

**Hammer Films
Legacy Limited**

Report and
Financial Statements
31 December 2011

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Company number 00464538

Hammer Films Legacy Limited

The Board of Directors	S T Oakes M H Schipper
Company Secretary	FFW Secretaries Limited
Registered Office	35 Vine Street London EC3N 2AA
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
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 2011

Principal activities

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

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

- 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

DIRECTORS' REPORT *(continued)*

Statement of directors' responsibilities *(continued)*

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 this date of approval of the 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.

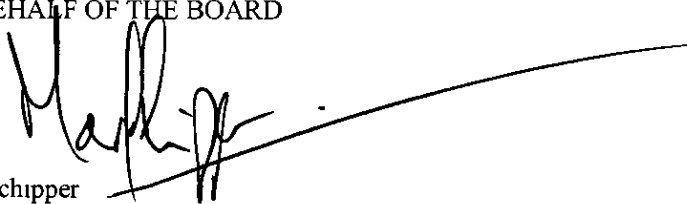
This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Auditors

Grant Thornton UK LLP were appointed as auditors on 23 April 2012 and, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of 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

24 September 2012

Independent auditor's 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 2011 which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flow, the statement of changes in equity 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 we 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 our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3, 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 Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

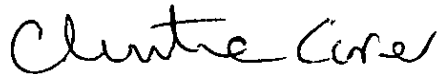
Opinion on other matter prescribed by the Companies Act 2006

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Christine Corner
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date 12 October 2012

Hammer Films Legacy Limited

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue		92,845	342,274
Cost of sales	5	(83,118)	(101,401)
Gross profit		9,727	240,873
Operating expenses	5	(64,502)	(111,837)
Operating (loss)/profit		(54,775)	129,036
Finance income	6	38	27
Finance cost		(2)	—
(Loss)/profit before taxation		(54,739)	129,063
Taxation	7	—	—
(Loss)/profit for the financial period		(54,739)	129,063
Income recognised directly in equity		—	—
Total comprehensive (loss)/income		(54,739)	129,063

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

Hammer Films Legacy Limited

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Ordinary shares £	Retained earnings £	Total equity £
At 1 January 2010	1,000	(1,073,591)	(1,072,591)
Income recognised directly in equity	–	–	–
Profit for the period	–	129,063	129,063
Total comprehensive income	–	129,063	129,063
At 31 December 2010	1,000	(944,528)	(943,528)
Income recognised directly in equity	–	–	–
Loss for the period	–	(54,739)	(54,739)
Total comprehensive income	–	(54,739)	(54,739)
At 31 December 2011	1,000	(999,267)	(998,267)

BALANCE SHEET AT 31 DECEMBER 2011

	Notes	2011 £	2010 £
ASSETS			
Non-current assets			
Property, plant and equipment	8	106	4,362
		<u>106</u>	<u>4,362</u>
Current assets			
Trade and other receivables	11	966,698	247,659
Cash and short term deposits	12	196,575	98,559
		<u>1,163,273</u>	<u>346,218</u>
TOTAL ASSETS		<u>1,163,379</u>	<u>350,580</u>
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	13	1,000	1,000
Retained earnings		<u>(999,267)</u>	<u>(944,528)</u>
Total equity		<u>(998,267)</u>	<u>(943,528)</u>
Current liabilities			
Trade and other payables	14	2,161,646	1,276,418
Non-current liabilities			
Trade and other payables	14	—	17,690
Total liabilities		<u>2,161,646</u>	<u>1,294,108</u>
TOTAL EQUITY AND LIABILITIES		<u>1,163,379</u>	<u>350,580</u>

The financial statements on pages 6 to 25 were approved by the board and authorised for issue on 24 September 2012 and are signed on its behalf by

M H Schipper
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 £	2010 £
Cash flows from operating activities			
Net cash flows generated by operating activities	16	97,978	177,095
Cash flows from investing activities			
Bank interest received		38	27
Disposal of investments in subsidiaries		–	2
Net cash flows generated by investing activities		<u>38</u>	<u>29</u>
Cash flows from financing activities			
Repayment of intercompany loan		–	(113,727)
Net cash flows used in financing activities		<u>–</u>	<u>(113,727)</u>
Net (decrease)/increase in cash and cash equivalents		98,016	63,397
Cash and cash equivalents at 1 January		<u>98,559</u>	<u>35,162</u>
Cash and cash equivalents at 31 December		<u>196,575</u>	<u>98,559</u>

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

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 balance sheet 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 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 2011, 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

a) Standards, interpretations and amendments to published standards adopted during the year

For the purposes of the preparation of the accounts, the Group has applied all standards and interpretations that will be effective for the accounting periods commencing on or after 1 January 2011.

The following standards and interpretations have been adopted:

- IAS 24 (revised) "Related party disclosures", effective 1 January 2011. This revised standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and it clarifies and simplifies the definition of a related party.
- Amendments to IAS 32 "Financial instruments presentation" on classification of rights issues, effective 1 February 2010. The amendment addresses the accounting for rights issue (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Before the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. There is no impact on the Company's financial statements as at 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

2 ACCOUNTING POLICIES *(continued)*

a) Standards, interpretations and amendments to published standards adopted during the year *(continued)*

- Amendment to IFRS 1 “First time adoption” on Financial instrument disclosures, effective 1 July 2010 This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7, “Financial instruments Disclosures”, regarding comparative information for the new three-level classification disclosures
- Annual improvements to IFRSs 2010, effective 1 January 2011 This set of amendments includes changes to six standards and one IFRIC
 - IFRS 1, “First time adoption”
 - IFRS 3, “Business combinations”
 - IFRS 7, “Financial instruments, Disclosures”
 - IAS 1, “Presentation of financial statements”
 - IAS 27, “Separate financial statements”
 - IAS 34, “Interim financial reporting”
 - IFRIC 13, “Customer loyalty programmes”
- IFRIC 19, “Extinguishing financial liabilities with equity instruments”, effective 1 July 2010 This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt There is no impact on the Company’s financial statements as at 31 December 2011
- Amendment to IFRIC 14 “Prepayment of a minimum funding requirement”, effective 1 January 2011 This amendment only applies to entities that are required to make minimum funding contributions to a defined benefit pension plan The Company does not have such a plan at this time

Management has assessed the impact of the other standards and interpretation on the Company and concluded they are not applicable to the Company’s circumstances and do not require amendment of the Company’s accounting policies

b) Standards, interpretations and amendments to published standards that are not yet effective

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 2011 or later periods but which the Company has not adopted early as follows

- IFRS 7 (amendment) ‘Financial instruments Disclosures’ (effective for periods beginning on or after 1 July 2011) This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposure relating to transfers of financial assets and the effect of these risks on an entity’s financial position, particularly those involving securitization of financial assets

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

2 ACCOUNTING POLICIES *(continued)*

b) Standards, interpretations and amendments to published standards that are not yet effective *(continued)*

- Amendments to IAS 32 “Financial instruments presentation” and IFRS 7 “Financial instruments disclosure” on offsetting financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014* and 1 January 2013* respectively) These amendments update the application guidance in IAS 32, “Financial instruments presentation” to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet and add certain new disclosure requirements. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.
- Amendment to IFRS 1 “First time adoption” on government loans (effective for accounting periods beginning on or after 1 January 2013*) This amendment only applies to entities adopting IFRS for the first time.
- Amendment to IFRS 1 “First time adoption” on fixed dates and hyperinflation (effective for annual periods beginning on or after 1 July 2011*) This amendment only applies to entities adopting IFRS for the first time.
- IAS 1 (amendment) “Financial statement presentation” (effective for periods beginning on or after 1 July 2012*) The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IAS 12 (amendment), “Income taxes” on deferred tax (effective for accounting periods beginning on or after 1 January 2012*) IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or sale when the asset is measured using the fair value model in IAS 40 “Investment property”. This amendment therefore introduces an exception to the existing principal for the measurement of deferred tax assets or liabilities arising on investment property. This amendment therefore introduces an exception to the existing arising on investment property measured at fair value. As a result of the amendments, SIC 21, “Income taxes – recovery of revalued non-depreciable assets”, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- IAS 19 (amendment) “Employee benefits” on defined benefit pension schemes (effective for accounting periods beginning on or after 1 July 2012*) These amendments eliminate the corridor approach and calculate finance costs on a net funding basis for entities with deferred benefit pension schemes.
- IAS 27 (revised 2011) “Separate financial statements” (effective for periods beginning on or after 1 January 2013*) The revised IAS 27 includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

2 ACCOUNTING POLICIES *(continued)*

b) Standards, interpretations and amendments to published standards that are not yet effective *(continued)*

- IAS 28 (revised 2011) "Associates and joint ventures" (effective for periods beginning on or after 1 January 2013*) The revised IAS 28 includes the requirements for joint ventures as well as associates to be equity accounted following the issue of IFRS11
- IFRS 10 "Consolidated financial statements" (effective for accounting periods beginning on or after 1 January 2013*) The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess
- IFRS 11 "Joint arrangements" (effective for accounting periods beginning on or after 1 January 2013*) The new standard modifies the accounting for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form It addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities
- IFRS 12 "Disclosure of interests in other entities" (effective for accounting periods beginning on or after 1 January 2013*) The new standard consolidates the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities
- IFRS 13 "Fair value measurement" (effective for accounting periods beginning on or after 1 January 2013*) The new standard clarifies the guidance on how to measure assets and liabilities recognised at fair value and extends the disclosure requirement applicable to such measurements
- IFRS 9 "Financial instruments" (effective for accounting periods beginning on or after 1 January 2015*) IFRS 9 as currently drafted deals only with the classification and measurement of financial instruments The adoption of IFRS 9 may fundamentally alter the treatment of financial instruments As EU adoption of this standard has been deferred until the completion of the IASB's project on financial instruments is complete in its entirety, it is too early to comprehensively assess the potential impact on the company, but this should be limited as the company does not have significant exposure to financial instruments held on a speculative basis The board will continue to monitor developments in this respect,
- IFRIC 20 "Stripping costs in the production phase at a surface mine" (effective for accounting periods commencing on or after 1 January 2013*) This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body

* Yet to be endorsed for adoption in the EU

Management does not believe that the other amendments and interpretations listed above will have a material effect on the Company's financial reporting

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

2. ACCOUNTING POLICIES *(continued)*

Going concern

The financial statements show that liabilities exceed assets by £998,267 (2010 £943,528) at the balance sheet date, including an amount of £1,511,702 (2010 £669,414) owed to its parent company, Exclusive Media Holdings Limited and net amounts of £876,583 due from (2010 £8,235) other group undertakings

The directors consider that through its ultimate parent company, EMG Exclusive Media Group B V, the Company has access to sufficient capital funding to allow it to meet its liabilities as they fall due for a period of not less than twelve months from the date of signing these accounts. This opinion is based upon group budgets for the twelve months ended 31 December 2012, extrapolations of future cash flow needs therefrom and the ultimate parent's extension of its PIK loan facility from €30 million to €47 million. Additionally, the immediate parent undertaking, Exclusive Media Holdings Group Limited, has confirmed that the amounts due to it will only be called to the extent that they can be met from the Company's working capital surplus or a period of not less than twelve months from the date of approval of these financial statements. Accordingly the directors believe that it is appropriate for the financial statements to be prepared under the going concern assumption.

No assessment has been made of the effect should the going concern assumption prove to be inappropriate.

Property, plant and equipment

Property, plant and equipment is 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:

Fixtures and fittings	–	2 years
Film master materials	–	10 years

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

2 ACCOUNTING POLICIES *(continued)*

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 effect delivery.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

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 or 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:

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

**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. In prior years, the Company estimated royalties due for the unreported period based on historical data for the last five years. This methodology is no longer used by the Company due to fluctuations of revenue causing the estimates to be unreliable.

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 rate. Additionally, certain deferred tax assets (as detailed in note 10) 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. With effect from 26 March 2012 the substantially enacted corporation tax rate in the UK fell from 25% to 24%.

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. Management fees charged by Exclusive Media Holdings Limited are disclosed in notes 5 and 15 and include £nil (2010 £54,308) recharged in respect of wages and salaries and £nil (2010 £6,951) recharged in respect of social security costs.

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. The management charge from Exclusive Media Holdings Limited includes £nil (2010 £20,000) in respect of directors' emoluments.

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". An amount of £nil (2010 £40,000) in respect of key management personnel is included in management charges payable to Exclusive Media Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

5 OPERATING EXPENSES

Operating expenses comprise

	2011 £	2010 £
Staff costs (note 4)	–	–
Auditors' remuneration		
– Audit services	–	6,000
Parent company management charge	–	101,198
Depreciation of property, plant and equipment	333	400
Net foreign exchange gains	7,302	(1,860)
Marketing	50,456	–
Other costs	6,411	6,099
	<u>64,502</u>	<u>111,837</u>

Additionally, depreciation of £3,923 (2010 £3,922) is included in cost of sales. The remaining balance of cost of sales comprises participations and residuals payable. The company's audit fee for the current year was borne by Exclusive Media Holdings Limited (note 18).

6 FINANCE COSTS/INCOME

	2011 £	2010 £
Finance income		
Bank interest receivable	<u>38</u>	<u>27</u>
	2011 £	2010 £
Finance costs		
Interest payable	<u>2</u>	<u>–</u>

7 TAXATION

(a) Major components of taxation expense for the year ended 31 December 2011 are

	2011 £	2010 £
Income statement		
<i>Current tax</i>		
Corporation tax	<u>–</u>	<u>–</u>
Total current tax	<u>–</u>	<u>–</u>
<i>Deferred tax (note 10)</i>		
Relating to origination and reversal of temporary differences	<u>–</u>	<u>–</u>
Taxation charge reported in the income statement	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

7. TAXATION (continued)

(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

	2011 £	2010 £
Profit/(loss) before taxation	(54,739)	129,063
At UK corporation tax rate at 26% (2010 28%)	(14,232)	36,138
Expenses disallowed for tax purposes	264	—
Group relief	—	(36,457)
Timing differences relating to fixed assets	837	847
Utilisation of tax losses	13,131	(528)
Tax expense for the period	—	—

8 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Film Master Materials £	Total £
Cost			
At 1 January 2010, 31 December 2010 and 31 December 2011	10,515	39,227	49,742
Accumulated depreciation			
At 1 January 2010	9,782	31,276	41,058
Charge for the period	400	3,922	4,322
At 31 December 2010	10,182	35,198	45,380
Charge for the period	333	3,923	4,256
At 31 December 2011	10,515	39,121	49,636
Net carrying amount			
At 31 December 2011	—	106	106
At 31 December 2010	333	4,029	4,362

9 INVESTMENTS

Company	Subsidiary companies £
Cost	
At 1 January 2010	2
Disposals	(2)
At 31 December 2010 and 31 December 2011	—
Amounts written off	
At 1 January 2010, 31 December 2010 and 31 December 2011	—
Net carrying amount	
At 31 December 2011	—
At 31 December 2010	—

NOTES TO THE FINANCIAL STATEMENTS
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9. INVESTMENTS *(continued)*

During the year ended 31 December 2010, the Company transferred ownership of its two wholly-owned dormant subsidiaries, Hammer Films Limited and EM Music Limited, to Hammer Film Productions Limited, a fellow subsidiary undertaking registered in England and Wales

10 DEFERRED TAX LIABILITIES

	Trading losses	
	2011	2010
	£	£
At 1 January	—	—
Charged to the income statement	—	—
At 31 December	—	—

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 £37,231 (2010 £26,656). 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.

11 TRADE AND OTHER RECEIVABLES

Current	2011	2010
	£	£
Trade receivables	32,030	5,677
Prepayments and accrued income	5,995	211,377
Amounts due from group undertakings	928,673	30,605
	<u>966,698</u>	<u>247,659</u>

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.

12 CASH

	2011	2010
	£	£
Cash at bank and in hand	196,575	98,559
Short-term deposits	—	—
	<u>196,575</u>	<u>98,559</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 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.

NOTES TO THE FINANCIAL STATEMENTS
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13 ISSUED CAPITAL

		2011		2010
<i>Issued and fully paid</i>	No	£	No	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

14 TRADE AND OTHER PAYABLES

Current

	2011	2010
	£	£
Trade payables	–	10,240
Other payables	–	28,988
Other tax and social security	5,562	–
Amounts payable to group undertakings	1,563,792	691,784
Accrued expenditure	592,292	545,406
	<u>2,161,646</u>	<u>1,276,418</u>

Non-current

	2011	2010
	£	£
Other payables	–	–
Accrued expenditure	–	17,690
	<u>–</u>	<u>17,690</u>

15 RELATED PARTY TRANSACTIONS

The Company's immediate parent undertaking, Exclusive Media Holdings Limited advanced monies to the Company to finance the repayment of liabilities due to its former parent undertaking on the Company's acquisition by Exclusive Media Holdings Limited during the year ended 31 December 2007. No interest is charged on the balance. The Company also incurs expenses on behalf of Exclusive Media Holdings Limited.

A summary of the movement on the balance is as follows

	2011	2010
	£	£
At 1 January	669,414	(774,906)
Amounts repaid during the year and expenditure incurred on behalf of Exclusive Media Holdings Limited	(40,096)	1,545,518
Management fees charged	–	(101,198)
At 31 December	<u>629,318</u>	<u>669,414</u>

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

15. RELATED PARTY TRANSACTIONS *(continued)*

The Company incurred costs on behalf of Exclusive Films International Limited, a fellow subsidiary undertaking registered in England and Wales, totalling £204 (2010 £30,605). The amount due from Exclusive Films International Limited at the balance sheet date was £30,809 (2010 £30,605).

Exclusive Productions Limited, a fellow subsidiary undertaking registered in England and Wales, incurred costs on the Company's behalf totalling £14,803 (2010 £22,370). The amount owed to Exclusive Productions Limited at the balance sheet date was £37,173 (2010 £22,370).

Spitfire Productions Limited, a company incorporated in England and Wales incurred costs on the company's behalf totalling £14,917 (2010 £nil). The amount owed to Spitfire Holdings Inc at the balance sheet date was £14,917 (2010 £nil).

16. NOTES TO THE CASH FLOW STATEMENT

	2011 £	2010 £
Cash flows from operating activities		
(Loss)/profit before taxation	(54,739)	129,063
Adjustments for		
Depreciation	4,256	4,322
Finance income	(38)	(27)
Finance cost	2	–
Operating cash flows before movements in working capital	(50,519)	133,358
(Increase)/decrease in trade and other receivables	(719,039)	(28,406)
Increase/(decrease) in trade and other payables	867,538	72,143
Cash used in operating activities	97,980	177,095
Interest paid	(2)	–
Net cash used in operating activities	97,978	177,095

17. 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 trade payables, accruals and balances with fellow group companies. Financial instruments consist of loans and receivables only.

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.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

17. FINANCIAL INSTRUMENTS *(continued)*

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.

Current assets and liabilities

The following current assets and liabilities were denominated in foreign currencies

	At 31 December 2011		At 31 December 2010	
	US Dollars	Euros	US Dollars	Euros
	\$	€	\$	€
Trade and other receivables	–	–	–	–
Cash	132,502	–	55,721	–
Trade and other payables	–	–	–	–
Net current assets	132,502	–	55,721	–

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.

(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 an interest free loan issued to the Company by Exclusive Media Holdings Limited.

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

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

17 FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

Debt with third parties is managed through the company's ultimate parent company, EMG Exclusive Media Group B V (formerly HS Media Group B V) ('EMG BV') Debt at this level is on fixed interest rates with a fixed repayment date of 3 October 2013

The principal unutilised facility under these agreements relate to a Payment In Kind (PIK) notes instrument for €30,000,000 This facility was increased to €40,000,000 on 1 January 2011 and subsequently to €47,000,000 on 10 November 2011 Subject to certain collateral tests based on the HS Media's assets and prior budgetary approval by the lender, the unutilised portion of this facility at the balance sheet date was €nil

The immediate parent is reliant on working capital loans provided by EMG BV Management has been provided with assurances by EMG BV that EMG BV will continue to offer financial support to the immediate parent for a period of not less than twelve months from the date at signing of these financial statements The interest free loan extended to the Company by Exclusive Media Holdings has been funded using these loans

All trade and other payables are due for settlement within one year of the balance sheet date

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 Despite recent financial turmoil, 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

2011	2010
£	£
966,698	247,659

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

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2011

17 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 committed facilities from the Company's parent, allow these objectives to be met while maintaining an 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

18 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 (formerly HS Media Holding B V) a company incorporated in the Netherlands Copies of the consolidated financial statements are available by contacting the company secretary

The ultimate parent undertaking is CF 1 Invest C V ('Cyrté'), a company incorporated in the Netherlands Cyrté heads the largest group for which consolidated financial statements including the Company's position and results are prepared Copies of the consolidated financial statements are available by contacting the company secretary