
At 1 July 2016	154	(149,945)	210,815	61,024	61,024
Comprehensive income for the year					
Restated loss for the year	-	-	(7,400)	(7,400)	(7,400)
Restated total comprehensive income for the year	-	-	(7,400)	(7,400)	(7,400)
At 30 June 2017	154	(149,945)	203,415	53,624	53,624
Comprehensive income for the period					
Loss for the period	-	-	(28,895)	(28,895)	(28,895)
Total comprehensive income for the period	-	-	(28,895)	(28,895)	(28,895)
At 31 December 2018	154	(149,945)	174,520	24,729	24,729

The notes and appendix on pages 20 to 56 form part of these financial statements.

FERNLAKES LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2016	154	60,870	61,024
Restated loss for the year	-	(7,400)	(7,400)
At 30 June 2017	154	53,470	53,624
Loss for the period	-	(28,895)	(28,895)
At 31 December 2018	154	24,575	24,729

The notes and appendix on pages 20 to 56 form part of these financial statements.

FERNLAKES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	31 December 2018 £'000	<i>Restated 30 June 2017 £'000</i>
Cash flows from operating activities		
Loss for the financial period/ year	(28,895)	(7,400)
Adjustments for:		
Amortisation of intangible assets (note 12)	2,934	1,870
Depreciation of tangible assets (note 13)	615	254
Fair value adjustment of investments (note 11)	33,970	26,371
Interest paid	2,616	2,196
Interest received	(394)	(296)
Movement in debtors	(2,612)	(5,828)
Movement in creditors	(1,816)	(17,603)
Corporation tax and interest paid	(19,740)	(518)
Profit on deconsolidation of subsidiaries	(3,384)	-
Net cash used in operating activities	(16,706)	(954)
Net cash (used in)/generated by investing activities		
Acquired rights (note 12)	(2,925)	(1,864)
Deconsolidation of subsidiaries (note 27)	(8,589)	-
Payments to acquire tangible and intangible fixed assets (notes 12 and 13)	(763)	(583)
Disposal/returns of financial investments (note 11)	2,296	1,585
Purchase of fixed asset investments	-	(1,063)
Reclassification of fixed asset investment	-	(245)
Amounts received from investments	3,647	3,521
Interest received	394	296
(Drawdown)/repayment of loan assets	(15,152)	14,361
Net cash from investing activities	(21,092)	16,008
Cash flows from financing activities		
Repayment of loans	(15,058)	(4,207)
Interest paid	(410)	(472)
Net cash used in financing activities	(15,468)	(4,679)
Net (decrease)/increase in cash and cash equivalents	(53,266)	10,375
Cash and cash equivalents at beginning of period	62,826	52,451
Cash and cash equivalents at the end of period	9,560	62,826
Cash and cash equivalents at the end of period comprise:		

FERNLAKES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

	31 December 2018 £000	<i>30 June 2017 £000</i>
Cash at bank and in hand	9,560	62,826
	<u>9,560</u>	<u>62,826</u>

The notes and appendix on pages 20 to 56 form part of these financial statements.

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

1. Prior year restatement

Fair value of investments

The directors have restated prior year financial statements (reduction in Fixed asset investment balance of £1,691k and a reduction in the Net investment in film finance lease of £16k) to correctly reflect the fair value of these assets.

Other payables

The directors have restated the prior year financial statements to correctly account for the costs of professional fees.

The prior year loss was reduced by £85k, which reflects a correction in the professional fee accrual.

	30 June 2017 £000
Group Net Assets	
As previously stated	55,246
Prior year adjustment of fair value of investments	(1,691)
Net investment in film finance lease	(16)
Prior year adjustment of professional fee accrual	85
	<hr/> 53,624 <hr/>

2. Accounting policies

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

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.1 General information and basis of accounting

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Fernlakes Limited is a company incorporated in England and Wales under the Companies Act 1985. Its place of business and registered office address is 15 Golden Square, London, W1F 9JG. The nature of the Group and Company's operations and principal operating activity are set out in the Group Strategic Report on pages 1 to 4.

On 16 November 2020 the Company changed its name from Ingenious Media Holdings Limited to Fernlakes Limited.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

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, which are presented alongside the consolidated financial statements. Exemptions have been taken, by the Company, in relation to financial instruments and presentation of a cash flow statement.

Accounting period

For administrative purposes, the financial year end was extended from 26 June to 26 December.

The Group has taken advantage of section 390(3)(b) of the Companies Act 2006 in preparing these financial statements to 31 December 2018 which is within seven days of the Company's 26 December 2018 accounting reference period end.

The following principal accounting policies have been applied:

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The Group Strategic Report on pages 1 to 4 describes the Group's objectives, policies, its financial risk management objectives; and its exposure to various risks.

The Group's and the Company's business activities including the impact of the Tribunal and the Upper Tribunal, PPNs (as further explained in notes 10 and 28) the civil claims (refer to note 26), as well as the impact of the COVID19 world pandemic have been reviewed by the directors.

In addition to the risks identified in the Group Strategic Report, the impact of the Tribunal and the Upper Tribunal and PPNs and the civil claims, the directors have considered the impact on the Group's business as a result of the outbreak of the COVID19 world pandemic. At the time of approval of these financial statements, the full impact of the pandemic is unknown. The directors acknowledge that there is a general slowdown across all economic sectors in the UK. However, there is no material business interruption for any of the Group's individual trading subsidiaries, and at this stage it is not yet possible to assess the impact on the expected value of deployed capital across the Group and whether any assets are impaired as a result of the pandemic.

The directors of the Group have prepared cash flow forecasts for 12 months following approval of these financial statements assuming a range of operational transactions. Having assessed the risks facing the business as set out in the Group Strategic Report, the Directors' Report, its financial position and profit and cashflow forecasts, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and have therefore concluded that it is appropriate to prepare these financial statements on a going concern basis. If some or all of its subsidiaries were not a going concern, or if the ultimate outcome of the Tribunal or Upper Tribunal were in the favour of HMRC's claim, adjustments might be required to the consolidated financial statements. This indicates that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

2.3 Basis of consolidation

The financial statements represent the consolidated accounts of the Company and of each of its subsidiary undertakings. The results of subsidiary undertakings are included from the date on which control passes to the Group, and similarly excluded after the date on which the Group no longer controls the subsidiary. Subsidiaries are accounted for under the acquisition method unless otherwise noted. At the end of the period, some subsidiaries were put into voluntary liquidation and some others in administration. See note 27.

The Profit and Loss Account of the Company is not included in the financial statements as permitted by section 408 of the Companies Act 2006. The Company's loss for the financial period amounted to £28,895k (2017: restated loss of £7,400k).

Certain dormant subsidiaries of the Company have taken advantage of the Companies Act 2006 s480A exemption from audit of accounts. These subsidiaries are exempt from the requirement for an audit of the accounts by virtue of this section and are disclosed as dormant in the Appendix.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 Turnover

Turnover represents amounts receivable for services net of Value Added Tax and is derived from the Group's principal activity. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration.

Where the amount of turnover is contingent on future events, this is only recognised where the amount of revenue can be measured reliably and it is probable that the economic benefits will be received. When this cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable, with an additional element of revenue recognised based on stage of completion once the uncertain events no longer exist.

Services provided to the client which at the balance sheet date have not been billed have been recognised as revenue and are included in debtors as accrued income. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

2.5 Cost of sales

Cost of sales represents direct costs attributable to turnover, recorded on an accruals basis.

2.6 Leased assets

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

2.7 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.

2.8 Pension

The pension costs charged in the financial statements represent the defined contributions payable by the Group during the period on an accruals basis.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.9 Foreign currencies

Transactions denominated in foreign currencies are translated into pound 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.

2.10 Borrowing costs

All borrowing costs are recognised in the Consolidated Profit and Loss Account in the year in which they are incurred.

2.11 Intangible assets - website development costs

Website development costs are recorded at cost less accumulated amortisation. Website development costs are amortised to the Consolidated Profit and Loss Account over a 3 year period, being their estimated useful lives.

2.12 Intangible assets - acquired rights

Where the rights to future film receipts are acquired from ordinary members in film partnerships, an intangible asset arises representing the value of payments owing from those members. The intangible asset is amortised to the Profit and Loss Account on a systematic basis to match against the income generated by the acquisition.

2.13 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

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

Short leasehold land and buildings	In equal instalments over the remaining period of the lease
Fixtures, fittings and equipment	10% - 33% of cost

2.14 Fixed asset investments

Other investments and loans

Where fair value cannot be reliably measured, other investments are stated at cost less any provision for permanent diminution in value. Refer to note 2.17 for policies on impairment of certain investments.

Loans are held at amortised cost using the effective interest rate method, except those that are classified as non basic as defined in FRS102 Section 12 and are therefore accounted for at fair value through profit or loss.

2.15 Trade loans

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

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.16 Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the Profit and Loss Account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.17 Financial instruments

The Group enters into basic and non basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method, except those that are designated at fair value to avoid an accounting mismatch. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial liabilities that do not have fixed repayment terms are classified as non basic financial instruments and are therefore held at fair value through profit or loss. Where their value is dependent on the value of a corresponding financial asset, the financial asset is also classified at fair value to avoid an accounting mismatch.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.18 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities that are non basic are initially classified as financial liabilities at fair value through profit or loss.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification under FRS102. Basic financial liabilities are measured at amortised cost, and non basic financial liabilities are valued at fair value through profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification, this is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2.19 Film finance leases

In accordance with FRS 102 Section 20 Leases, the amount due from the lessee under finance leases is recorded in the Balance Sheet as a debtor at the amount of the net investment in the lease, less provision for any items such as bad and doubtful rentals receivable.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

2.21 Merger reserve

The merger reserve was created due to a reorganisation of the Group in a previous period. The Group reorganisation was accounted for using merger accounting principles in order to meet the overriding requirement under section 611 of the Companies Act 2006 for financial statements to present a true and fair view.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's and Company's accounting policies, which are described in note 2, 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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.

Aside from that noted below, there are no other key sources of estimation uncertainty in the Group.

Fair value of investments and non-basic financial instruments

The most critical estimates and assumptions for investments relate to the determination of carrying value of unlisted investments at fair value through profit and loss. In determining this amount, the Group applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstances of the investment drives the valuation methodology.

Furthermore, the Group holds financial assets and financial liabilities in the form of non basic debt instruments where the repayment obligation of the loans are restricted to the film receipts collected by some underlying partnerships (the "S&L partnerships") when they entered into sale and leaseback transactions, and are therefore valued at fair value through profit and loss in accordance with FRS 102 section 12. The Group also holds financial assets in the form of equity investments into some of the S&L partnerships which have been financed by the above-mentioned debt instruments. These equity investments are valued by the Group at fair value in accordance with FRS 102 section 12.

Because there is evidence that the value of the film assets (and therefore of the related loans) has fallen due to the commercial performance of the underlying films being lower than anticipated, management have subsequently remeasured the assets and the related loan liabilities. When performing their fair value assessment of the equity investments and fair value of the debt instruments, management have taken into account the performance to date of the underlying film assets and the future cash flows expected to arise based on each film lease schedule.

The carrying amount of the consolidated equity and debt instruments in the S&L partnerships at the balance sheet date was £Nil (2017: £22,136k) after an adjustment of £22,136k (2017: £4,419k) was recognised during the period. An equal and opposite adjustment of £22,136k (2017: £4,419k) was recognised through profit and loss during the period in order to adjust the corresponding financial liability to £Nil (2017: £22,136k).

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Tax liability

In estimating the potential tax liability relating to the First-tier Tax Tribunal and Upper Tribunal decisions (refer to note 10), the directors' continue to consider that the liability calculated in accordance with the First-tier Tax Tribunal decision provides the most likely outcome to the litigation. 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 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. In calculating the tax liabilities of the Group relief has been claimed under the corporate intangibles fixed asset tax regime for film expenditure incurred by the partnerships.

4. Turnover

The total turnover of the Group for the period has been predominantly derived from its principal activity (refer to page 1).

5. Operating loss

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

	2018	<i>Restated</i> 2017
	£000	£000
Fair value of fixed asset investments (see note 11)	33,970	26,787
Revaluation of non basic financial instruments (see note 3)	73	101
Amortisation of intangible asset (see note 12)	2,934	1,870
Depreciation of tangible fixed assets (see note 13)	615	254
Operating lease rentals - land and buildings	3,132	1,572
Foreign exchange loss/ (gain)	55	(8)
Provision for bad debt	40,329	153
Auditor remuneration		
- Fees payable to the Company's auditor for the audit of the Company's annual financial statements	68	59
- Fees payable to the Group's auditor for the audit of the Group's subsidiaries pursuant to legislation	262	382
Other services		
Fees payable to the Company's auditor for other assurance services	6	6
Other services	<u>6</u>	<u>6</u>

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

6. Staff costs

Group staff costs, including directors' remuneration (see note 7), were as follows:

	Group 31 December 2018 £000	<i>Group Restated 30 June 2017 £000</i>
Wages and salaries	26,537	18,980
Social security costs	2,633	1,452
Cost of defined contribution scheme	180	58
	<u>29,350</u>	<u>20,490</u>

There are no staff employed directly by the Company. The average monthly number of employees (including directors) in the Group during the period was as follows:

	2018 No.	<i>2017 No.</i>
Office and administration staff	<u>242</u>	<u>201</u>

7. Directors' remuneration

	2018 £'000	<i>2017 £'000</i>
Directors' emoluments	<u>1,764</u>	<u>1,423</u>

The highest paid director of the Group received remuneration of £683k (2017: £797k).

See also directors' current accounts in note 24.

8. Interest receivable and similar income

	2018 £'000	<i>2017 £'000</i>
Bank and other interest receivable	<u>394</u>	<u>296</u>

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

9. Interest payable and similar expenses

	2018 £'000	<i>2017 £'000</i>
Bank interest payable	410	472
Interest on estimated tax liability	2,206	1,724
	<u>2,616</u>	<u>2,196</u>

10. Taxation

	2018 £'000	<i>Restated 2017 £'000</i>
Corporation tax		
UK corporation tax at 19% (2017: 19.75%) based on the adjusted results for the period/year	339	1,932
Group relief withdrawn and film production losses denied	535	1,826
Adjustments in respect of prior years	(508)	(319)
Current tax charge	<u>366</u>	<u>3,439</u>
Deferred tax credit for the period/year	(472)	(868)
Deferred tax adjustment in respect of prior years	(16)	-
Current tax (credit)/ charge	<u>(122)</u>	<u>2,571</u>
Total current tax (credit)/charge	<u>(122)</u>	<u>2,571</u>

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

10. Taxation (continued)

Factors affecting tax (credit)/ charge for the period/year

The tax assessed for the period is higher than (2017 -lower than) the standard rate of corporation tax in the UK of 19% (2017 -19.75%) based on the adjusted results for the period. The differences are explained below:

	2018 £'000	2017 £'000
Loss on ordinary activities before tax	(29,017)	(4,829)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 -19.75%)	(5,513)	(954)
Effects of:		
Adjustments resulting from investment in film partnerships	(39)	51
Adjustments in respect of investment in associated LLPs	(2,450)	(285)
UK dividend income not taxable	-	(44)
Utilisation of tax losses brought forward	(107)	(185)
Expenses not deductible for tax purposes	6,551	2,911
Overseas tax rates	4	(1)
Transfer pricing adjustment	2,109	697
Timing differences in relation to capital allowances	-	(50)
Other short-term timing differences	29	(61)
Income of consolidated partnerships taxable on members	(53)	83
Share of profit from associated company	(17)	(15)
Adjustments in respect of prior years	(524)	(318)
Effect of change in rate	-	41
Group relief withdrawn and film production losses denied	535	1,826
Deferred tax derecognised on consolidation	-	184
Unrecognised tax losses carried forward	61	25
Non taxable income	(423)	(1,334)
Non-taxable profit/(loss) recognised on deconsolidation	(285)	-
Total tax (credit)/ charge for the period/year	(122)	2,571

A potential deferred tax asset of £3.7m (2017: £3.7m) in respect of tax losses carried forward has not been recognised due to uncertainty over the availability of taxable profits in future accounting periods.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

10. Taxation (continued)

In prior accounting periods the Group has received the benefit of tax losses associated with the Group's investment in a number of film and game production partnerships related to the Group. 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 and a second decision which clarified the findings of the first decision was delivered in May 2017 and an amended decision was received on 16 November 2017. The effect of the decisions is to reduce both the losses available to Group entities that invested in the film and game production partnerships and their share of taxable income from the partnerships. The partnerships received permission to appeal in full on 7 of the 8 grounds requested from the Tribunal and on all aspects of the 8th ground the Upper Tribunal was asked to consider. The appeal hearing before the Upper Tribunal was heard in March and April 2019 (see note 28). 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 31 December 2018, the directors have estimated an additional tax liability for the Group of £535k (2017: £1,826k, 2016: £37,292k) together with a liability for late paid interest of £2,206k (2017: £1,724k, 2016: £17,977k). 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, a total tax liability of c.£26.8m, plus interest on late paid tax, would arise for the Group, subject to agreeing the basis of the calculation of the liability with HMRC. This is a reduction from the estimate of the total liability disclosed in the accounts for the year to 30 June 2017 mainly due to the deconsolidation of some former Group entities (see note 27). As at 31 December 2018, payments totalling £13.7m (tax) and £6.1m (interest) had been made with regard to these amounts, as described further below. Further detail on the decision of the Upper Tribunal and subsequent appeals on that decision is provided in note 28 on Events after the balance sheet date.

During November 2016, a number of companies, all subsidiaries of Fernlakes Limited, as corporate members of film production partnerships received 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. HMRC have agreed to postpone collection of part of the PPN liability. The postponed amounts fall under two tranches; the first tranche HMRC agreed to postpone pending the hearing of the judicial review, the second tranche is currently postponed pending an internal HMRC review. The first tranche of PPN liability no longer falls within the Group due to the deconsolidation of some former Group entities. If the second tranche becomes payable the subsidiaries will have a liability to make tax payments of a further £18.9m to HMRC which will also attract interest charges. Again, this is a reduction of the payable amount disclosed in the accounts for the year to June 2017 (£39,118k) due to the deconsolidation of some former Group entities.

If HMRC also issues determinations in respect of the representations submitted by other Members, an additional payment of £10m will be due to HMRC in respect of group relief being withdrawn which will trigger further liabilities for interest on late paid tax. Again, this is a reduction of the payable amount disclosed in the accounts for the year to June 2017 (£10.8m) due to the de-consolidation of some former Group entities.

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

Taxation (continued)

Subject to the final court decision; the payments on account of tax of £13.7m may be repaid so are shown as debtors (note 14) with the gross amount of total taxes provided included in creditors (note 16). 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.

11. Fixed asset investments

Group

	Other investments £000
Restated fair value	
At 1 July 2017	770,017
Partnership drawings	(1,947)
Disposals	(2,296)
Deconsolidated (see note 27)	(728,844)
Fair value adjustment through profit and loss	(33,970)
	<hr/>
At 31 December 2018	2,960
Fair value	
	<hr/>
At 31 December 2018	2,960
	<hr/>
At 30 June 2017	770,017
	<hr/>

The remaining investments in the Group are made up of a diversified portfolio of assets.

Refer to the Appendix to the financial statements for a listing of subsidiary undertakings.

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

11. Fixed asset investments (continued)

Significant investments

During the period the Group had interests in the following significant investments:

	Net assets / (liabilities) at latest financial year end £'000	Profit / (loss) at latest financial year end £'000	Members' capital %	As at financial year end
Amber Film Partners	-	4	45	05-Apr-18
Attercop Productions LLP	8	5	72	05-Apr-18
Big Screen Productions 2 LLP	29	116	78	31-Mar-18
Big Screen Productions 3 LLP	28	25	76	30-Jun-18
Big Screen Productions 4 LLP	32	(70)	79	30-Sept-18
Big Screen Productions 5 LLP	21	(90)	79	31-Dec-18
Big Screen Productions 7 LLP	190	(177)	84	31-Mar-18
Big Screen Productions 8 LLP	166	(49)	88	05-Apr-18
Big Screen Productions 9 LLP	1,463	(298)	88	30-Apr-18
Big Screen Productions 10 LLP	58	29	84	30-Jun-18
Big Screen Productions 11 LLP	16	6	84	30-Sept-18
Big Screen Productions 12 LLP	22	4	84	31-Dec-18
Big Screen Productions 13 LLP	36	279	84	31-Mar-18
Big Screen Productions 14 LLP	36	(12)	84	30-Jun-18
Big Screen Productions 15 LLP	103	(65)	84	30-Sept-18
Big Screen Productions 16 LLP	171	127	84	31-Dec-18
Big Screen Productions 17 LLP	630	(25)	84	31-Mar-18
Big Screen Productions 18 LLP	1,358	(271)	84	30-Jun-18
Big Screen Productions 19 LLP	1,356	(261)	84	30-Sept-18
Big Screen Productions 20 LLP	1,461	(305)	84	31-Dec-18
Big Screen Productions 21 LLP	3,774	(1,157)	84	31-Mar-18
Big Screen Productions 22 LLP	287	(55)	84	30-Jun-18
Big Screen Productions 23 LLP	214	14	84	30-Sept-18
Big Screen Productions 24 LLP	508	32	84	31-Dec-18
Blyth Films LLP	7,027	194	36	05-Apr-18
Bronze Film Partners	98	-	36	05-Apr-18
Chelmer Films LLP	5,466	144	17	05-Apr-18
Cherwell Films LLP	25,637	858	25	05-Apr-18
Clyde Films LLP	9,430	277	29	05-Apr-18
Corinth Film Partners	-	-		
Dayday Films LLP	2,637	1,189	66	05-Apr-18
Delphi Film Partners	561	(858)	36	05-Apr-18
Derwent Films LLP	4,042	(1,178)	19	05-Apr-18

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

Down Productions LLP	624	(134)	84	31-Mar-18
Electra Film Partners	2,841	125	37	05-Apr-18
Gemini Film Partners	2,068	79	36	05-Apr-18
Hera Films LLP	2	(134)	24	05-Apr-18
Ingenious Film Partners 3 LLP	46	(3)	72	05-Apr-18
Ingenious Fuller Partnership LLP	1,723	(2)	72	05-Apr-18
Ingenious Games LLP	-	(175)	100	28-Feb-18
Jade Film Partners	198	(307)	36	05-Apr-18
Kennet Films LLP	15,449	554	26	05-Apr-18
Little Blair Productions LLP	(28)	41	72	31-Jan-18
MC Pictures LLP	(10)	(1)	72	31-Mar-18
Medway Films LLP	3,852	(718)	18	05-Apr-18
Milan Film Partners	2	(1,021)	17	05-Apr-18
Mole Films LLP	5,991	(912)	16	05-Apr-18
North John Street LLP	(1,740)	(306)	13	05-Apr-18
Orwell Films LLP	11,070	361	18	05-Apr-18
Phoenix Film Partners LLP	99	(111)	100	05-Apr-18
Pangorda Productions LLP	849	(17)	85	31-Mar-18
Pisces Films LLP	2,097	88	36	05-Apr-18
Sirius Film Partners	1,412	54	37	05-Apr-18
Solar Film Partners LLP	-	-	72	05-Apr-18
Starlight Film Partners LLP	-	(3)	72	05-Apr-18
Swale Films LLP	11,825	347	25	05-Apr-18
Tamar Films LLP	13,908	(739)	14	05-Apr-18
The Blair Partnership	-	125	72	31-Mar-18
Topaz Film Partners	69	-	35	05-Apr-18
Temin Productions LLP	82	35	85	30-Jun-18
Tyne Film LLP	18,368	700	39	05-Apr-18
Virgo Film Partners	(272)	89	37	05-Apr-18
Wye Films LLP	12,920	(620)	13	05-Apr-18
Westerdale Productions LLP	355	140	88	30-Sept-18

Management do not consider any of these to be subsidiaries, associates or joint ventures, as defined in FRS102, as the Group has no control or significant influence over the operating and financial policies.

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

12. Intangible assets

Group

	Website developmen t costs £'000	Acquired rights £'000	Total £'000
Cost			
At 1 July 2017	66	48,255	48,321
Additions	168	2,925	3,093
At 31 December 2018	<u>234</u>	<u>51,180</u>	<u>51,414</u>
Amortisation			
At 1 July 2017	6	48,255	48,261
Charge for the period	9	2,925	2,934
At 31 December 2018	<u>15</u>	<u>51,180</u>	<u>51,195</u>
Net book value			
At 31 December 2018	<u>219</u>	<u>-</u>	<u>219</u>
At 30 June 2017	<u>60</u>	<u>-</u>	<u>60</u>

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

12. Intangible assets (continued)

Website development costs

Costs related to the development of a new website have been capitalised in accordance with the requirements of FRS 102.

Acquired rights

On 5 April 2008 Ingenious Film Partners Limited acquired the right to receive future film receipts above an agreed level from the ordinary members of the Ingenious Film Partners LLP. On 22 November 2010, IFP1 Corporate Partner Limited became entitled to a portion of these film receipts, as detailed in the members' agreement.

On 5 April 2008 Ingenious Film Partners 2 Limited acquired the right to receive future film receipts above an agreed level from the ordinary members of the Ingenious Film Partners 2 LLP. On 22 November 2010, IFP2 Corporate Partner Limited became entitled to a portion of these film receipts, as detailed in the members' agreement.

In both acquisitions the amount payable to the ordinary members is capitalised as an intangible asset and amortised as a charge to the Profit and Loss Account to match the income that the asset has generated.

The above amortisation charge of £2.9m (2017: £1.9m) is included within administrative expenses in the Consolidated Profit and Loss Account.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

13. Tangible fixed assets

Group

	Short-term leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 July 2017	3,941	4,509	8,450
Additions	287	308	595
At 31 December 2018	4,228	4,817	9,045
Depreciation			
At 1 July 2017	3,068	3,802	6,870
Charge for the period on owned assets	186	429	615
At 31 December 2018	3,254	4,231	7,485
Net book value			
At 31 December 2018	974	586	1,560
At 30 June 2017	873	707	1,580

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

14. Debtors

	Group		Company	
	31 December 2018 £000	<i>Group Restated 30 June 2017 £000</i>	31 December 2018 £000	<i>Company Restated 30 June 2017 £000</i>
Due after more than one year				
Trade loans	35,554	22,534	-	-
Net investment in film finance leases	-	116	-	-
Deferred tax asset	353	935	-	-
	<u>35,907</u>	<u>23,585</u>	<u>-</u>	<u>-</u>
Due within one year				
Trade debtors	299	94	6	-
Amounts owed by Group undertakings	-	-	24,783	53,428
Other debtors	9,249	13,000	150	148
Prepayments and accrued income	6,898	9,930	7	-
Net investment in finance leases	-	1,584	-	-
Tax recoverable	14,042	388	-	-
Trade loans	18,674	54,200	-	-
Derivative financial asset	-	657	-	-
	<u>85,069</u>	<u>103,438</u>	<u>24,946</u>	<u>53,576</u>

Trade loans (due after more than one year) are represented mainly by amounts lent to Ingenious Real Estate Enterprises 4 Limited and Ingenious Qila Biogas LLP, as well as Ingenious AG JV LLP joint ventures.

Other debtors mainly represent the amounts receivable from the Ingenious Capital Management Holdings Limited group of companies, and amounts owed from the subsidiaries that were put into voluntary administration/liquidation.

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

Debtors (continued)

	Group 31 December 2018 £000	<i>Group 30 June 2017 £000</i>
Gross rentals and finance charges from net investment in film finance leases were:		
Gross rentals	-	1,768
Finance charges	-	(52)
	<u>-</u>	<u>1,716</u>

15. Cash and cash equivalents

	Group 31 December 2018 £000	<i>Group 30 June 2017 £000</i>	Company 31 December 2018 £000	<i>Company 30 June 2017 £000</i>
Cash at bank and in hand	9,560	62,826	55	53
	<u>9,560</u>	<u>62,826</u>	<u>55</u>	<u>53</u>

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

16. Creditors: Amounts falling due within one year

	Group 31 December 2018 £'000	<i>Group 30 June 2017 £'000</i>	Company 31 December 2018 £'000	<i>Company 30 June 2017 £'000</i>
Bank loans	1,693	3,338	-	-
Trade creditors	1,252	1,655	-	-
Corporation tax	25,879	36,901	-	-
Other loans	802	946	-	-
Director's current account	655	-	-	-
Other creditors	22,081	21,882	-	-
Accruals and deferred income	8,102	18,330	272	5
Amount owed to related party	-	657	-	-
	<u>60,464</u>	<u>83,709</u>	<u>272</u>	<u>5</u>

17. Creditors: Amounts falling due after more than one year

	Group 31 December 2018 £'000	<i>Group 30 June 2017 £'000</i>
Bank loans	-	1,731
Trade loans	-	739,664
Other creditors	-	22,136
	<u>-</u>	<u>763,531</u>

Trade loans represent amounts loaned by film and video games distributors. Repayment is on a limited recourse basis from contracted proportions of the Group's share of drawings from various limited liability partnerships of which certain Group companies are members. Any such drawings are from income generated by the films produced and games developed by each partnership and are therefore dependent on the revenue cycle of those films and games. -

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

17. Creditors: Amounts falling due after more than one year (continued)

Bank loans fall due for repayment as follows:

	Group 31 December 2018 £000	<i>Group 30 June 2017 £000</i>
Bank loans		
Due within one to two years	-	1,731
	<u>-</u>	<u>1,731</u>
	<u>-</u>	<u>1,731</u>

The bank loans relating to sale and leaseback are secured by the Group's share of lease rental income receivable by partnerships in which the Group has made investments (note 11), and are repayable within one year. An average interest rate of 4.81% per annum (2017: 4.81% per annum) is payable on these loans.

18. Financial instruments

	Group 31 December 2018 £'000	<i>Group Restated 30 June 2017 £'000</i>
Financial assets		
Measured at fair value		
Fixed asset investments	2,960	770,017
Derivative financial asset	-	657
Measured at undiscounted amount receivable		
Trade loans	54,228	76,734
Net investment in finance leases	-	1,700
Trade debtors	299	94
Other debtors	9,249	13,000

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Group 31 December 2018 £'000	<i>Group 30 June 2017 £'000</i>
Financial liabilities		
Measured at undiscounted amount payable		
Bank loans and overdrafts	1,693	5,069
Trade creditors	1,252	1,655
Other creditors (due within one year)	22,081	21,882
Measured at amortised cost		
Other loans	803	946
Measured at fair value		
Other creditors (due after one year)	-	22,136
Trade loans	-	739,664
Amount owed to related party	-	657
	<u> </u>	<u> </u>

19. Provisions

Group (restated)

	Deferred taxation £'000	Interest provision £'000	Other provisions £'000	Total £'000
Restated as at 1 July 2017	1,603	19,701	15,753	37,057
(Credited)/charged to profit or loss	(1,070)	2,206	-	1,136
Deconsolidated	-	(2,862)	(607)	(3,469)
Utilised in period	-	(6,085)	(14,464)	(20,549)
At 31 December 2018	<u>533</u>	<u>12,960</u>	<u>682</u>	<u>14,175</u>

The deferred tax provision arises due to the investment in British film partnerships and will reverse by 2020.

Interest provision relates to interest on the estimated tax liability (refer to note 10).

Other provisions relate primarily to loans made in the course of the Group's trade. The timing of the settlement of these provisions is uncertain.

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

20. Called up share capital

	31 December 2018 £	30 June 2017 £	31 December 2018 No.	30 June 2017 No.
Allotted, called up and fully paid				
Class 'A' shares of 10p each	149,100	149,100	1,491,000	1,491,000
Class 'B' shares of 5p each	450	450	9,001	9,001
Class 'C' shares of 5p each	452	452	9,035	9,035
Class 'D' shares of 5p each	452	452	9,041	9,041
Class 'E' shares of 5p each	459	459	9,189	9,189
Class 'F' shares of 5p each	452	452	9,044	9,044
Class 'G' shares of 5p each	496	496	9,919	9,919
Class 'H' shares of 5p each	476	476	9,520	9,520
Class 'I' shares of 5p each	473	473	9,464	9,464
Class 'J' shares of 5p each	483	483	9,663	9,663
Class 'K' shares of 5p each	484	484	9,683	9,683
Class 'L' shares of 0.125p each	24	24	19,305	19,305
Class 'M' shares of 0.125p each	23	23	18,176	18,176
Class 'N' shares of 0.125p each	23	23	18,176	18,176
Class 'O' shares of 0.125p each	23	23	18,176	18,176
Class 'P' shares of 0.125p each	25	25	19,806	19,806
Class 'Q' shares of 0.125p each	25	25	19,676	19,676
Class 'R' shares of 0.125p each	25	25	19,676	19,676
Class 'S' shares of 0.125p each	24	24	19,184	19,184
Class 'T' shares of 0.125p each	24	24	18,957	18,957
Class 'U' shares of 0.125p each	24	24	18,956	18,956
Class 'V' shares of 0.125p each	23	23	18,689	18,689
Class 'W' shares of 0.125p each	23	23	18,694	18,694
Class 'X' shares of 0.125p each	23	23	18,642	18,642
Class 'Y' shares of 0.125p each	23	23	18,640	18,640
Class 'Z' shares of 0.125p each	136	136	109,056	109,056
	<u>154,245</u>	<u>154,245</u>	<u>1,958,368</u>	<u>1,958,368</u>

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

Called up share capital (continued)

'A' shares hold all voting rights and entitlements to distributions of retained profit.

Shares of 5p each of classes 'B' through 'K' acquired by employees are held in trust by Ingenious Nominees Limited and/or Barry Nominees Limited on behalf of the named employees.

Shares of 0.125p each of classes 'L' through 'Z' acquired by employees are held in trust by Ingenious Nominees Limited and/or Barry Nominees Limited on behalf of named employees. The shares do not carry voting rights or entitlements to dividends, but entitle the owner to a share of the proceeds on sale or public listing of the Company. Finance costs relating to the scheme are borne by Freeshire Limited (formerly Ingenious Media Limited). Employees can be made to surrender their shares if they cease to be employees of the Group.

21. Merger reserve

	31 December 2018 £'000	<i>30 June 2017 £'000</i>
Group		
Balance brought forward	(149,945)	(149,945)
Balance carried forward	<u>(149,945)</u>	<u>(149,945)</u>

See note 2.21 for further information on the merger reserve.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

22. Financial commitments

Financial commitments are as follows:

	31 December 2018 £'000	30 June 2017 £'000
Contracted for but not provided for		
- operating leases entered into	11,749	14,143
- other	10,641	11,560
	<u>22,390</u>	<u>25,703</u>

The "other" amounts above represents repayment of historical loans that could be redrawn if certain conditions are met.

Minimum future lease payments under non-cancellable operating leases are as follows:

	31 December 2018 £'000	30 June 2017 £'000
Within one year	1,571	1,571
Between one and five years	6,286	6,286
After five years	3,892	6,286
	<u>11,749</u>	<u>14,143</u>

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

23. Related party transactions

The Company has taken advantage of the exemptions conferred by FRS 102 Section 33 Related Party Disclosures to not disclose intercompany transactions between 100% subsidiaries. During the period the Group conducted significant transactions with the following related parties outside of the Group:

		Fee income derived from entities listed below 31 December 2018 £'000	<i>Fee income derived from entities listed below 30 June 2017 £'000</i>	Amounts due from/(to) entities listed below 31 December 2018 £'000	<i>Amounts due from/(to) entities listed below 30 June 2017 £'000</i>
	<i>Subnote</i>				
Big Screen Productions 9 LLP	3,5,6	166	-	-	469
Big Screen Productions 18 LLP	3,5,6	50	81	-	350
Big Screen Productions 19 LLP	3,5,6	54	140	-	163
Big Screen Productions 20 LLP	3,5,6	51	167	-	212
Big Screen Productions 21 LLP	3,5,6	77	355	-	214
Dayday Films LLP	5,6	1,519	306	-	1,155
Daylily Investments Limited	3,5,6	142	(42)	-	405
Hamsun Productions Limited	1	-	-	1,072	-
IEP Corporate LLP	5	18	-	117	-
Ingenious AG JV Member Limited	1,2	26	1,123	386	3,436
Ingenious Australian Solar Limited	1,2	518	4	1,264	309
Ingenious Broadcasting LLP	3,5	43	167	-	3,221
Ingenious Capital Management Limited	1,2	36,723	22,396	7,713	7,630
Ingenious Capital Management Holdings Limited	1,2	-	-	1,230	-
Ingenious Games LLP	3,5,6	130	-	-	226
Ingenious IQB Member Limited	1,2	4,036	1,012	35,971	19,531
Ingenious Media Finance Limited	1,7	217	444	-	11,174
Ingenious Renewable Energy Lending Services Limited	8	-	164	-	-
Ingenious Renewable Energy Limited	8	643	-	-	-
Ingenious Real Estate Enterprises 2 Limited	1,8	998	401	409	5,438
Ingenious Real Estate Enterprises 4 Limited	1,2	60	-	25,060	-
Lucky Mill Holdings Limited	2	-	-	-	(22,136)
North John Street LLP	3,4,6	33	-	120	-
Phoenix Film Partners LLP	3,4,5,6	44	14	-	201

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

Related party transactions (continued)

The Group had various trivial balances with entities listed in note 11.

The following significant relationships existed between the related parties during all or part of the period:

Subnote:

1 - Common director(s).

2 - Common shareholder(s)/ultimate shareholder.

3 - Operator/promoter/administrator/advisor/manager/agent is Goldwoodshire Limited (previously Ingenious Media Investments Limited).

4 - Common member(s).

5 - Common director(s) of designated member.

6 - Director of corporate partner.

7 - Operator/promoter/administrator/advisor/manager/agent is Ingenious Capital Management Limited.

24. Directors' current accounts

Directors serving during the period had the following loan balances outstanding at the period end as stated below:

	31 December 2018 £'000	<i>30 June 2017 £'000</i>
Amount owed by the Group:		
P A McKenna	<u>655</u>	<u>-</u>

25. Controlling party

During the period ended 31 December 2018 the ultimate controlling party of the Group and the Company was P A McKenna. The Company is the only parent undertaking for which consolidated financial statements are prepared.

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

26. Contingent liability

Civil litigation claims

During the year ended 30 June 2016, the Company and some of its subsidiaries received claims from two law firms - Stewarts Law LLP and Peters and Peters LLP, filed on behalf of a minority of investors (the "Claimants") in what are referred to as the Inside Track partnerships, the Ingenious Film Partnerships and Ingenious Games LLP (the "Production Partnerships") and some film sale and leaseback partnerships, all operated or managed by the Group and its related entities. The claimants are seeking compensation via a number of legal remedies from various parties, many of whom are unconnected to the Group and its related entities, involved in the Production Partnerships and sale and leaseback partnerships including from the Company or its subsidiaries. The basis for the claims related to the film sale and leaseback partnerships has not been articulated in sufficient detail. The sale and leaseback claims are currently stayed and any party can lift the stay on one month's notice. Following legal consultation based on the information which has been provided in respect of the nature and basis of the claims so far and consideration of the current circumstances, the directors of the Company believe the claims are without merit and therefore no provision has been made in the financial statements. Currently, there are no reasonable grounds for calculating the potential liability in the unexpected event that the claims do succeed.

Additionally, during the period ended 31 December 2018, the Company was informed of potential claims from Mishcon de Reya, filed on behalf of a minority of investors in Inside Track 1 LLP, Inside Track 2 LLP, Inside Track 3 LLP, Ingenious Film Partners LLP and Ingenious Film Partners 2 LLP, all operated by the Group and its related entities. These investors are seeking compensation via a number of legal remedies from various parties involved in these partnerships, including from the Company or its subsidiaries. Following legal consultation based on the information which has been provided in respect of the nature and basis of the potential claims so far and consideration of the current circumstances, the directors of the Company believe the potential claims are without merit and therefore no provision has been made in the financial statements. Currently, there are no reasonable grounds for calculating the potential liability in the unexpected event that any claims do succeed.

A trial for the claims related to the Production Partnerships is scheduled for 26 April 2022.

FERNLAKES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018**

27. Discontinued operations

On 11 December 2018, various subsidiaries, as indicated in the Appendix, have been placed into voluntary liquidation or administration. As these subsidiaries are now under the control of the liquidator/administrator, they have been deconsolidated. The trading results for these subsidiaries have been included from 1 July 2017 to the date of liquidation/administration.

The profit on the deconsolidation of these entities have been calculated as follows:

		£'000
Cash proceeds		-
		<hr/>
		-
Net assets disposed of:		
Investments	(728,844)	
Other debtors	(10,379)	
Cash	(8,589)	
Loans	728,125	
Other creditors	8,267	
Corporation tax	11,335	
Provision for liabilities and charges	3,469	
	<hr/>	
		3,384
		<hr/>
Net profit on deconsolidation		3,384
		<hr/> <hr/>

The net outflow of cash in respect of the deconsolidated subsidiaries is as follows:

	£'000
Cash transferred on deconsolidation	(8,589)
	<hr/>
Net outflow of cash	(8,589)
	<hr/> <hr/>

FERNLAKES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

28. Events after the balance sheet date

Tax Tribunal

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 Tax Tribunal's approach but generally supported the First-tier Tax 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. If the film and game production partnerships are successful in their appeal on the view to profit decision of the Upper Tribunal the quantum of tax relief for expenditure by the partnerships and taxable income attributable to the corporate members of the partnerships should be consistent with that expected to follow the First-tier Tax Tribunal decision.

The appeal hearing is scheduled for 11 March 2021.

COVID19

The outbreak and unprecedented spread of the COVID19 pandemic across the globe has had a profound impact on the local and global markets in a matter of months, and is expected to continue to shape the economic landscape for the immediate future. The directors continue to monitor closely the impact of unfolding events in order to respond swiftly to any consequential implications on the business. Refer to note 2.2 for the impacts of going concern.

APPENDIX
31 DECEMBER 2018

Subsidiary holdings

During the period, the Group had the following direct and indirect subsidiaries which were all incorporated and registered in England and Wales (unless otherwise indicated):

Subsidiary Undertakings	Activity	Class	%
Amber Film Partner 1 Ltd	Film production	Ordinary	100
Amber Film Partner 2 Ltd	Film production	Ordinary	100
Aries Film Partner 1 Ltd	Film production	Ordinary	100
Aries Film Partner 2 Ltd	Film production	Ordinary	100
Artillo Productions Ltd***	Film production	Ordinary	100
Aurora Film Partners IM Ltd***	Film production	Ordinary	100
Barnsdale Hills Ltd (previously known as Ingenious Film Partners 3 Ltd)^	Integrated film business	Ordinary	100
Bergkamp Productions Ltd	Film production	Ordinary	100
Big Screen Productions 2 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 3 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 4 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 5 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 7 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 8 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 9 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 10 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 11 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 12 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 13 Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 14 IM Ltd~	Integrated film business	Ordinary	100
Big Screen Productions 15 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 16 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 17 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 18 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 19 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 20 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 21 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 22 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 23 IM Ltd~	Film production	Ordinary	100
Big Screen Productions 24 IM Ltd~	Film production	Ordinary	100
Boarside Productions Ltd***	Film production	Ordinary	100
Boulston Productions Ltd***	Film production	Ordinary	69
Bramall Productions Ltd***	Film production	Ordinary	62
Bronze Film Partner 1 Ltd	Film production	Ordinary	100
Bronze Film Partner 2 Ltd	Film production	Ordinary	100
Bullock Street Waste Energy Ltd	Clean Energy	Ordinary	100
Burguard Ltd (previously known as Ingenious Ventures Ltd)	Investment management services	Ordinary	100
Cairo Film Partner 1 Ltd	Film production	Ordinary	100
Cairo Film Partner 2 Ltd	Film production	Ordinary	100
Capitan Films Ltd~	Film production	Ordinary	100
Chrome Film Partner 1 Ltd	Film production	Ordinary	100
Chrome Film Partner 2 Ltd	Film production	Ordinary	100
Copper Film Partner 1 Ltd	Film production	Ordinary	100
Copper Film Partner 2 Ltd	Film production	Ordinary	100
Corinth Film Partner 1 Ltd	Film production	Ordinary	100
Corinth Film Partner 2 Ltd	Film production	Ordinary	100
Cornsdale Ltd (previously known as Ingenious Distribution Services Ltd)	Services to video, film and television industries	Ordinary	100
Cradgrove Ltd (previously known as Ingenious Film Partners 2 Ltd)^	Integrated film business	Ordinary	100
Dayday Films (CM) Ltd~	Film production	Ordinary	100
Daylily Investments Ltd~	Film production	Ordinary	100
DeJo Productions Ltd***	Film production	Ordinary	69
Delphi Film Partner 1 Ltd	Film production	Ordinary	100
Delphi Film Partner 2 Ltd	Film production	Ordinary	100
Diamond Film Partner 1 Ltd	Film production	Ordinary	100
Diamond Film Partner 2 Ltd	Film production	Ordinary	100
Dickerson Productions Ltd***	Film production	Ordinary	63
Ebony Film Partner 1 Ltd	Film production	Ordinary	100
Ebony Film Partner 2 Ltd	Film production	Ordinary	100
Electra Film Partner 1 Ltd	Film production	Ordinary	100
Electra Film Partner 2 Ltd	Film production	Ordinary	100
Enghamshire Ltd (previously known as Ingenious Resources Ltd)	Provision of investment capital	Ordinary	100

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Subsidiary holdings (continued)

Subsidiary Undertakings	Activity	Class	%
Erewhash Productions Ltd	Film production	Ordinary	100
Evetree Ltd (previously known as Ingenious Fuller Partnership IM Ltd)	Film production	Ordinary	100
Favre Productions Ltd***	Film production	Ordinary	100
Fleet Film Partners 1 Ltd	Film production	Ordinary	100
Fleet Film Partners 2 Ltd	Film production	Ordinary	100
Freeshire Ltd (previously known as Ingenious Media Ltd)	Services to media and entertainment sector	Ordinary	100
Fringilla Productions Ltd***	Film production	Ordinary	70
Gallipoli Film Partner 1 Ltd	Film production	Ordinary	100
Gallipoli Film Partner 2 Ltd	Film production	Ordinary	100
Gemini Film Partner 1 Ltd	Film production	Ordinary	100
Gemini Film Partner 2 Ltd	Film production	Ordinary	100
Gemstone Film Partner 1 Ltd	Film production	Ordinary	100
Gemstone Film Partner 2 Ltd	Film production	Ordinary	100
Gildales Ltd (previously known as Ingenious Nominees Ltd)	Dormant company	Ordinary	100
Glasine Ltd (previously known as Ingenious Media Services Ltd)	Services to film industry	Ordinary	100
Golden Square Services 1 Ltd	Dormant company	Ordinary	100
Golden Square Services 2 Ltd	Dormant company	Ordinary	100
Goldwoodshire Ltd (previously known as Ingenious Media Investments Ltd)	Services to media and entertainment sector (FCA registered)	Ordinary	100
Granleaf Square Ltd (previously known as Ingenious Films Ltd)	Services to film industry	Ordinary	100
Grapedale Ltd (previously known as Ingenious Holdings Ltd)	Holding company for various investments	Ordinary	100
Hamsun Productions Ltd***	Film production	Ordinary	100
Hartshire Ltd (previously known as Ingenious Treasury Services Ltd)	Group treasury function	Ordinary	100
Hastings Games 1 Ltd	Dormant company	Ordinary	100
Hastings Games 2 Ltd	Dormant company	Ordinary	100
IEP Corporate LLP	Lending services	Members' Capital	100
IFP1 Corporate Partner Ltd	Integrated film business	Ordinary	100
IFP2 Corporate Partner Ltd	Integrated film business	Ordinary	100
Ingenious (Jersey) Film Sales Ltd	Film sales and marketing (Jersey registered)	Ordinary	100
Ingenious Film Partners LLP**	Integrated film business	Members' Capital	69
Ingenious Film Partners 2 LLP**	Integrated film business	Members' Capital	71
Inkie Productions IM Ltd~	Film production	Ordinary	100
Ivory Film Partner 1 Ltd	Film production	Ordinary	100
Ivory Film Partner 2 Ltd	Film production	Ordinary	100
Jade Film Partner 1 Ltd	Film production	Ordinary	100
Jade Film Partner 2 Ltd	Film production	Ordinary	100
Jasper Film Partner 1 Ltd	Film production	Ordinary	100
Jasper Film Partner 2 Ltd	Film production	Ordinary	100
Jewel Film Partner 1 Ltd	Film production	Ordinary	100
Jewel Film Partner 2 Ltd	Film production	Ordinary	100
Kantern Ltd (previously known as Ingenious Media Consulting Ltd)	Management consultancy	Ordinary	100
Kenrick Sustainable Estate LLP***	Clean Energy	Members' Capital	100
Lanternbury Ltd (previously known as Ingenious Corporate Finance Ltd)	Corporate finance (FCA registered)	Ordinary	100
Langreave Ltd (Ingenious Film Partners 1 Ltd)^	Integrated film business	Ordinary	100
Lavahills Ltd (previously known as Ingenious Clean Energy Services Ltd)	Services to the clean energy industry	Ordinary	100
Leo Film Partner 1 Ltd	Film production	Ordinary	100
Leo Film Partner 2 Ltd	Film production	Ordinary	100
Libra Film Partner 1 Ltd	Film production	Ordinary	100
Libra Film Partner 2 Ltd	Film production	Ordinary	100
Little Blair Productions IM Ltd~	Film production	Ordinary	100
Lodestone Film Partner 1 Ltd	Film production	Ordinary	100
Lodestone Film Partner 2 Ltd	Film production	Ordinary	100
Luxor Film Partner 1 Ltd	Film production	Ordinary	100
Luxor Film Partner 2 Ltd	Film production	Ordinary	100
Malachite Film Partner 1 Ltd	Film production	Ordinary	100
Malachite Film Partner 2 Ltd	Film production	Ordinary	100
Mariana Productions Ltd***	Film production	Ordinary	52
Mars Film Partner 1 Ltd	Film production	Ordinary	100

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Subsidiary holdings (continued)

Subsidiary Undertakings	Activity	Class	%
Mars Film Partner 2 Ltd	Film production	Ordinary	100
MC Pictures IM Ltd~	Film production	Ordinary	100
Mentation Productions Ltd***	Film production	Ordinary	100
Mercury Film Productions Ltd	Film production	Ordinary	100
Methuselah Investments Limited***	Investment company	Ordinary	100
Metius Productions Ltd***	Film production	Ordinary	100
Milan Film Partner 1 Ltd	Film production	Ordinary	100
Milan Film Partner 2 Ltd	Film production	Ordinary	100
Millbank Broadcasting Partner 1 Ltd	Film production	Ordinary	100
Millbank Broadcasting Partner 2 Ltd	Film production	Ordinary	100
Mission PJ (IOM) Ltd	Commissioning distributor	Ordinary	100
NBBP (IM) Ltd~	Film production	Ordinary	100
Neptune Film Partner 1 Ltd	Film production	Ordinary	100
Neptune Film Partner 2 Ltd	Film production	Ordinary	100
Onyx Film Partner 1 Ltd	Film production	Ordinary	100
Onyx Film Partner 2 Ltd	Film production	Ordinary	100
Opal Film Partner 1 Ltd	Film production	Ordinary	100
Opal Film Partner 2 Ltd	Film production	Ordinary	100
Pall Mall Film Partners*	Film partnership (unincorporated)	Members' Capital	100
Pangorda Investor Ltd~	Film production	Ordinary	100
Pearl Film Partner 1 Ltd	Film production	Ordinary	100
Pearl Film Partner 2 Ltd	Film production	Ordinary	100
Petavus Productions Ltd***	Film production	Ordinary	100
Petra Film Partner 1 Ltd	Film production	Ordinary	100
Petra Film Partner 2 Ltd	Film production	Ordinary	100
Phoenix Film Partners Ltd~	Integrated film business	Ordinary	100
Phoenix Nominees Ltd	Integrated film business	Ordinary	100
Pitfan Productions Ltd***	Film production	Ordinary	100
Quartz Film Partner 1 Ltd	Film production	Ordinary	100
Quartz Film Partner 2 Ltd	Film production	Ordinary	100
Reel Film Partner 1 Ltd	Film production	Ordinary	100
Reel Film Partner 2 Ltd	Film production	Ordinary	100
Riggins Productions Ltd***	Film production	Ordinary	100
Ripken Productions Ltd***	Film production	Ordinary	100
Rome Film Partner 1 Ltd	Film production	Ordinary	100
Rome Film Partner 2 Ltd	Film production	Ordinary	100
Saeculum Productions Ltd***	Film production	Ordinary	100
Sanders Productions Ltd***	Film production	Ordinary	69
Sapphire Film Partner 1 Ltd	Film production	Ordinary	100
Sapphire Film Partner 2 Ltd	Film production	Ordinary	100
Saturn Film Partner 1 Ltd	Film production	Ordinary	100
Saturn Film Partner 2 Ltd	Film production	Ordinary	100
Selway Productions Ltd***	Film production	Ordinary	100
Silwood Ltd (previously known as Ingenious Games Ltd)	Video games development	Ordinary	100
Sirius Film Partner 1 Ltd	Film production	Ordinary	100
Sirius Film Partner 2 Ltd	Film production	Ordinary	100
Skull Distribution Ltd	Film distribution	Ordinary	100
Solar Film Partners IM Ltd~	Film production	Ordinary	100
Starlight Film Partners Ltd~	Film production	Ordinary	100
Stylus Films Ltd***	Film production	Ordinary	100
Taurus Film Partner 1 Ltd	Film production	Ordinary	100
Taurus Film Partner 2 Ltd	Film production	Ordinary	100
Temple Film Partner 1 Ltd	Film production	Ordinary	100
Temple Film Partner 2 Ltd	Film production	Ordinary	100
Thebes Film Partner 1 Ltd	Film production	Ordinary	100
Thebes Film Partner 2 Ltd	Film production	Ordinary	100
Tolushire Ltd (previously known as Ingenious Games Services Ltd)	Services to video games industry	Ordinary	100
Topaz Film Partner 1 Ltd	Film production	Ordinary	100
Topaz Film Partner 2 Ltd	Film production	Ordinary	100
Trafalgar Film Partner 1 Ltd	Film production	Ordinary	100
Trafalgar Film Partner 2 Ltd	Film production	Ordinary	100
Trieste Film Partner 1 Ltd	Film production	Ordinary	100
Trieste Film Partner 2 Ltd	Film production	Ordinary	100
Turin Film Partner 1 Ltd	Film production	Ordinary	100
Turin Film Partner 2 Ltd	Film production	Ordinary	100
Venus Film Partner 1 Ltd	Film production	Ordinary	100
Venus Film Partner 2 Ltd	Film production	Ordinary	100
Verona Film Partner 1 Ltd	Film production	Ordinary	100
Verona Film Partner 2 Ltd	Film production	Ordinary	100
Vienna Film Partner 1 Ltd	Film production	Ordinary	100
Vienna Film Partner 2 Ltd	Film production	Ordinary	100
Virgo Film Partner 1 Ltd	Film production	Ordinary	100
Virgo Film Partner 2 Ltd	Film production	Ordinary	100

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Subsidiary holdings (continued)

Subsidiary Undertakings	Activity	Class	%
Wareyth Productions Ltd***	Film production	Ordinary	69
Waterloo Film Partner 1 Ltd	Film production	Ordinary	100
Waterloo Film Partner 2 Ltd	Film production	Ordinary	100
WB IQB Member 1 Ltd***		Ordinary	100
Wickshills Ltd (previously known as Ingenious (IM) Ltd)	Dormant company	Ordinary	100
Zinc Film Partner 1 Ltd	Film production	Ordinary	100
Zinc Film Partner 2 Ltd	Film production	Ordinary	100

Subsidiary holdings (continued)

* The Group's holding in Pall Mall Film Partners is made up of the equity held by Ingenious Media Ltd and seven of its subsidiary undertakings. The registered office address is 15 Golden Square, London W1F 9JG.

** Whilst 69% of the members' capital in Ingenious Film Partners LLP and 71% of the members' capital in Ingenious Film Partners 2 LLP is held by the Group, 100% of the net assets of both partnerships are consolidated reflecting the terms of the underlying members' agreements.

*** Now dissolved

^ In administration