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Hammer Film Productions Limited

Report and Accounts
31 December 2000



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OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors	L J Chrisfield N Mendoza E H Senat W M Sieghart
Company Secretary	P S J Naish
Auditors	Rees Pollock 7 Pilgrim Street London EC4V 6DR
Bankers	Barclays Bank plc 27 Soho Square London W1A 4WA
Solicitors	Berwin Leighton Paisner Bouverie House 154 Fleet Street London EC4A 2JD
Registered Office	92 New Cavendish Street London W1M 7FA
Registered Number	464538

DIRECTORS' REPORT

The directors present their report and accounts of the company for the year ended 31 December 2000.

Principal activities

The principal activity of the company continued and continues to be that of film production and film rights management.

The directors and their interests

The directors who served the company during the year together with their beneficial interests in the share capital of the company were as follows:

	Class of share	At 31 December 2000	At 1 January 2000 or later date of appointment
R Skeggs (resigned 31 January 2000)	Ordinary 'A' shares	-	833
G R P Skeggs (appointed and resigned 31 January 2000)		-	147
L J Chrisfield (appointed 31 January 2000)		-	-
N Mendoza (appointed 31 January 2000)	Ordinary 'B' shares	-	7

E H Senat was appointed as a director on 3 May 2001.

W M Sieghart was appointed as a director on 3 May 2001.

The directors' interests in the share capital of the parent company are shown in the accounts of that company.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them which ensure that the accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Rees Pollock as auditors for the ensuing year will be proposed at the annual general meeting.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD


P S J Naish
Company Secretary

17 August 2001



REES POLLOCK

Chartered Accountants

7 Pilgrim Street
London EC4V 6DR
Telephone 020 7329 6404
Fax 020 7329 6408

AUDITORS' REPORT TO THE MEMBERS OF HAMMER FILM PRODUCTIONS LIMITED

We have audited the accounts on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of the directors and the auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the accounts concerning the company's liability to payroll taxes relating to prior years. Details of this fundamental uncertainty are disclosed in note 17. Our opinion is not qualified in this respect.



REES POLLOCK

Chartered Accountants

7 Pilgrim Street
London EC4V 6DR
Telephone 020 7329 6404
Fax 020 7329 6408

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2000 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock
Chartered Accountants
Registered Auditors

30 October 2001

Hammer Film Productions Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

	Note	2000 £	1999 £
TURNOVER	2	359,335	193,469
Cost of sales		66,386	4,008
GROSS PROFIT		292,949	189,461
Administrative expenses		250,435	710,446
OPERATING PROFIT/(LOSS)	3	42,514	(520,985)
Interest receivable		331	-
Interest payable and similar charges	6	(38,599)	(76,247)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,246	(597,232)
Tax on profit/(loss) on ordinary activities		-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		4,246	(597,232)
Balance brought forward		(1,809,686)	(1,212,454)
Balance carried forward		(1,805,440)	(1,809,686)

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 13 form part of these accounts.

Hammer Film Productions Limited

BALANCE SHEET
at 31 December 2000

	Note	£	2000 £	1999 £
FIXED ASSETS				
Tangible assets	7		4,291	33,136
Investments	8		2	2
			<u>4,293</u>	<u>33,138</u>
CURRENT ASSETS				
Stocks	9	-		215
Debtors	10	386,122		27,109
Cash at bank		38,718		6,035
		<u>424,840</u>		<u>33,359</u>
CREDITORS: amounts falling due within one year	11	<u>(1,026,671)</u>		<u>(864,528)</u>
NET CURRENT LIABILITIES			<u>(601,831)</u>	<u>(831,169)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(597,538)</u>	<u>(798,031)</u>
CREDITORS: amounts falling due after more than one year				
	12		<u>(1,206,902)</u>	<u>(1,010,655)</u>
			<u>(1,804,440)</u>	<u>(1,808,686)</u>
CAPITAL AND RESERVES				
Called-up equity share capital	15		1,000	1,000
Profit and Loss Account			<u>(1,805,440)</u>	<u>(1,809,686)</u>
DEFICIENCY	16		<u>(1,804,440)</u>	<u>(1,808,686)</u>

L. J. Chrisfield

L J Chrisfield

17 August 2001

The notes on pages 8 to 13 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of an asset, less its estimated residual value, evenly over its expected useful economic life as follows:

Fixtures & Fittings	- 2 years straight line basis
Motor Vehicles	- 25% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss account on a straight line basis.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, except for those which are not expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences are taken to the profit and loss account.

2. TURNOVER

The turnover shown in the Profit and Loss account represents the amount of goods and/or services provided during the year, stated net of value added tax.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2000	1999
	£	£
Depreciation	1,991	8,791
Loss on disposal of fixed assets	13,628	-
Auditors' remuneration		
- audit fees	7,500	10,000
Net profit on foreign currency translation	-	(1,046)

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2000	1999
	No.	No.
Number of administrative staff	1	2

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	11,236	137,908
Social security costs	906	17,455
	<u>12,142</u>	<u>155,363</u>

5. DIRECTORS' EMOLUMENTS

	2000	1999
	£	£
Emoluments	<u>4,676</u>	<u>125,000</u>

6. INTEREST PAYABLE

	2000	1999
	£	£
Interest payable on bank borrowing	37,969	51
Finance charges payable under finance leases and hire purchase contracts	-	711
Interest payable on other loans	630	73,259
Other similar charges payable	-	2,226
	<u>38,599</u>	<u>76,247</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

7. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost			
At 1 January 2000	48,123	91,306	139,429
Additions	5,925	-	5,925
Disposals	(48,123)	(91,306)	(139,429)
At 31 December 2000	<u>5,925</u>	<u>-</u>	<u>5,925</u>
Depreciation			
At 1 January 2000	34,138	72,155	106,293
Charge for the year	1,991	-	1,991
On disposals	(34,495)	(72,155)	(106,650)
At 31 December 2000	<u>1,634</u>	<u>-</u>	<u>1,634</u>
Net Book Value			
At 31 December 2000	<u>4,291</u>	<u>-</u>	<u>4,291</u>
At 31 December 1999	<u>13,985</u>	<u>19,151</u>	<u>33,136</u>

Included within the net book value of £4,291 is £Nil (1999 - £8,101) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £Nil (1999 - £2,700).

8. INVESTMENTS

	Shares in group undertakings and participating interests £
COST	
At 1 January 2000 and 31 December 2000	<u>2</u>
NET BOOK VALUE	
At 31 December 2000	<u>2</u>
At 31 December 1999	<u>2</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

8. INVESTMENTS *(continued)*

The company owns 100% of the issued share capital of the companies listed below,

	2000	1999
	£	£
Aggregate capital and reserves		
Hammer Films Limited (dormant)	-	(984)
Hammer Film Music Limited (dormant)	(588)	(57,214)
Profit and (loss) for the year		
Hammer Films Limited	-	-
Hammer Film Music Limited	-	-

9. STOCKS

	2000	1999
	£	£
Stock	-	215

10. DEBTORS

	2000	1999
	£	£
Trade debtors	61,221	27,109
Other debtors	237,570	-
Prepayments and accrued income	87,331	-
	<u>386,122</u>	<u>27,109</u>

11. CREDITORS: Amounts falling due within one year

	2000	1999
	£	£
Bank loans and overdrafts	223,602	-
Trade creditors	370,798	220,013
Obligations under finance leases and hire purchase contracts	-	2,549
Other taxation and social security	301,354	352,109
Other creditors	-	238,432
Accruals and deferred income	130,917	51,425
	<u>1,026,671</u>	<u>864,528</u>

See also note 17 in respect of liabilities for other tax and social security.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2000	1999
	£	£
Bank loans and overdrafts	<u>223,602</u>	<u>-</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

12. CREDITORS: Amounts falling due after more than one year

	2000	1999
	£	£
Bank loans and overdrafts	412,500	-
Payments received on account	11,409	11,409
Amounts owed to group undertakings	782,993	-
Other creditors	-	999,246
	<u>1,206,902</u>	<u>1,010,655</u>

The bank loan is repayable in six monthly instalments over the period to February 2005 starting in June 2001. The loan bears interest at 3% above the base rate.

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2000	1999
	£	£
Bank loans and overdrafts	<u>412,500</u>	<u>-</u>

The bank overdraft and loan are secured by a fixed and floating charge over the assets of the company.

13. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2000	1999
	£	£
In one year or less, or on demand	137,500	-
Between one and two years	137,500	-
Between two and five years	275,000	-
	<u>550,000</u>	<u>-</u>

14. COMMITMENTS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Future commitments under finance leases and hire purchase contracts are as follows:

	2000	1999
	£	£
Amounts payable within 1 year	-	2,904
Less interest and finance charges relating to future periods	-	(355)
	<u>-</u>	<u>2,549</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

15. SHARE CAPITAL

Authorised share capital:

	2000	1999
	£	£
980 'A' ordinary shares of £1 each shares of £1.00 each	980	980
20 'B' ordinary shares of £1 each shares of £1.00 each	20	20
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2000		1999	
	No.	£	No.	£
'A' ordinary shares of £1 each shares	980	980	980	980
'B' ordinary shares of £1 each shares	20	20	20	20
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2000	1999
	£	£
Profit/(Loss) for the financial year	4,246	(597,232)
Opening equity shareholder's funds	(1,808,686)	(1,211,454)
Closing equity shareholder's funds	<u>(1,804,440)</u>	<u>(1,808,686)</u>

17. OTHER TAX AND SOCIAL SECURITY

The company is currently in discussions with the Inland Revenue concerning prior year liabilities to Pay As You Earn Income Tax and National Insurance Contributions. Assessments have been raised in respect of these amounts and the assessed amounts, together with interest, have been provided in the accounts. At this stage it is not feasible to determine the amount of any other sums which may become due in respect of these discussions.