Hammer Films Legacy Limited

Report and
Financial Statements
31 December 2014

Company number 00464538

The Board of Directors	S T Oakes M H Schipper
Company Secretary	FFW Secretaries Limited
Registered Office	Riverbank House 2 Swan Lane London EC4R 3TT
Auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Bankers	Coutts & Co. 440 Strand London WC2R 0QS
Solicitors	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA
Registered Number	00464538

DIRECTORS' REPORT

The directors present their report and the financial statements of the Company for the period ended 31 December 2014.

Principal activities

The principal activity of the Company during the period was the exploitation of film and television productions.

Going concern

The Company relies on financing from its ultimate parent company, Exclusive Media Group (EMG) BV to meet its operational needs. During 2014, due to the material underperformance of certain films, corporate guarantees were triggered on some of the group's debt leading to significant cash out flows from the group. Given this state of affairs, the group was restructured to retrench into two principal assets: a core library business; and a business unit focussing on the exploiting of the Hammer genre brand. The group has significantly reduced its cost base, has divested of certain assets and continues to seek to secure further equity financing. Group management is confident that its current equity financiers will provide sufficient liquidity to allow the group to meet its liabilities as they fall due, and therefore believe that a going concern basis is appropriate for the preparation of the company's financial statements. However, the lack of formal commitments to provide such liquidity for a period of not less than 12 months from the date of approval of these financial statements constitutes a material uncertainty as to the appropriateness of the going concern assumption.

Directors

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

S T Oakes
M H Schipper

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 the applicable IFRS. 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;
- 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 s418 of the Companies Act 2006.

Auditors

Grant Thornton resigned as auditors on 2 July 2015 and Rees Pollock were appointed to fill the casual vacancy so arising. Rees Pollock have expressed their willingness to continue in office and will be reappointed for the next financial year in accordance with the Companies Act 2006.

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

M H Schipper
Director
29 September 2015

Rees Pollock

Rees Pollock
Chartered Accountants
35 New Bridge Street
London EC4V 6BW
Tel: 020 7778 7200
www.reespollock.co.uk

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMER FILMS LEGACY LIMITED

We have audited the financial statements of Hammer Films Legacy Limited for the year ended 31 December 2014 which comprise the statement of comprehensive income, statement of changes in equity, the statement of financial position, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters which are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for this report, or the opinions we have formed.

Respective Responsibilities of Directors and Auditors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements
In our opinion:

- the financial statements give a true and fair view of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosure in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company is dependent on financial support from the wider group of which it is a part. The group is being restructured, has cut costs and is seeking further equity financing. While the directors have a reasonable expectation that the group will be able to provide sufficient liquidity to allow the company to meet its liabilities as the fall due, no formal guarantees of such support have been received. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Alexander Macpherson (Senior Statutory Auditor)
for and on behalf of
Rees Pollock, Statutory Auditor
30 September 2015

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		£	£
CONTINUING OPERATIONS			
Revenue		175,967	471,522
Cost of sales		(25,513)	(116,370)
Gross profit		150,454	355,152
Operating expenses	5	(53,437)	(93,783)
Operating profit		97,017	261,369
Finance income	6	16	37
Loss on waiver of intra-group debt	14	(177,716)	–
Profit before taxation		(80,683)	261,406
Taxation	7	–	–
Profit for the financial period		(80,683)	261,406
Income recognised directly in equity		–	–
Total comprehensive income		(80,683)	261,406

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 2014

	Ordinary shares £	Retained earnings £	Total equity £
At 1 January 2013	1,000	(250,768)	(249,768)
Income recognised directly in equity	–	–	–
Profit for the period	–	261,406	261,406
Total comprehensive income	–	261,406	261,406
At 31 December 2013	1,000	10,638	11,638
Income recognised directly in equity	–	–	–
Profit for the period	–	(80,683)	(80,683)
Total comprehensive income	–	(80,683)	(80,683)
At 31 December 2014	1,000	(70,045)	(69,045)

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

Hammer Films Legacy Limited
Registered Number: 00464538

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	2014	2013
		£	**£**
ASSETS			
Non-current assets			
Intangible assets	**8**	183,245	187,018
		183,245	187,018
Current assets			
Trade and other receivables	**10**	68,186	226,628
Cash and short term deposits	**11**	38,883	24,608
		107,069	251,236
TOTAL ASSETS		290,314	438,254
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	**12**	1,000	1,000
Retained earnings		(70,045)	10,638
Total equity		(69,045)	11,638
Current liabilities			
Trade and other payables	**13**	359,359	426,616
Total liabilities		359,359	426,616
TOTAL EQUITY AND LIABILITIES		290,314	438,254

The financial statements on pages 5 to 20 were approved by the board and authorised for issue on 29 September 2015 and are signed on its behalf by:

M H Schipper
Director

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		£	£
Cash flows from operating activities			
Cash generated from operations	15	14,259	467,273
Tax paid		–	–
Net cash flows generated by operating activities		14,259	467,273
Cash flows from investing activities			
Bank interest received		16	37
Net cash flows generated by investing activities		16	37
Cash flows from financing activities			
Repayment of intercompany loan		–	(445,953)
Net cash flows used in financing activities		–	(445,953)
Net increase in cash and cash equivalents		14,275	21,357
Cash and cash equivalents at 1 January		24,608	3,251
Cash and cash equivalents at 31 December		38,883	24,608

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

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

1. GENERAL INFORMATION

Hammer Films Legacy Limited ("the Company") is a company 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 has no subsidiaries as at the reporting date (or at the Statement of Financial Position date).

These financial statements are presented in pounds sterling 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 2014, 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

- IAS 27 (revised 2012) "Separate financial statements"
- IAS 28 (revised 2012) "Associates and joint ventures"
- IFRS 10 "Consolidated financial statements"
- IFRS 11 "Joint arrangements"
- IFRS 12 "Disclosure of interests in other entities"
- IFRS 10,11,12 (amendment) on transaction guidance
- IAS 39 (amendment) "Novation of derivatives and continuation of hedge accounting"
- IFRIC 21 "Levies"

None of these standards, interpretations, or amendments have had a material impact on the company.

2. ACCOUNTING POLICIES *(continued)*

Basis of preparation ***(continued)***

(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 2015 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.

* Yet to be endorsed for adoption in the EU.

Going concern

The Company relies on financing from its ultimate parent company, Exclusive Media Group (EMG) BV to meet its operational needs. During 2014, due to the material underperformance of certain films, corporate guarantees were triggered on some of the group's debt leading to significant cash out flows from the group. Since this state of affairs the group was restructured to retrench into two principal assets: a core library business; and a business unit focussing on the exploiting of the Hammer genre brand. The group has significantly reduced its cost base, had divested of certain assets and continues to seek to secure further equity financing. Group management has concluded that its current equity financiers will provide sufficient liquidity to allow the group to meet its liabilities as they fall due, and therefore believe that a going concern basis is appropriate for the preparation of the company's financial statements. However, the lack of formal commitment to provide such liquidity for a period of not less than 12 months from the date of approval of these financial statements constitutes a material uncertainty as to the appropriateness of the going concern assumption.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is charged so as to write off the cost of the intangible asset over their useful economic lives, using the individual-film-forecast computation method on the following basis:

Film library	–	20 years

Capitalised film costs are amortised using the individual-film-forecast-computation method. Under this method costs are amortised in the ratio that the current period actual revenue bears to the estimated remaining unrecognised ultimate revenue. Under this methodology amortisation commences where a film is released and the Company begins to recognise revenue from the distribution and other exploitation of the film.

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 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. 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 library 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) 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.

2. ACCOUNTING POLICIES *(continued)*

Participations and residuals payable

The Company records profit participation and talent residuals as an expense based on the ratio of current period gross revenue to management's estimate of ultimate revenue or, if higher, the contractual obligations payable at the balance sheet date. Payments for profit participations when applicable are made in accordance with the participants contractual agreements.

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 in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

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 financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Revenue recognition

As noted above, royalty income is recognised on an accruals basis where sufficient evidence of amounts due can be obtained or calculated. Typically royalty statements from third party distributors take a considerable period to be compiled and sent to the Company. Accordingly, there is a time lag in receiving statements relating to the latter half of the period. If there is not sufficient evidence of the amount due, revenue is not recognised until that amount can be ascertained.

Individual-film-forecast-computation

The amortisation of the Company's intangible fixed assets has been calculated using the individual-film-forecast-computation method. If estimates of ultimate revenues were 10% lower then net assets would be reduced by £2,973 (2013: £1,123) to reflect additional amortisation charges.

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 9) 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. In July 2015 the UK government announced its intention to reduce corporation tax rates to 19% from 1 April 2017 and 18% from 1 April 2020. However, these rates are yet to be substantially enacted so are not reflected in these financial statements.

4. 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, Exclusive Media 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, Exclusive Media Holdings Limited, and no emoluments are paid by the Company. No amounts are recharged from Exclusive Media Holdings Limited in respect of directors' emoluments and it is not possible 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 Exclusive Media Holdings Limited in respect of key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

5. OPERATING EXPENSES

Operating expenses comprise:

	2014	2013
	£	£
Net foreign exchange losses	5,239	45,328
Website costs	22,815	5,293
Marketing	–	21,287
Other costs	25,383	21,875
	53,437	93,783

Additionally, amortisation of £3,773 (2013: £10,109) is included in cost of sales. The remaining balance of cost of sales comprises participations and residuals payable. The company's audit fee is borne by Exclusive Media Holdings Limited (note 17).

6. FINANCE COSTS/INCOME

	2014	2013
	£	£
Finance income		
Bank interest receivable	16	37

7. TAXATION

(a) Major components of taxation expense for the year ended 31 December 2014 are:

	2013	2012
	£	£
Income statement		
Current tax		
Corporation tax	–	–
Total current tax	–	–
Deferred tax (note 9)		
Relating to origination and reversal of temporary differences	–	–
Taxation charge reported in the income statement	–	–

(b) Factors affecting tax charge for the year

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 year is as follows:

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

7. **TAXATION** *(continued)*

	2014	2013
	£	£
(Loss)/profit before taxation	(80,683)	261,406
At UK corporation tax rate at 21% (2013: 23%)	(16,943)	60,123
Expenses disallowed for tax purposes	–	400
Non-taxable loan waiver	37,320	–
Group relief	(20,272)	(60,383)
Timing differences relating to fixed assets	(105)	(140)
Tax expense for the period	–	–

8. **INTANGIBLE FIXED ASSETS**

	Film library
Cost:	£
At 1 January 2013, 31 December 2013 and 31 December 2014	210,007
Accumulated depreciation:	
At 1 January 2013	12,880
Charge for the period	10,109
At 31 December 2013	22,989
Charge for the period	3,773
At 31 December 2014	26,762
Net carrying amount	
At 31 December 2014	183,245
At 31 December 2013	187,018

9. **DEFERRED TAX**

Deferred tax assets relating to trading losses reverse against current taxable trading profits. The Company has a deferred tax asset arising from non-trading losses of £20,317 (2013: £23,480). Such losses will reverse against future taxable capital gains and no asset has been recognised due to uncertainties over the timing and nature of such gains in accordance with IAS 12.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

10. TRADE AND OTHER RECEIVABLES

Current

	2014	2013
	£	£
Trade receivables	60,996	155,107
Prepayments and accrued income	–	20,034
Amounts due from group undertakings	–	46,383
Other receivables	7,190	5,104
	68,186	226,628

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.

11. CASH

	2014	2013
	£	£
Cash at bank and in hand	38,883	24,608

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 of time 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.

12. ISSUED CAPITAL

		2014		2013
Issued and fully paid	No	£	No	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

13. TRADE AND OTHER PAYABLES

Current

	2014	2013
	£	£
Amounts payable to group undertakings	181,072	223,002
Accrued expenditure	178,287	203,614
	359,359	426,616

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

14. RELATED PARTY TRANSACTIONS

The Company incurs expenses on behalf of, and has some of its costs paid by, fellow group undertakings, including its parent undertaking. Additionally cash is transferred between entities as part of central group treasury requirements.

A summary of the balances arising as a result of these transactions is as follows:

		Due (to)/from
	2014	2013
	£	£
Exclusive Media Holdings Limited	–	5,842
Exclusive Films International Limited	–	38,291
Exclusive Media Television Limited	–	2,250
Exclusive Productions Limited	–	(71,673)
Exclusive Media Group Holdings, Inc	(181,072)	(151,329)
	(181,072)	(176,619)

During the year the company waived a balance of £177,716 due from Exclusive Media Holdings Limited.

15. NOTES TO THE CASH FLOW STATEMENT

	2014	2013
	£	£
Cash flows from operating activities		
Profit before taxation	(80,683)	261,406
Adjustments for:		
Amortisation	3,773	10,109
Finance income	(16)	(37)
Waiver of intra-group debt	177,716	–
Operating cash flows before movements in working capital	100,790	271,478
Decrease/(increase) in trade and other receivables	(19,274)	168,979
Increase/(decrease) in trade and other payables	(67,257)	26,816
Net cash generated by operating activities	14,259	467,273

16. FINANCIAL INSTRUMENTS

Financial assets and liabilities

The Company's financial assets comprise trade receivables, cash and cash equivalents, balances due from fellow group undertakings and accrued income. The Company's financial liabilities comprise accruals and balances with fellow group companies. Financial instruments consist of loans and receivables only.

16. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management

The Company uses a limited number of financial instruments, comprising cash, short-term deposits, 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 risk and cash flow and fair value interest rate risk.

(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. Foreign exchange risk also arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. No financial hedging for foreign exchange risk is undertaken, but where possible natural hedging is created within contracts.

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

	At 31 December 2014		At 31 December 2013	
	US Dollars	Euros	US Dollars	Euros
	$	€	$	€
Trade and other receivables	–	–	–	–
Cash	5,136	–	8,104	–
Trade and other payables	–	–	–	–
Net current assets	5,136	–	8,104	–

There is a natural hedge against fluctuations in both the US dollar and Euro in that third party royalties are calculated based on the sterling equivalent of the royalties denominated in foreign currencies. Accordingly, any adverse foreign exchange movement reducing the measurement value of current assets will be partially compensated for by a reduction in third party accruals. While the natural hedge will not mitigate all the foreign exchange risk, management are of the opinion that the Company's trading operations are not particularly sensitive to foreign exchange risk at this time.

16. FINANCIAL INSTRUMENTS *(continued)*

(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 balances will follow group undertakings arising from central group treasury management.

The company's only interest bearing assets are cash and cash equivalents, which are held at floating rates.

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. While no formal guarantees of such support have been received, management has a valid expectation that it will be provided.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

Bank balances and cash are held by banks with high credit ratings assigned by independent credit rating agencies. Management is of the opinion that cash balances do not represent a significant credit risk, although management recognises some risk does arise in the current economic climate.

Consequently the Company's credit risk is primarily attributable to trade and other receivables. Such receivables arise primarily from the Company's exploitation of its film library. At present such receivables are concentrated with two major film studios, one based in mainland Europe and one in the USA. These film studios have high credit ratings assessed by independent credit rating agencies and the Company has collateral against default in respect of the film rights held by the respective counterparties. As such, management is of the opinion that the Company is not overly exposed to risk as a result of this concentration.

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

	2014	**2013**
	£	**£**
	68,186	206,594

There are no significant overdue but not impaired trade receivables at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

16. FINANCIAL INSTRUMENTS ***(continued)***

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 the facilities from the Company's parent, allow these objectives to be met while maintaining a reasonable gearing ratio.

Fair value estimation

The nominal value less impairment provision of trade 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.

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

17. PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Exclusive Media Holdings Limited, a company registered in England and Wales.

The smallest group for which consolidated financial statements including the Company's position and results are prepared is headed by EMG Exclusive Media Group B.V., a company incorporated in the Netherlands. Copies of the consolidated financial statements are available by contacting the company secretary.

The company's ultimate controlling party is Dasym Investment Strategies B.V. ('Dasym'). Dasym leads the largest group for which consolidated financial statements including the Company's position and results are prepared. Copies of the financial statements are available by contacting the company secretary.