

Company Registration No. 12038462 (England and Wales)

**THE FARM UK HOLDCO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2019**

## COMPANY INFORMATION

Ms N Sargent  
Miss M Esther  
Ms V Dunn  
Mr D Stinnett  
Mr S Yoost  
Mr S MacCormaic

12038462

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London  
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Blinkhorns  
27 Mortimer Street  
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# THE FARM UK HOLDCO LIMITED

## CONTENTS

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	Page
Strategic report	1
Directors' report	2 - 3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Income statement	8
Group statement of comprehensive income	9
Group statement of financial position	10
Company statement of financial position	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Company statement of cash flows	15
Notes to the financial statements	16 - 33

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# THE FARM UK HOLDCO LIMITED

## STRATEGIC REPORT

**FOR THE PERIOD ENDED 31 DECEMBER 2019**

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The directors present the strategic report for the period ended 31 December 2019.

### **Fair review of the business**

The company was formed on 7 June 2019 to acquire the business of The Farm Post Production Limited and its subsidiaries. The company delivered a mixed result in 2019. As planned, the business purchased shares on 19 June 2019 in The Farm Post Production Limited, a company incorporated in England and Wales. Strategically important for future stability of The Farm Post Production, the end of the sale process was welcomed.

Trading revenue was at £20.1m and gross profit at £13.6m.

However, the operating performance of The Farm Post Production was impacted by lower than anticipated revenues, largely due to delays in the completion of the site of the new Manchester facility, ramp-up of sales in the new Bristol facility and lower than anticipated sales in the summer months in London. The year end was showing high utilisation in each site and a strong order book into 2020.

The company's (loss)/profit before tax was £(4.1)m

### **Principal risks and uncertainties**

The company is exposed to a number of risks and uncertainties. Financial risk management policies are employed to address these, primarily relating to foreign exchange, interest rate, liquidity and credit risks. The Directors understand the importance of these risks and use internal monitoring tools and external resources to manage these, for example the routine review of cash flow forecasts, new supplier performance checks and new client credit checks.

### **Covid-19**

The advent of the Coronavirus pandemic is beginning to have an adverse effect on revenues following a strong performance in Q1, 2020. Revenues are projected to be significantly down until at least September 2020. Given that the economic shock is driven by a public health emergency, it is too early to read the full year effect until the testing, tracking and tracing measures are in place to support social distancing, which will give confidence to begin productions again. More broadly, TV content will be in significant demand and the company is well placed to take advantage of the opportunity this presents.

### **Key performance indicators**

The directors employ key performance indicators to assess the company's performance. The KPIs for the 2019 financial year include:

- Revenue - £20.1m
- Gross profit - £13.6m
- (Loss)/Profit before tax - £(4.1)m
- Shareholder's funds - £13.0m

On behalf of the board

30 June 2020

# THE FARM UK HOLDCO LIMITED

## DIRECTORS' REPORT

### FOR THE PERIOD ENDED 31 DECEMBER 2019

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The directors present their annual report and financial statements for the period ended 31 December 2019.

#### Principal activities

The principal activity of the company and group was that of motion picture, video and television programme post-production.

#### Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Ms N Sargent  
Miss M Esther  
Ms V Dunn  
Mr D Stinnett  
Mr S Yoost  
Mr S MacCormaic

#### Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### Supplier payment policy

The group's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the group's contractual and other legal obligations.

Trade creditors of the group at the year end were equivalent to 30 day's purchases, based on the average daily amount invoiced by suppliers during the year.

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Employee involvement

Consultations are held with staff members when required.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

#### Auditor

Blinkhorns were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

# **THE FARM UK HOLDCO LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE PERIOD ENDED 31 DECEMBER 2019***

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### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

30 June 2020

# **THE FARM UK HOLDCO LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE PERIOD ENDED 31 DECEMBER 2019***

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# THE FARM UK HOLDCO LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE FARM UK HOLDCO LIMITED

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#### Opinion

We have audited the financial statements of The Farm UK Holdco Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2019 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company 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 FRS 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 the parent company's affairs as at 31 December 2019 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 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.

#### Emphasis of matter

We draw attention to the Covid-19 note of the strategic report, which describes the impact of COVID-19 on the group. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



# THE FARM UK HOLDCO LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE FARM UK HOLDCO LIMITED

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

# **THE FARM UK HOLDCO LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF THE FARM UK HOLDCO LIMITED**

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#### **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.

**Mustafa Dattoo FCA (Senior Statutory Auditor)**  
**for and on behalf of Blinkhorns**

30 June 2020

27 Mortimer Street  
London  
W1T 3BL

# THE FARM UK HOLDCO LIMITED

## GROUP INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Period ended 31 December 2019 £
Revenue	3	20,125,516
Cost of sales		(6,741,955)
<b>Gross profit</b>		<b>13,383,561</b>
Administrative expenses		(16,366,519)
<b>Operating loss</b>	<b>5</b>	<b>(2,982,958)</b>
Investment income	9	19,453
Finance costs	10	(1,146,938)
<b>Loss before taxation</b>		<b>(4,110,443)</b>
Tax on loss	11	363,151
<b>Loss for the financial period</b>		<b>(3,747,292)</b>

(Loss)/profit for the financial period is all attributable to the owner of the parent company.

# THE FARM UK HOLDCO LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME

*FOR THE PERIOD ENDED 31 DECEMBER 2019*

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	Period ended 31 December 2019 £
Loss for the period	(3,747,292)
Other comprehensive income	-
<b>Total comprehensive income for the period</b>	<b>(3,747,292)</b>

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Total comprehensive income for the period is all attributable to the owners of the parent company.

# THE FARM UK HOLDCO LIMITED

## GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	£
<b>Non-current assets</b>			
Goodwill	12	27,246,676	
Property, plant and equipment	13	13,086,307	
Investments	14	1,758	
			<u>40,334,741</u>
<b>Current assets</b>			
Inventories	16	55,091	
Trade and other receivables	17	10,100,463	
Cash and cash equivalents		611,892	
			<u>10,767,446</u>
<b>Current liabilities</b>	18	(38,149,852)	
<b>Net current liabilities</b>			<u>(27,382,406)</u>
<b>Total assets less current liabilities</b>			<u><u>12,952,335</u></u>
<b>Equity</b>			
Called up share capital	23	17,544,182	
Retained earnings		(4,591,847)	
<b>Total equity</b>			<u><u>12,952,335</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:

**Director**

# THE FARM UK HOLDCO LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	£
<b>Non-current assets</b>			
Goodwill	12		25,246,860
Investments	14		17,808,709
			<u>43,055,569</u>
<b>Current assets</b>			
Trade and other receivables	17	1,984,450	
<b>Current liabilities</b>	18	(31,127,671)	
<b>Net current liabilities</b>			<u>(29,143,221)</u>
<b>Total assets less current liabilities</b>			<u>13,912,348</u>
<b>Equity</b>			
Called up share capital	23		17,544,182
Retained earnings			<u>(3,631,834)</u>
<b>Total equity</b>			<u>13,912,348</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £3,631,834.

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

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:

**Director**

**Company Registration No. 12038462**

# THE FARM UK HOLDCO LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Share capital £	Retained earnings £	Total £
<b>Period ended 31 December 2019:</b>				
Loss and total comprehensive income for the period		-	(3,747,292)	(3,747,292)
Issue of share capital	23	17,544,182	-	17,544,182
Adjustment on acquisition of subsidiary		-	(844,555)	(844,555)
<b>Balance at 31 December 2019</b>		<u>17,544,182</u>	<u>(4,591,847)</u>	<u>12,952,335</u>

# THE FARM UK HOLDCO LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

*FOR THE PERIOD ENDED 31 DECEMBER 2019*

	Notes	Share capital £	Retained earnings £	Total £
<b>Period ended 31 December 2019:</b>				
Loss and total comprehensive income for the period		-	(3,631,834)	(3,631,834)
Issue of share capital	23	17,544,182	-	17,544,182
<b>Balance at 31 December 2019</b>		<u>17,544,182</u>	<u>(3,631,834)</u>	<u>13,912,348</u>



# THE FARM UK HOLDCO LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	2019 £	£
<b>Cash flows from operating activities</b>			
Cash generated from/(absorbed by) operations	28	27,857,312	
Interest paid		(1,146,939)	
Income taxes paid		(355,773)	
<b>Net cash inflow/(outflow) from operating activities</b>			27,066,146
<b>Investing activities</b>			
Purchase of intangible assets		(26,679,513)	
Purchase of property, plant and equipment		(2,145,153)	
Proceeds on disposal of property, plant and equipment		12,527	
Purchase of subsidiaries		(17,470,129)	
Interest received		19,453	
<b>Net cash used in investing activities</b>			(46,262,815)
<b>Financing activities</b>			
Proceeds from issue of shares		17,544,182	
Repayment of bank loans		7,670	
<b>Net cash generated from/(used in) financing activities</b>			17,551,852
<b>Net (decrease)/increase in cash and cash equivalents</b>			(1,644,817)
Cash and cash equivalents at 19 June 2019			2,254,665
<b>Cash and cash equivalents at end of period</b>			609,848
<b>Relating to:</b>			
Cash at bank and in hand			611,892
Bank overdrafts included in creditors payable within one year			(2,044)

# THE FARM UK HOLDCO LIMITED

## COMPANY STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	2019 £	£
<b>Cash flows from operating activities</b>			
Cash generated from/(absorbed by) operations	29	27,733,131	
Interest paid		(1,127,671)	
<b>Net cash inflow/(outflow) from operating activities</b>			26,605,460
<b>Investing activities</b>			
Purchase of intangible assets		(26,679,513)	
Purchase of subsidiaries		(17,470,129)	
<b>Net cash used in investing activities</b>			(44,149,642)
<b>Financing activities</b>			
Proceeds from issue of shares		17,544,182	
<b>Net cash generated from/(used in) financing activities</b>			17,544,182
<b>Net increase in cash and cash equivalents</b>			-
Cash and cash equivalents at beginning of period			-
<b>Cash and cash equivalents at end of period</b>			-

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED 31 DECEMBER 2019**

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### **1 Accounting policies**

#### **Company information**

The Farm UK Holdco Limited ("the company") is a private limited company limited by shares and domiciled and incorporated in England and Wales on the 7 June 2019. The registered office is 110 Fetter Lane, London, United Kingdom, EC4A 1AY.

The group consists of The Farm UK Holdco Limited and all of its subsidiaries.

The Farm UK Holdco Limited is a 100% owned subsidiary of The Farm Limited (Cayman). The ultimate parent company is Picture Head Holdings LLC, a company incorporated in Delaware, United States of America. The principal place of business of Picture Head Holdings LLC is 1132 Vine Street, Hollywood, CA 90038.

The principal activities of the group are motion picture, video and television programme post-production.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### **1.2 Basis of consolidation**

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of The Farm UK Holdco Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

The Farm Post Production Limited has been included in the group financial statements using the purchase method of accounting. Accordingly, the group income statement and statement of cash flows include the results and cash flows of The Farm Post Production Limited for the period from its acquisition on 19 June 2019. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

#### 1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract .

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

#### 1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Over the period of the lease
Plant and equipment	Between 2 and 5 years
Fixtures and fittings	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

#### 1.7 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.8 Impairment of non-current assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.9 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.10 Financial instruments

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

#### 1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 Judgements and key sources of estimation uncertainty

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

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

### 3 Revenue

	2019 £
<b>Revenue analysed by class of business</b>	
Post production services	20,125,516
	<u>20,125,516</u>
	2019 £
<b>Other significant revenue</b>	
Interest income	19,453
	<u>19,453</u>
	2019 £
<b>Revenue analysed by geographical market</b>	
United Kingdom	19,443,098
Rest of the world	682,418
	<u>20,125,516</u>



# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 4 Exceptional item

2019

£

#### Expenditure

Exceptional items

1,403,540

In 2019 The Farm UK Holdco Limited acquired The Farm Post Production Limited and incurred legal and professional costs on acquisition.

### 5 Operating loss

2019

£

Operating loss for the period is stated after charging/(crediting):

Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss

3,245

Depreciation of owned property, plant and equipment

2,740,598

Profit on disposal of property, plant and equipment

(12,528)

Amortisation of intangible assets

1,432,653

Operating lease charges

1,763,984

### 6 Auditor's remuneration

2019

£

Fees payable to the company's auditor and associates:

#### For audit and other services

Audit of the financial statements and other services of the group and company

37,431

### 7 Employees

The average monthly number of persons (including directors) employed by the group and company during the period was:

	Group 2019 Number	Company 2019 Number
Administration	81	6
Operation	341	-
Total	422	6

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 7 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2019 £	Company 2019 £
Wages and salaries	8,102,164	-
Social security costs	989,771	-
Pension costs	183,712	-
	<u>9,275,647</u>	<u>-</u>

### 8 Directors' remuneration

	2019 £
Remuneration for qualifying services	400,686
Company pension contributions to defined contribution schemes	6,270
	<u>406,956</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1.

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £
Remuneration for qualifying services	<u>110,000</u>

### 9 Investment income

	2019 £
<b>Interest income</b>	
Interest on bank deposits	2,554
Other interest income	16,899
	<u>19,453</u>

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 10 Finance costs

	2019 £
<b>Interest on financial liabilities measured at amortised cost:</b>	
Interest on bank overdrafts and loans	19,267
Interest payable to group undertakings	1,127,671
	<u>1,146,938</u>

### 11 Taxation

	2019 £
<b>Current tax</b>	
Group tax relief	(355,773)
	<u></u>
<b>Deferred tax</b>	
Origination and reversal of timing differences	(7,378)
	<u></u>
Total tax credit	<u>(363,151)</u>

The actual (credit)/charge for the period can be reconciled to the expected credit for the period based on the profit or loss and the standard rate of tax as follows:

	2019 £
Loss before taxation	<u>(4,110,443)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00%	(780,984)
Tax effect of expenses that are not deductible in determining taxable profit	182,858
Unutilised tax losses carried forward	1,074,889
Group relief	(355,773)
Depreciation in excess of capital allowances	(23,447)
Adjustments to carrying value of assets	(460,694)
	<u></u>
Taxation credit	<u>(363,151)</u>

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 12 Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 19 June 2019	1,999,816
Additions	26,679,513
At 31 December 2019	28,679,329
<b>Amortisation and impairment</b>	
At 19 June 2019	-
Amortisation charged for the period	1,432,653
At 31 December 2019	1,432,653
<b>Carrying amount</b>	
At 31 December 2019	27,246,676
<b>Company</b>	<b>Goodwill £</b>
<b>Cost</b>	
At 19 June 2019	-
Additions	26,679,513
At 31 December 2019	26,679,513
<b>Amortisation and impairment</b>	
At 19 June 2019	-
Amortisation charged for the period	1,432,653
At 31 December 2019	1,432,653
<b>Carrying amount</b>	
At 31 December 2019	25,246,860

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 13 Property, plant and equipment

Group	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Total
	£	£	£	£
<b>Cost</b>				
At 19 June 2019	14,045,552	16,837,036	1,356,132	32,238,720
Additions	229,471	315,996	31,626	577,093
At 31 December 2019	14,275,023	17,153,032	1,387,758	32,815,813
<b>Depreciation and impairment</b>				
At 19 June 2019	4,584,139	12,123,302	984,495	17,691,936
Depreciation charged in the period	735,111	1,197,381	105,078	2,037,570
At 31 December 2019	5,319,250	13,320,683	1,089,573	19,729,506
<b>Carrying amount</b>				
At 31 December 2019	8,955,773	3,832,349	298,185	13,086,307

The company had no property, plant and equipment at 31 December 2019.

### 14 Fixed asset investments

	Notes	Group 2019 £	Company 2019 £
Investments in subsidiaries	15	1,759	1,759
<b>Movements in non-current investments</b>			
<b>Group</b>			<b>Shares in group undertakings</b>
			£
<b>Cost or valuation</b>			
At 19 June 2019 and 31 December 2019			1,759
<b>Carrying amount</b>			
At 31 December 2019			1,759

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 14 Fixed asset investments (Continued)

Movements in non-current investments Company	Investments in group undertakings £
<b>Cost or valuation</b>	
At 19 June 2019	-
Additions	17,808,709
At 31 December 2019	17,808,709
<b>Carrying amount</b>	
At 31 December 2019	17,808,709

### 15 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect	
The Farm Post Production Limited	England & Wales	Post Production	Ordinary	100.00	-
The Farm LA Inc	USA	Post Production	Ordinary	0	100.00
Uncle Post Production Limited	England & Wales	Dormant	Ordinary	0	100.00

### 16 Inventories

	Group 2019 £	Company 2019 £
Raw materials and consumables	55,091	-

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 17 Trade and other receivables

	Group 2019 £	Company 2019 £
<b>Amounts falling due within one year:</b>		
Trade receivables	4,685,437	-
Amounts owed by group undertakings	-	1,984,450
Other receivables	943,882	-
Prepayments and accrued income	1,894,557	-
	<u>7,523,876</u>	<u>1,984,450</u>
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 20)	2,576,587	-
	<u>2,576,587</u>	<u>-</u>
<b>Total debtors</b>	<u>10,100,463</u>	<u>1,984,450</u>

### 18 Current liabilities

	Notes	Group 2019 £	Company 2019 £
Bank loans and overdrafts	19	2,044	-
Trade payables		427,471	-
Amounts owed to group undertakings		31,127,671	31,127,671
Other taxation and social security		1,582,406	-
Deferred income	21	40,000	-
Other payables		1,032,726	-
Accruals and deferred income		3,937,534	-
		<u>38,149,852</u>	<u>31,127,671</u>

### 19 Borrowings

	Group 2019 £	Company 2019 £
Bank overdrafts	2,044	-
	<u>2,044</u>	<u>-</u>
Payable within one year	2,044	-
	<u>2,044</u>	<u>-</u>

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2019 £	Assets 2019 £
<b>Group</b>		
Accelerated capital allowances	-	2,576,587

	Liabilities 2019 £	Assets 2019 £
<b>Company</b>		
	-	-

The company has no deferred tax assets or liabilities.

### 21 Deferred income

	Group 2019 £	Company 2019 £
Other deferred income	40,000	-

### 22 Retirement benefit schemes

	2019 £
<b>Defined contribution schemes</b>	
Charge to profit or loss in respect of defined contribution schemes	183,712

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 23 Share capital

	Group and company 2019 £
<b>Ordinary share capital</b>	
<b>Issued and fully paid</b>	
17,544,182 Ordinary shares of £1 each	17,544,182



# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 24 Acquisitions

On 19 June 2019 the group acquired 100 percent of the issued capital of The Farm Post Production Limited.

	Fair Value £
Intangible assets	1,999,816
Property, plant and equipment	14,488,934
Investments	1,759
Other receivables	2,954,645
Trade receivables	3,141,802
Cash and cash equivalents	2,233,176
Tax liabilities	(1,028,590)
Trade payables	(3,071,243)
Other payables	(5,480,800)
Deferred tax	2,569,209
Total identifiable net assets	17,808,708
Goodwill	26,679,513
Total consideration	44,488,221
The consideration was satisfied by:	£
Cash	36,178,236
Bank and other payables extinguished	8,309,985
	44,488,221
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:	£
Revenue	19,588,216
Profit after tax	1,167,288

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 25 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	Company 2019 £
Within one year	3,156,280	-
Between two and five years	10,200,593	-
In over five years	11,788,752	-
	<u>25,145,625</u>	<u>-</u>

### 26 Related party transactions

#### Transactions with related parties

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2019 £
<b>Group</b>	
Parent	<u>31,127,671</u>

On the 19 June The Farm UK Holdco Limited entered into a loan arrangement with The Farm Ltd. (Cayman), parent of company of the The Farm UK Holdco Limited.

This was for the issue of £30m in loan notes repayable on the 31 August 2023.

During the year interest at a rate of 7% was charged on the loan giving a balance of £31,127,671 due to the Farm Ltd. (Cayman) at 31 December 2019.

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2019 Balance £
<b>Group</b>	
Entities with control, joint control or significant influence over the group	909,565
Subsidiaries	<u>1,228,668</u>

At the 31 December 2019 the Group was due £909,565 from Picture Head Midco LLC, a related group company and £1,228,668 from The Farm LA Inc. a subsidiary of The Farm Post Production, a company wholly owned by The Farm UK Holdco Limited.

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 27 Controlling party

At the balance sheet date the parent company was The Farm Limited, Cayman. The ultimate controlling party was Picture Head Holdings LLC, a company incorporated in Delaware, United States of America.

The principal place of business of Picture Head Holdings LLC is 1132 Vine Street, Hollywood, CA 90038. The results of the group are available at this address.

### 28 Cash generated from/(absorbed by) group operations

2019  
£

Loss for the period after tax (3,747,292)

#### Adjustments for:

Taxation credited	(363,151)
Finance costs	1,146,938
Investment income	(19,453)
Gain on disposal of property, plant and equipment	(12,528)
Amortisation and impairment of intangible assets	1,432,653
Depreciation and impairment of property, plant and equipment	2,740,599
Foreign exchange gains	(66,826)

#### Movements in working capital:

Increase in inventories	(20,848)
Increase in trade and other receivables	(3,132,612)
Increase in trade and other payables	29,964,332
Decrease in deferred income	(64,500)

#### Cash generated from/(absorbed by) operations

27,857,312

### 29 Cash generated from/(absorbed by) operations - company

2019  
£

Loss for the period after tax (3,631,834)

#### Adjustments for:

Finance costs	1,127,671
Amortisation and impairment of intangible assets	1,432,653
Impairment of fixed asset investments	(338,580)

#### Movements in working capital:

Increase in trade and other receivables	(1,984,450)
Increase in intercompany debt	31,127,671

#### Cash generated from/(absorbed by) operations

27,733,131

# THE FARM UK HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

### 30 Analysis of changes in net funds - group

	7 June 2019	Cash flows	31 December 2019
	£	£	£
Cash at bank and in hand	-	611,892	611,892
Bank overdrafts	-	(2,044)	(2,044)
	<u>-</u>	<u>609,848</u>	<u>609,848</u>
	<u>-</u>	<u>609,848</u>	<u>609,848</u>

### 31 Analysis of changes in net funds - company

7 June 2019	31 December 2019
£	£
<u></u>	<u></u>
<u></u>	<u></u>

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