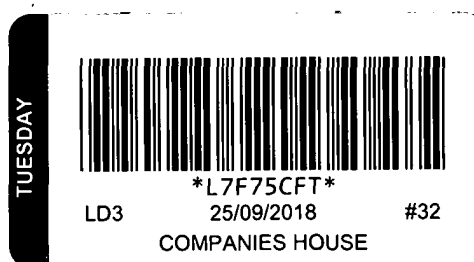


Hammer Film Holdings Limited

Unaudited Report and
Financial Statements
31 December 2017



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

Registered Number

06073967

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2017.

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.

The directors have prepared cash flow forecasts for the Group that show that the Group can meet its liabilities as they fall due for a period of not less than twelve months from the date of approval of these financial statements ('the Projection Period'). The directors have a valid expectation that fellow group companies will provide the Company with sufficient liquidity to allow it to meet its liabilities for at least the Projection Period.

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.

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:

DIRECTORS' REPORT *(continued)*

Statement of directors' responsibilities *(continued)*

- 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 2017 the company was entitled to exemption under section 480 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 above report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

ON BEHALF OF THE BOARD



S T Oakes

Director

26 September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
CONTINUING OPERATIONS			
Revenue		187,492	1,749
Cost of sales		—	—
Gross profit		187,492	1,749
Operating expenses	5	(572,122)	(7,464,718)
Other operating income		212,500	250,000
Operating (loss)/profit		(173,030)	(7,212,969)
Finance costs	6	—	(2,628,045)
Finance income	6	25	54
Forgiveness of intra-group debt	14	—	48,816,629
(Loss)/profit before taxation		(173,005)	33,975,669
Taxation	7	—	—
(Loss)/profit for the financial period		(173,005)	33,975,669
Income recognised directly in equity		—	—
Total comprehensive income		(173,005)	33,975,669

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Ordinary shares £	Share Premium £	Retained earnings £	Total equity £
At 1 January 2016	1,084	4,873,988	(37,288,386)	(32,413,314)
Loss for the year	–	–	33,975,669	33,975,669
Total comprehensive loss	–	–	33,975,669	33,975,669
At 31 December 2016	1,084	4,873,988	(3,312,717)	1,562,355
Profit for the year	–	–	(173,005)	(173,005)
Total comprehensive loss	–	–	(173,005)	(173,005)
At 31 December 2017	1,084	4,873,988	(3,485,722)	1,489,350

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	31 December 2017 £	31 December 2016 £
ASSETS			
Non current assets			
Investments	8	1,372,536	1,372,536
		<u>1,372,536</u>	<u>1,372,536</u>
Current assets			
Trade and other receivables	9	430,830	575,011
Cash and short term deposits	10	101,489	310,399
		<u>531,319</u>	<u>885,410</u>
TOTAL ASSETS		<u>1,904,855</u>	<u>2,257,946</u>
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	11	1,084	1,084
Share premium		4,873,988	4,873,988
Retained earnings		(3,485,722)	(3,312,717)
Total equity		<u>1,48,350</u>	<u>1,562,355</u>
Current liabilities			
Trade and other payables	12	515,505	695,591
Total liabilities		<u>515,505</u>	<u>695,591</u>
TOTAL EQUITY AND LIABILITIES		<u>1,904,855</u>	<u>2,257,946</u>

For the year ended 31 December 2017 the company was entitled to exemption under section 480 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 accounts on pages 5 to 23 were approved by the board and authorised for issue on 26 September 2018 and are signed on its behalf by:



S T Oakes
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated by operations	15	(208,935)	284,004
Tax paid	7	—	—
Net cash flows generated by operating activities		<u>(208,935)</u>	<u>284,004</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		—	—
Bank interest received		25	54
Net cash flows from/(used in) investing activities		<u>25</u>	<u>54</u>
Net increase in cash & cash equivalents		(208,910)	284,058
Cash and cash equivalents at 1 January		<u>310,339</u>	<u>26,341</u>
Cash and cash equivalents at 31 December	10	<u>101,489</u>	<u>310,339</u>

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

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 and its ultimate parent undertaking (see note 19) prepares consolidated financial statements available for public use in accordance with International Financial Reporting Statements as adopted by the EU.

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 2017

2. ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

Changes in accounting policy and disclosures (continued)

- IFRS 16 “Leases” * addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of the financial statements about leasing activities. A key change arising from IFRS 16 is that most operating leases will accounted for on the balance sheet. Details of the company’s operating leases are provided in note 18, but as these leases expired prior to IFRS 16’s mandatory effective date of 1 January 2019, the standard’s impact on the company has yet to be assessed.

* Yet to be endorsed for adoption in the EU.

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.

The directors have prepared cash flow forecasts for the Group that show that the Group can meet its liabilities as they fall due for a period of not less than twelve months from the date of approval of these financial statements ('the Projection Period'). The directors have a valid expectation that fellow group companies will provide the Company with sufficient liquidity to allow it to meet its liabilities for at least the Projection Period.

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.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of property, plant and equipment over their useful economic lives, using the straight-line method on the following bases:

Leasehold improvements	–	3 years
Fixtures & fittings	–	2 years

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

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.

Leasing

Leases where the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

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.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

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 2017

4. STAFF COSTS AND DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Staff costs

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

	2017 No.	2016 No.
Management	2	2
Administration	1	1
Sales	—	1
	<u>3</u>	<u>4</u>

	2017 £	2016 £
Salaries	332,600	375,327
Social security costs	42,471	43,459
Other pension costs	2,600	650
	<u>377,671</u>	<u>419,436</u>

Directors' emoluments

	2017 £	2016 £
Directors' remuneration:		
Aggregate emoluments	257,600	257,235
Company pension contributions to money purchase schemes		<u>650</u>

Retirement benefits are not accruing to any (2016: 1) directors under money purchase pension schemes. The highest paid director received emoluments of £128,800 (2016: £132,479) and pension contributions of £nil (2016: £650).

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

4. **STAFF COSTS AND DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION**
(continued)

Key management compensation

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company. The board do not believe there are any members of executive staff other than the directors who are key management personnel as defined in IAS 24 "Related party disclosures." The aggregate compensation paid to key management personnel was therefore as follows:

	2017	2016
	£	£
Aggregate emoluments	257,600	257,235
Company pension contributions to money purchase schemes	—	650
	<u>257,600</u>	<u>257,885</u>

5. **OPERATING EXPENSES**

Operating expenses comprise:

	2017	2016
	£	£
Staff costs (note 4)	377,671	419,436
Auditors' remuneration:		
– Audit services	—	13,000
– Non audit services	14,900	14,250
Other legal and professional fees	78,222	95,354
Depreciation of property, plant and equipment	—	5,840
Loss on disposal of property, plant and equipment	—	3,910
Operating lease rentals – minimum lease payments	—	43,493
Net foreign exchange (gains)/losses	(3,000)	6,725,699
Other costs	105,229	143,736
	<u>573,022</u>	<u>7,464,718</u>

Auditors' remuneration includes amounts incurred on behalf of subsidiary undertakings.

6. **FINANCE COSTS/INCOME**

	2017	2016
	£	£
Finance costs		
Interest payable on other loans	—	2,628,045
Finance income		
Bank interest receivable	25	54

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

7. TAXATION

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

	2017 £	2016 £
Income statement		
<i>Current tax</i>		
Corporation tax	—	—
Foreign tax	—	—
Total current tax	—	—
<i>Deferred tax (note 16)</i>	—	—
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	(173,005)	33,975,669
At UK corporation tax rate at 19% (2016: 20%)	(32,871)	6,795,134
Timing differences on fixed assets	—	1,137
Expenditure disallowed for tax	—	6,721
Unrelieved tax losses	32,871	—
Non-taxable intra-group debt waiver and subsidiary disposal	—	(6,892,590)
Non-taxable impairment	—	—
Group relief	—	89,598
Tax expense for the period	—	—

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

8. INVESTMENTS

	Subsidiary companies £
Cost	
At 1 January 2016	3,596,216
Disposals	
At 31 December 2016 and 31 December 2017	<u>3,596,216</u>
Amounts written off	
At 1 January 2016	2,223,680
Charge for the year	
At 31 December 2016 and 31 December 2017	<u>2,223,680</u>
Net carrying amount	
At 31 December 2017	<u>1,372,536</u>
At 31 December 2016	<u>1,372,536</u>

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
Hammer Films Limited *	Dormant	Eng & Wales, UK	100
Exclusive Films International Limited	Film distribution	Eng & Wales, UK	100
	Film production and		
Hammer Film Productions Limited	development	Eng & Wales, UK	100
Hammer Publications Limited	Dormant	Eng & Wales, UK	100
Exclusive Media Television Limited	Dormant	Eng & Wales, UK	100
Angelfish Films 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 **owned indirectly and dissolved in 2018

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	£	£
Trade receivables	81,029	44,581
Other receivables	8,446	36,070
Amounts receivable from related undertakings	341,355	494,360
	<u>430,830</u>	<u>575,011</u>

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

	2017	2016
	£	£
Cash at bank and in hand	101,489	310,399
Restricted cash	—	—
Cash and cash equivalents	<u>101,489</u>	<u>310,399</u>

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 2017

11. ISSUED CAPITAL

	2017		2016	
<i>Issued and fully paid</i>	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
	<u>10,835</u>	<u>1,084</u>	<u>10,835</u>	<u>1,084</u>

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

	2017	2016
	£	£
Trade payables	40,966	110,885
Other payables	—	85
Other tax and social security	13,157	12,833
Amounts payable to related undertakings	386,531	518,215
Accrued expenditure	74,851	53,573
	<u>515,505</u>	<u>695,591</u>

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

13. DEFERRED TAX LIABILITIES

The Company has an unrecognised deferred tax asset relating to non-trading losses of £466,459 (2016: £293,429). 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.

EMG BV, the Company's former ultimate parent undertaking, advanced monies to the company to finance the working capital requirements of the company and its subsidiaries, and those of Exclusive Media Group Holdings, Inc, formerly a fellow subsidiary, to which the company lent money. On the acquisition of the company by Hammer Film Holdings Two Limited all amounts due to EMG BV and due from Exclusive Media Group Holdings Inc were waived. A summary of these transactions is set out below:

	2017	2016
	£	£
At 1 January		49,504,846
Interest charged		2,628,045
Exchange rate movements		11,491,401
Amount forgiven		(63,624,292)
At 31 December		—

Interest was payable at a fixed rate of 9% (2016: 9%) on the nominal value of £nil (2015: £33,075,000).

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

15. RELATED PARTY TRANSACTIONS (continued)

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

	2017	2016
	£	£
Hammer Productions Limited	309,212	486,510
HHOH Hoxton Limited	32,143	—
Squid Productions Limited	—	7,850
	<u>341,355</u>	<u>486,360</u>
Hammer Films Legacy Limited	(166,225)	(243,740)
Hammer Film Holdings Two Limited	(81,222)	(238,541)
Squid Productions Limited	(103,150)	—
Exclusive Films International Limited	(35,934)	(35,934)
	<u>(386,531)</u>	<u>(518,215)</u>

During the year net amounts of £nil (2016: £43,816,629) were written off amounts due to group undertakings.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

15. NOTES TO THE CASH FLOW STATEMENT

	2017 £	2016 £
Cash flows from operating activities		
Loss before interest and taxation	(173,030)	(7,212,969)
Adjustments for:		
Depreciation, amortisation and impairment	—	9,748
Exchange rate movements on loans	—	6,725,636
Operating cash flows before movements in working capital	(173,030)	(477,585)
Decrease in trade and other receivables	144,181	523,456
(Decrease)/increase in trade and other payables	(180,086)	238,133
Cash (used in)/generated by operating activities	(208,935)	284,004
Interest paid	—	—
Net cash (used in)/generated by operating activities	(208,935)	284,044

16. FINANCIAL INSTRUMENTS

Financial assets and liabilities

The Company's financial assets comprise trade receivables, amounts due from group undertakings, other receivables (excluding VAT), and cash and cash equivalents. The Company's financial liabilities comprise trade and other payables, accruals and amounts payable to group undertakings.

Financial risk management

The Company uses a limited number of financial instruments, comprising cash, short-term deposits, intra-group borrowings and various items such as trade receivables and payables, which arise directly from operations. The Company does not trade in financial instruments.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. To date the Company's exposure to financial risk has not led management to utilise financial instruments to manage its risks.

Market risk

The Company is not exposed to market risks other than currency and cash flow and fair value interest rate risks.

(a) Currency risk

Intra-group borrowings

Part of the Company's debt owing to related undertakings was denominated in Euros, and this exposed it to significant exchange rate risk. During the period the Company experienced unrealised net exchange rate gains arising from its Euro denominated borrowings and US dollar denominated balances as disclosed in note 15.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

16. FINANCIAL INSTRUMENTS (continued)

Management did not use financial instruments to mitigate this risk as debt and currency risk was managed on a unified basis at the ultimate parent company level.

Current assets and liabilities

The following current assets and liabilities were denominated in foreign currencies:

	At 31 December 2017		At 31 December 2016	
	US Dollars	Euros	US Dollars	Euros
	\$	€	\$	€
Trade and other receivables	28,473	112	4,036	16,516
Cash	89,307	12,490	213,362	17,778
Trade and other payables	(12,398)	(938)	(209)	
Net current (liabilities)/assets	105,382	11,663	217,189	34,294

(b) Cash flow and fair value interest rate risk

The Company finances its operations through a mix of cash flow from current operations together with cash on deposit and working capital advances from its parent undertaking.

Liquidity risk

As is discussed more fully in note 2, the Company is dependent for financial support from the wider group of which it is part. The Company is part of an MBO by the UK Directors. The UK Directors are confident that they have secured funding for the continuation of operations. While no formal guarantees of such support have been received, management has a valid expectation that it will be provided.

Credit risk

As the Company does not hold security against its trade and other receivables, its credit risk exposure is as follows:

2017	2016
£	£
430,830	554,394

Capital risk management

The Company's objectives in managing capital are to safeguard its and its subsidiaries' ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management are of the opinion that the company's equity share capital, together with the committed facilities from its parent, allow these objectives to be met while maintaining a reasonable gearing ratio.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2017

16. FINANCIAL INSTRUMENTS (continued)

Fair value estimation

The nominal value less impairment provision of trade and other receivables and payables approximates to their fair value due to the short term nature of these instruments.

As cash is held at floating interest rates, its carrying value approximates to fair value.

The Company's historic borrowings were held at fixed interest rates and consequently, changes in underlying interest rates effected the fair value of these instruments. However, in view of the offsetting of fair value risk attaching to the onward lending to fellow subsidiaries, the net effect on the Company's net assets position was not considered significant.

17. PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

At the start of the financial year, the Company's immediate parent undertaking was EMG Exclusive Media Group B.V. ('EMG BV'), a company incorporated in the Netherlands and the Company's ultimate controlling party was Dasym Investment Strategies B.V. ('Dasym').

On 12 October 2016 the Company was acquired by Hammer Film Holdings Two Limited, a company incorporated in the United Kingdom and registered in England and Wales.