Hammer Film Holdings Limited

Unaudited Report and
Financial Statements
31 December 2018

Company number 06073967

The Board of Directors	S T Oakes M H Schipper (resigned March 2018)
Company Secretary	Fieldfisher Secretaries Limited
Registered Office	Riverbank House 2 Swan Lane London EC4R 3TT
Bankers	Coutts & Co. 440 Strand London WC2R 0QS
Solicitors	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
Accountant	D Verwer DMax Limited 5 Melliss Avenue, Richmond Surrey TW9 4BQ
Registered Number	06073967

DIRECTORS' REPORT *(continued)*

The directors present their report and the accounts of the company for the year ended 31 December 2018.

Principal activities

The principal activity of the company during the year was to act as a holding company to a group involved in UK and International film rights management, production and financing. The company was acquired by Hammer Film Holdings Two Limited on 12 October 2016.

Going concern

The acquisition of the Company's parent by Hammer Film Holdings Two Limited (see note 17) was funded by the issue of loans notes totalling $2.5 million ('the Loan Notes') by Hammer Film Holdings Two Limited. The Loan Notes are cross secured against all of the assets of the group of which the Company forms part ('the Group') and the Company has granted fixed and floating charges over all of its assets, including intangible assets which may not be reflected on its balance sheet, as security against the Loan Notes. The Loan Notes are due for repayment in full on 12 October 2017.

On 10 April 2018 the Loan Notes were redeemed, the total balance including accrued interest at that time was $2.7m of which $105k was repaid, £316k was converted into new equity and the balance was redeemed by the issue of $2.3m of unsecured, interest free New Loan Notes due for redemption in 2021.

On 12 April 2019, $1.6m of the afore mentioned unsecured, interest free loan notes were waived and released by a repayment of $1.6m which in turn was funded by new unsecured, interest free loan notes due for redemption in April 2021. In addition, on 12 April issues a new $200k unsecured, interest free loan note due for repayment in April 2021, to be drawn down as required.

The Directors believe that the company has sufficient to meet all of its obligations as they fall due and have prepared the accounts on a going concern basis.

Directors

The directors who served the company during the period were as follows:

S T Oakes
M H Schipper (resigned 10 April 2018)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have elected to prepare financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ('IFRS'). Company law requires the directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006.

DIRECTORS' REPORT *(continued)*

Statement of directors' responsibilities ***(continued)***

International Accounting Standard 1 requires that the financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all the applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance.
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Auditors

For the year ended 31 December 2018 the company was entitled to exemption under section 477 of the Companies Act 2006 ('the Act').

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act.

DIRECTORS' REPORT *(continued)*

Small Company Provisions

The report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

This report was approved by the Board of directors on 11 September 2019 and signed on behalf of the board by:

S T Oakes
Director
11 September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
CONTINUING OPERATIONS			
Revenue		5,138	187,492
Cost of sales		–	–
Gross profit		5,138	187,492
Operating expenses	5	(695,124)	(572,122)
Other operating income		–	212,5000
Operating (loss)/profit		(689,986)	(173,030)
Finance costs	6		
Finance income	6	36	25
Forgiveness of intra-group debt	14	37,652	–
(Loss)/profit before taxation		(652,298)	(173,005)
Taxation	7	–	–
(Loss)/profit for the financial period		(652,298)	(173,005)
Income recognised directly in equity		–	–
Total comprehensive income		(652,298)	(173,005)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Ordinary shares £	Sharc Premium £	Retained earnings £	Total equity £
At 1 January 2017	1,084	4,873,988	(3,312,717)	1,562,355
Loss for the year	–	–	(173,005)	(173,005)
Total comprehensive loss	–	–	(173,500)	(173,500)
At 31 December 2017	1,084	4,873,988	(3,485,722)	1,389,350
Profit for the year	–	–	(652,298)	(652,298)
Total comprehensive loss	–	–	(652,298)	(652,298
At 31 December 2018	1,084	4,873,988	(4,138,020)	737,052

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	31 December 2018	31 December 2017
		£	£
ASSETS			
Non current assets			
Investments	8	1,372,536	1,372,536
		1,372,536	1,372,536
Current assets			
Trade and other receivables	9	289,084	430,830
Cash and short term deposits	10	65,552	101,489
		354,636	531,319
TOTAL ASSETS		1,727,172	1,904,855
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	11	1,084	1,084
Share premium		4,873,988	4,873,988
Retained earnings		(4,138,020)	(3,485,722)
Total equity		737,052	1,389,350
Current liabilities			
Trade and other payables	12	990,120	515,505
Total liabilities		990,120	515,505
TOTAL EQUITY AND LIABILITIES		1,727,172	1,904,855

For the year ended 31 December 2018 the company was entitled to exemption under section 477 of the Companies Act 2006 ('the Act').

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act.

The financial statements on pages 6 to 19 were approved by the board and authorised for issue on 11 September 2019 and are signed on its behalf by:

S T Oakes
Director

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

1. GENERAL INFORMATION

Exclusive Media Holdings Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Directors' Report on pages 2 to 3.

The Company's subsidiaries are shown in note 9. The Company has taken advantage of the exemption in IFRS 10 and the Companies Act 2006 from preparing consolidated financial statements on the grounds it heads a small group as defined in company law.

These financial statements are presented in pounds sterling (GBP, £) because that is the currency of the primary economic environment in which the Company operates. Transactions in foreign currencies are included in accordance with the policies set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The Company has prepared the financial statements on the basis of all applicable International Financial Reporting Standards (IFRS), including all International Accounting Standards (IAS), Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) with effective dates for accounting periods beginning on or after 1 January 2015, together with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis. The principal accounting policies, which have been consistently applied throughout the period presented, are set out below.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2015 have had a material impact on the company.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the company's accounting periods beginning on or after 1 January 2016 or later periods but which the company has not adopted early. None of these are expected to have a significant effect on the financial statements except for:

- IFRS 15 "Revenue from contracts with customers" (effective for periods beginning on or after 1 January 2018). The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the company's contracts with customers. The company is assessing the impact of IFRS 15.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

2. **ACCOUNTING POLICIES** *(continued)*

Basis of preparation *(continued)*

Going concern

The acquisition of the Company's parent by Hammer Film Holdings Two Limited (see note 17) was funded by the issue of loans notes totalling $2.5 million ('the Loan Notes') by Hammer Film Holdings Two Limited. The Loan Notes are cross secured against all of the assets of the group of which the Company forms part ('the Group') and the Company has granted fixed and floating charges over all of its assets, including intangible assets which may not be reflected on its balance sheet, as security against the Loan Notes. The Loan Notes were due for repayment in full on 12 October 2017.

On 10 April 2018 the Loan Notes were redeemed, the total balance including accrued interest at that time was $2.7m of which $105k was repaid, £316k was converted into new equity and the balance was redeemed by the issue of $2.3m of unsecured, interest free New Loan Notes due for redemption in 2021.

On 12 April 2019, $1.6m of the afore mentioned unsecured, interest free loan notes were waived and released by a repayment of $1.6m which in turn was funded by new unsecured, interest free loan notes due for redemption in April 2021. In addition, on 12 April issues a new $200k unsecured, interest free loan note due for repayment in April 2021, to be drawn down as required.

The Directors believe that the company has sufficient to meet all of its obligations as they fall due and have prepared the accounts on a going concern basis.

Investments

Investments in subsidiaries are initially recorded at cost, including directly attributable costs. They are subsequently measured at cost less any accumulated impairment losses. Investments in subsidiaries are reviewed for impairment where events or other circumstances indicate that the carrying amount may not be recoverable.

2. ACCOUNTING POLICIES *(continued)*

Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in the income statement within the operating expenses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

The statement of cash flows is calculated using the indirect method.

Share capital

Ordinary shares and preferred ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

2. **ACCOUNTING POLICIES *(continued)***

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, the stage of completion of the transaction at the balance sheet date can be measured reliably and the costs incurred and the costs required to complete the services in respect of the revenue can be measured reliably. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. The company does not currently have any non-monetary assets and liabilities denominated in foreign currencies.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit and loss for the period.

Employee benefits

(a) Pension obligations

The Company only has defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. ACCOUNTING POLICIES *(continued)*

Taxation

The tax charge for the period comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of prior periods. The current tax liability is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Such assets and liabilities are not recognised if they relate to the initial recognition of goodwill or from the initial recognition (other than in a business combination) of assets or liabilities in a transaction that affects neither accounting nor taxable profit or from differences relating to investments in subsidiaries to the extent that the reversal can be controlled by the company and its subsidiaries and to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in these accounts.

Investments in subsidiaries

During the prior year the Company wrote down the investment value in its subsidiaries based on indicative prices suggested by the acquisition which completed in the current year (see note 19). No further adjustments to the carrying value were necessary on completion of the transaction.

Deferred taxation

Deferred taxation is recognised based on the expected tax rates and laws applicable when the asset or liability is expected to reverse based on tax laws and rates substantially enacted at the balance sheet date. Additionally, certain deferred tax assets (as detailed in note 16) are not recognised due to uncertainties over the timing and nature of the profits against which the assets will reverse. Both the timing of the expected reversal and the tax laws and rates then available are based on future events and as such, cannot be predicted with absolute certainty. Furthermore, the tax rates and laws effective on reversal are outside of the control of management.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

4. STAFF COSTS AND DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Staff costs

The average number of employees during the period was as follows:

	2018 No.	2017 No.
Management	1	2
Administration	1	1
Sales	–	1
	2	4

	2018 £	2017 £
Salaries	253,150	332,600
Social security costs	32,538	42,471
Other pension costs	2,384	2,600
	288,072	377,671

Directors' emoluments

	2018 £	2017 £
Directors' remuneration:		
Aggregate emoluments	198,602	257,600
Company pension contributions to money purchase schemes	–	–

Retirement benefits are not accruing to any (2017: none) directors under money purchase pension schemes.

4. OPERATING EXPENSES

Operating expenses comprise:

	2018 £	2017 £
Staff costs (note 4)	288,072	377,671
Auditors' remuneration:	–	–
Other legal and professional fees	209,555	78,222
Net foreign exchange (gains)/losses	14,792	(3,000)
Other costs	182,705	105,229
	695,124	573,022

As stated in the directors report the Director has not appointed auditors.

6. FINANCE COSTS/INCOME

	2018 £	2017 £
Finance costs		
Interest payable on other loans	–	–
Finance income		
Bank interest receivable	36	25

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

7. TAXATION

(a) Major components of taxation expense for the period ended 31 December 2017 are:

	2018 £	2017 £
Income statement		
Current tax		
Corporation tax	–	–
Foreign tax	–	–
Total current tax		
Deferred tax (note 16)	–	
Relating to origination and reversal of temporary differences	–	–
Taxation charge reported in the income statement	–	–

(b) Factors affecting tax charge for the period

A reconciliation of taxation expense applicable to accounting profit before taxation at the statutory tax rate, to taxation expense at the Company's effective tax rate for the period is as follows:

	2017 £	2016 £
(Loss)/profit before taxation	(652,298)	(173,005)
At UK corporation tax rate at 19% (2017: 20%)	(123,936)	(32,871)
Timing differences on fixed assets	–	–
Expenditure disallowed for tax	–	–
Unrelieved tax losses	76,106	32,871
Non-taxable intra-group debt waiver and subsidiary disposal	–	–
Non-taxable impairment	–	–
Group relief	47,830	–
Tax expense for the period	–	–

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

8. INVESTMENTS

	Subsidiary companies £
Cost	
At 1 January 2017	3,596,216
Disposals	
At 31 December 2017 and 31 December 2018	3,596,216
Amounts written off	
At 1 January 2017	2,223,680
Charge for the year	
At 31 December 2017 and 31 December 2018	2,223,680
Net carrying amount	
At 31 December 2018	1,372,536
At 31 December 2017	1,372,536

Subsidiary companies

Name of subsidiary	Activity	Country of incorporation	% owned
Hammer Films Legacy Limited	Film rights management	Eng & Wales, UK	100
Hammer Productions Limited	Film production	Eng & Wales, UK	100
Squid Productions Limited*	Film production	Eng & Wales, UK	100

The above subsidiary undertakings have share capital consisting solely of ordinary shares.

* Owned indirectly

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	£	£
Trade receivables	10,909	81,029
Other receivables	20,409	8,446
Amounts receivable from related undertakings	257,766	341,355
	289,084	430,830

Management considers that the carrying value of trade and other receivables equates to their fair value. Other than an allowance against amounts receivable from related undertakings (see note 16), no provision against trade and other receivables has been recognised.

10. CASH AND CASH EQUIVALENTS

	2018	2017
	£	£
Cash at bank and in hand	65,552	101,489
Restricted cash	–	–
Cash and cash equivalents	65,552	101,489

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents does not differ from the carrying value.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

11. ISSUED CAPITAL

		2018		2017
Issued and fully paid	**No**	**£**	**No**	**£**
Ordinary shares of £0.10 each	5,528	553	5,528	553
Preferred ordinary shares at £0.10 each	5,307	531	5,307	531
	10,835	1,084	10,835	1,084

The preferred ordinary shares and ordinary shares rank pari passu except that:

- The preferred ordinary shares attract a cumulative preferential dividend; such dividend accrues at a nominal rate but, in certain circumstances will increase to 8% per annum on a compounding basis
- On a liquidation or a return of capital the net proceeds of the liquidation or reduction in capital will be applied first by way of repayment of the subscription price and cumulative unpaid preferred dividend on the preferred ordinary shares; second by way of repayment of the subscription price of the ordinary shares; and will then be applied pro rata to the holders of both the preferred ordinary and the ordinary shares in accordance with their respective shareholdings
- In certain circumstances the preferred ordinary shares shall be converted to as yet unauthorised deferred shares

In accordance with IAS 39 the ordinary and the preferred ordinary shares have been classified as equity instruments in accordance with their respective terms and the substance of the agreement.

12. TRADE AND OTHER PAYABLES

Current

	2018	2017
	£	**£**
Trade payables	105,726	40,966
Other payables	–	–
Other tax and social security	12,584	13,157
Amounts payable to related undertakings	832,808	386,531
Accrued expenditure	39,000	74,851
	990,118	515,505

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2018

13. DEFERRED TAX LIABILITIES

The Company has an unrecognised deferred tax asset relating to non-trading losses of £867,016 (2017: £466,459). The asset will reverse against future non-trading profits in the company. It has not been recognised due to uncertainties over the timing and nature of such profits in accordance with IAS 12.

14. RELATED PARTY TRANSACTIONS

Details of the Company's immediate and ultimate parent undertakings are provided in note 17.

The Company had amounts due from/(to) fellow group companies at the balance sheet date:

	2018	2017
	£	£
Hammer Productions Limited	154,998	309,212
HHOH Hoxton Limited	35,150	32,143
Hammer Film Holdings Two Limited	67,618	—
	257,766	486,360
Hammer Films Legacy Limited	(628,036)	(166,225)
Hammer Film Holdings Two Limited	—	(81,222)
Squid Productions Limited	(203,905)	(103,150)
EMG Holdings Inc	(867)	—
Exclusive Films International Limited	—	(35,934)
	(832,808)	(518,215)

During the year net amounts of £35,934 (2017: £nil) were written off amounts due to group undertakings.

15. PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

The Company's ultimate holding company is Hammer Film Holdings Two Limited, a company incorporated in the United Kingdom and registered in England and Wales.