

Squid Productions Limited

**Unaudited Report and
Financial Statements**

31 December 2020

Company number 07318797

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28/01/2022

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COMPANIES HOUSE

The Board of Directors	S T Oakes
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	07318797

DIRECTORS' REPORT

The directors present their report and the financial statements of the Company for the year ended 31 December 2020.

Principal activities

The principal activity of the Company during the year was the production of film and television features.

Going concern

These financial statements have been prepared on a going concern basis.

As part of the going concern assessment the directors reviewed cash flow forecasts for the period to 31 December 2022, together with the impact of the acquisition of the group on 24th November 2021.

The company's new ultimate parent, Network Distributing Limited, has confirmed its willingness to support the company should it experience adverse trading conditions that materially impact its own ability to meet its liabilities as they fall due.

Therefore, the company has continued to use the going concern basis for the preparation of these financial statements.

Directors

The director who served the Company during the year was:

S T Oakes

DIRECTORS' REPORT *(continued)*

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. 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. Under company law the directors must not approve the financial statements unless they give a true and fair view of the state of the Company's affairs and its profit or loss for that period.

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 applicable IFRS. 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;
- 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; and
- 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

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 section 418 of the Companies Act 2006.

DIRECTORS' REPORT *(continued)*

Audit

For the year ending 31 December 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies,

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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

ON BEHALF OF THE BOARD



S T Oakes
Director

25 November 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
CONTINUING OPERATIONS			
Revenue		32,504	68,297
Cost of film development and exploitation		<u>(32,504)</u>	<u>(68,297)</u>
Gross loss			
Operating expenses	4	<u>(2,503)</u>	<u>(3,441)</u>
Operating loss before taxation		(2,503)	(3,441)
Taxation	5	<u>5,830</u>	<u>11,410</u>
Profit for the financial period		3,327	7,969
Income recognised directly in equity		<u>—</u>	<u>—</u>
Total comprehensive income		<u>3,327</u>	<u>7,969</u>

The notes to the financial statements are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Ordinary shares £	Retained earnings £	Total equity £
At 1 January 2019	1	274,287	274,288
<i>Changes in equity for the year ended 31 December 2019</i>			
Income recognised directly in equity			
Income for the period		7,969	7,969
Total comprehensive income		7,969	7,969
At 31 December 2019	1	282,255	282,256
<i>Changes in equity for the year ended 31 December 2020</i>			
Income recognised directly in equity			
Income for the period		3,327	3,327
Dividend paid		(270,000)	(270,000)
Total comprehensive income		(266,673)	(266,673)
At 31 December 2020	1	15,582	15,583

The notes to the financial statements are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
ASSETS			
Current assets			
Other receivables	6	3,755	273,059
Corporation Tax		5,830	11,038
Cash and short term deposits	7	6,895	-
TOTAL ASSETS		16,108	284,097
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	8	1	1
Retained earnings		15,582	282,255
Total equity		15,583	282,255
Current liabilities			
Trade and other payables	9	525	1,841
Corporation tax		-	-
Total liabilities		525	1,841
TOTAL EQUITY AND LIABILITIES		16,108	284,097

For the year ending 31 December 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies,

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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

The financial statements on pages 5 to 17 were approved by the board and authorised for issue on 25 November 2021 and are signed on its behalf by:



S T Oakes
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Net cash flows (used in)/generated by operating activities	11	6,924	(3,317)
Net (decrease)/in crase in cash an dcash equivalen ts		6,924	(3,317)
Cash and cash equivalents at 1 January		(29)	3,288
Cash an dcash equivalen ts at 31 Decem ber		6,895	(29)

The notes to the financial statements are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

1. GENERAL INFORMATION

Squid Productions 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 4.

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 accounts 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 2019, together with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounts 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

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 2019 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 2019 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.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

2. ACCOUNTING POLICIES *(continued)*

Going concern

These financial statements have been prepared on a going concern basis.

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 are classified as equity. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

2. ACCOUNTING POLICIES (continued)

Revenue (continued)

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.

(a) Royalty income

Royalty income is received in respect of the Company's film libraries and is recognised on an accruals basis in accordance with the substance of the relevant agreements where sufficient evidence of amounts due can be obtained or calculated.

(b) Licensing income

Licensing income is recognised when persuasive evidence of a sale or licensing agreement with a customer exists, the underlying film is complete and has either been delivered or is available for immediate and unconditional delivery, the master copy has been delivered, the licence period has begun, the arrangement fee is fixed or determinable, and collection of the arrangement fee is reasonably assured.

Any licence fees received in advance, which do not meet all of the above criteria, are included in deferred income until the above criteria are met.

The amount of the licence must be known to the Company at the time of its reporting close in order for the Company to record the corresponding revenue. As a result of the reporting time lag associated with the Company's significant sub-distributors (who distribute a significant proportion of the Company's rights on a straight distribution basis), the Company will record statements as revenue at the time of its receipt.

(c) Distribution income

Distribution income, being the Company's share of licensing revenues derived for third parties through Company distribution and sales activities, is recognised on an accruals basis in line with the policies adopted for licensing income based on the underlying licensing agreement sales generating distribution income.

(d) Merchandising income

Merchandising income from the sale of promotional merchandise and publishing sales is recognised on an accruals basis in accordance with the substance of the relevant agreements and the services required of the Company to affect delivery.

(e) Development premiums and producer fees

Development premiums and producer fees are recognised for specific projects or productions so far as they equate to performance in line with customary industry standards. Where fees are non-refundable, or the possibility of refund is considered to be remote based on objective evidence and there are no unfulfilled obligations, development premiums and producer fees are recognised on the closure of financing for the project or production.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

2. ACCOUNTING POLICIES *(continued)*

Cost of film development and exploitation

Costs of film development and exploitation comprise expenses in relation to pre-production costs written off, movements on provisions against film assets, and other similar and related costs.

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

3. STAFF COSTS AND DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Staff costs

The Company has no employees other than the directors as the Company's immediate parent undertaking, Hammer Film Holdings Limited, acts as employer for all United Kingdom employees of the group and does not recharge the Company for any staff costs incurred.

Directors' emoluments

The Company's directors received emoluments under service contracts with the Company's immediate parent undertaking, Hammer Film Holdings Limited, and no emoluments are paid by the Company. No amounts are recharged from Hammer Film Holdings Limited in respect of directors' emoluments and it is not practicable to estimate the proportion of directors' time which is spent exclusively on the Company's activities.

Key management compensation

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company. In addition to the Company's directors, the board believe that certain executive staff comprise key management personnel as defined by IAS 24 "Related Party Disclosures". No amounts are recharged to the Company by Hammer Film Holdings Limited in respect of key management personnel.

4. OPERATING EXPENSES

Operating expenses comprise:

	2020	2019
	£	£
Net foreign exchange losses	--	--
Other costs	2,503	3,441
	<u>2,503</u>	<u>3,441</u>

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

5. TAXATION

(a) Major components of taxation expense for the year ended 31 December 2020 are:

	2020 £	2019 £
Incom statement at		
<i>Current tax</i>		
Corporation tax	—	—
Total current tax	—	—
<i>Deferred tax (note 10)</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:

	2020 £	2019 £
Loss before taxation	(2,503)	(3,441)
At UK corporation tax rate at 19% (2019: 19%)	(575)	(653)
Unrelieved tax losses	575	653
2019 film tax credit	-	11,410
2020 film tax credit	5,830	-
Tax for the period	5,830	11,410

6. TRADE AND OTHER RECEIVABLES

Current

	2020 £	2019 £
Trade receivables	-	1,692
Amounts due from group undertakings	3,755	271,367
	3,755	273,059

No allowance has been necessary for irrecoverable amounts. Management considers that the carrying value of trade and other receivables equates to their fair value due to the short term payment profile of the amounts due.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

7. CASH

	2020 £	2019 £
Cash at bank	6,895	-

The fair value of cash does not differ from the carrying value as it is held at floating interest rates.

8. ISSUED CAPITAL

	No	2020 £	No	2019 £
<i>Issued and fully paid</i>				
Ordinary shares of £1 each	1	1	1	1

9. TRADE AND OTHER PAYABLES

	2020 £	2019 £
Cash overdrawn	-	29
Trade payables	-	1,812
Accruals and deferred income	525	--
	525	1,841

10. DEFERRED TAX LIABILITIES

The Company has an unrecognised deferred tax asset relating to trading and non-trading losses of £406,506 (2019: £404,003). The asset will reverse against future taxable 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.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

11. NOTES TO THE CASH FLOW STATEMENT

	2020 £	2019 £
Cash flows from operating activities		
Loss before taxation	(2,503)	(3,441)
(Increase)/decrease in trade and other receivables	269,304	(68,378)
Decrease in trade and other payables	(1,316)	1,812
Cash (used in)/generated from operating activities	265,485	(70,007)
Dividend payable	(270,000)	-
Taxation received	11,439	66,690
Net cash (used in)/generated by operating activities	6,924	(3,317)

12. FINANCIAL INSTRUMENTS

Financial assets and liabilities

The Company's financial assets comprise cash and cash equivalents. The Company's financial liabilities comprise trade and other receivables, and accruals, including amounts transferred from fellow group undertakings.

Financial risk management

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 price risks other than currency and cash flow and fair value interest rate risks.

(a) *Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk, arising from various currency exposures, primarily with respect to the Euro and US Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

As the Company's exposure to foreign exchange risk is relatively limited in respect of recognised assets and liabilities, management is currently of the opinion that the foreign currency risk arising from trading activities is not overly significant. As such, the Company does not currently have a formal policy for hedging foreign exchange risk.

(b) *Cash flow and fair value interest rate risk*

The Company finances its operations through a mix of cash flow from current operations and a non-interest bearing loan provided by Hammer Film Holdings Limited, its immediate parent company.

The Company has no interest bearing assets other than cash balances.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

12. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

The Company does not currently have any significant credit risk exposure.

Liquidity risk

The company has very minimal costs which are almost all fully recovered from income generated by the exploitation of film rights.

Capital risk management

The company's objectives in managing capital are to safeguard its 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 facilities from the Company's parent, allow these objectives to be met while maintaining a reasonable gearing ratio.

Fair value estimation

Although non-interest bearing, the Company's borrowings were repayable upon demand and there was therefore not deemed to be a significant difference between their fair value and carrying amount at the balance sheet date.

13. PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Hammer Productions Limited, a company registered in England and Wales. The Company's ultimate parent company is Network Distributing Limited a company registered in England and Wales.