

Canal + Image UK Limited

Financial statements for the year ended 31 December 2000
together with directors' report and auditors' report

Registered number: 2668459



Directors' report

For the year ended 31 December 2000

The directors present their report and financial statements for the year ended 31 December 2000.

Principal activity

The principal activity of the company continued to be the licensing of film and television rights.

Results and review of the business

The results for the year are shown on page 4. The directors consider that the results for the year are satisfactory.

In order to simplify the UK group of companies, certain film and licensing rights were transferred from Canal + Rights Limited, another group company, to the company during the year and since year-end, at net book value.

Dividends

The directors are unable to recommend the payment of a dividend (1999 US\$nil).

Directors and their interests

The directors who served during the year and since year-end are as follows:

C Zamparini	(resigned 24 October 2001)
S Floquet	
C Cornut	(appointed 24 October 2001)

The directors who held office at 31 December 2000 had no interest in shares of the company that require disclosure under the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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)

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

Arthur Andersen are not seeking reappointment as auditors. The directors will place a resolution before the annual general meeting to appoint new auditors for the ensuing year.

PO Box 506
180 Strand
London
WC2R 1ZP

29 July 2002

By order of the Board



C Cormut
Director

Auditors' report

To the Shareholders of Canal + Image UK Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6 and 7 .

Respective responsibilities of directors and auditors

As described on pages 1 and 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
RG1 3BD

29 July 2002

Profit and loss account

For the year ended 31 December 2000

	Notes	Continuing operations	
		2000 \$	1999 \$
Turnover	2	21,119,860	14,904,501
Cost of sales		<u>(9,214,893)</u>	<u>(7,385,225)</u>
Gross profit		11,904,967	7,519,276
Other operating expenses	3	<u>(14,125,352)</u>	<u>(4,261,522)</u>
Operating (loss)/profit		(2,220,385)	3,257,754
Interest receivable	3	16,250	264,842
Interest payable	4	(684,755)	(1,481,736)
Income from shares in subsidiary undertakings		<u>-</u>	<u>6,000,000</u>
(Loss)/Profit on ordinary activities before taxation	5	(2,888,890)	8,040,860
Tax on (loss)/profit on ordinary activities	7	<u>(5,000)</u>	<u>(9,518)</u>
Loss/Profit for the financial year	16	<u><u>(2,893,890)</u></u>	<u><u>8,031,342</u></u>

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

There are no recognised gains or losses in the current or the previous financial year other than the profit reported above.

Balance sheet
31 December 2000

	Notes	2000 \$	1999 \$
Fixed assets			
Intangible assets	8	23,141,743	25,881,368
Tangible assets	9	1,252,218	833,810
Investments	10	-	9,993,721
		<u>24,393,961</u>	<u>36,708,899</u>
Current assets			
Debtors	11	13,349,209	12,264,776
Cash at bank and in hand		285,139	848,953
		<u>13,634,348</u>	<u>13,113,729</u>
Creditors: amounts falling due within one year	12	<u>(20,200,085)</u>	<u>(15,471,109)</u>
Net current liabilities		<u>(6,565,737)</u>	<u>(2,357,380)</u>
Total assets less current liabilities		17,828,224	34,351,519
Creditors: amounts falling due after more than one year	13	-	(16,695,642)
Provisions for liabilities and charges	14	<u>(12,842,530)</u>	<u>(9,776,293)</u>
Net assets		<u>4,985,694</u>	<u>7,879,584</u>
Capital and reserves			
Called up share capital	15	146	146
Share premium account	16	26,499,854	26,499,854
Profit and loss account – deficit	16	<u>(21,514,306)</u>	<u>(18,620,416)</u>
Equity shareholders' funds	17	<u>4,985,694</u>	<u>7,879,584</u>

The financial statements on pages 4 to 12 were approved by the Board on 29 July 2002



C Cornut
Director

The accompanying notes are an integral part of this balance sheet.

Notes to the financial statements

31 December 2000

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of another company which prepares consolidated financial statements which are publicly available.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) in the normal course of business. Sales are recognised when contractually due.

Intangible fixed assets

The costs of acquiring film licensing rights are capitalised and amortised on a straight line basis over their expected useful life of not exceeding 20 years. The amortisation charge is expensed as a cost of sale.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Film masters	5 years
Plant and machinery	5 - 10 years
Fixtures and fittings	10 years

Investments

Fixed asset investments are shown at cost less provisions for impairment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over each lease term, even if the payments are not made on such a basis.

Foreign currency

These financial statements are prepared in US dollars, which is the functional currency of the company. The closing rate used in the balance sheet is \$US 1.4264 to £ sterling, and the average rate used in the profit and loss account is \$US 1.5284 to £ sterling.

Transactions denominated in foreign currencies are recorded in US dollars at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising on conversion is included as an exchange gain or loss in the profit and loss account.

Pension costs

The company provides pensions to certain of its employees through a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

2 Turnover

The segmental analysis of turnover and profit on ordinary activities has been omitted because the directors consider such information would be prejudicial to the interests of the company.

3 Interest receivable

	2000	1999
	\$	\$
Interest receivable from bank deposits	<u>16,250</u>	<u>264,842</u>

4 Interest payable

On bank and other loans not repayable within five years	654,891	1,481,736
On amounts due to group undertakings	<u>29,864</u>	<u>-</u>
	<u>684,755</u>	<u>1,481,736</u>

Notes to the financial statements (continued)

5 Profit on ordinary activities before taxation

is stated after charging/(crediting):

	2000 \$	1999 \$
Amortisation, depreciation and amounts written off:		
Intangible fixed assets	3,339,559	3,264,567
Tangible fixed assets	372,217	210,198
Operating lease rentals - property	339,109	308,683
- vehicles	28,792	12,975
Auditors' remuneration:		
- audit fees	55,000	60,000
- other services	17,000	47,000
Management charges from group undertakings	2,276,880	2,270,414
Exceptional item – write off fixed asset investments	9,740,359	-
Exceptional item – Insurance claim	(290,216)	-
Foreign exchange loss	295,275	1,238,168
	<u> </u>	<u> </u>

6 Staff costs

Employee costs during the year amounted to:

	2000 \$	1999 \$
Wages and salaries	219,516	217,824
Social security costs	22,088	23,381
Other pension costs and benefits (life insurance)	19,275	13,610
	<u>260,879</u>	<u>269,942</u>

Aggregate directors' emoluments were \$nil (1999 \$nil). No directors serving during the year were members of the pension scheme (1999 – nil).

The average weekly number of persons employed by the group during the year was as follows:

	2000 Number	1999 Number
Sales	1	1
Administration	5	5
	<u>6</u>	<u>6</u>

Notes to the financial statements (continued)

7 Tax on loss on ordinary activities

	2000	1999
	\$	\$
Corporation tax charge at 30% (1999: 30.25%)	(5,000)	(80,115)
Deferred taxation (Note 14)	-	70,597
	<u>(5,000)</u>	<u>(9,518)</u>

8 Intangible fixed assets

	Film licensing rights 2000 \$
Cost	
1 January 2000	55,897,655
Additions	3,933,228
31 December 2000	<u>59,830,883</u>
Amounts written off	
1 January 2000	30,016,287
Additions	3,333,294
Charge	3,339,559
31 December 2000	<u>36,689,140</u>
Net book value	
31 December 2000	<u>23,141,743</u>
31 December 1999	<u>25,881,368</u>

Notes to the financial statements (continued)

9 Tangible fixed assets

	Film masters \$	Plant and machinery \$	Fixtures and fittings \$	Total \$
Cost				
1 January 2000	1,958,170	72,178	10,920	2,041,268
Additions	783,230	7,395	-	790,625
31 December 2000	<u>2,741,400</u>	<u>79,573</u>	<u>10,920</u>	<u>2,831,893</u>
Depreciation				
1 January 2000	1,169,026	35,983	2,449	1,207,458
Charge	353,932	16,101	2,184	372,217
31 December 2000	<u>1,522,958</u>	<u>52,084</u>	<u>4,633</u>	<u>1,579,675</u>
Net book value				
31 December 2000	<u>1,218,442</u>	<u>27,489</u>	<u>6,287</u>	<u>1,252,218</u>
31 December 1999	<u>789,144</u>	<u>36,195</u>	<u>8,471</u>	<u>833,810</u>

The film masters assets have been charged to a bank as part of a group bank overdraft facility.

10 Fixed asset investments

Subsidiary undertakings, at cost:

	2000 \$	1999 \$
a) Principal investments	<u>-</u>	<u>9,993,721</u>

	Country of incorporation	Principal activity and country of operation	Percentage of ordinary Share capital held
Canal + Rights Limited	England and Wales	Film distribution (UK)	100%
Canal + Image Video Limited	England and Wales	Dormant	100%
Springscreen Entertainment Inc	USA	Dormant	100%

Notes to the financial statements (continued)

10 Fixed asset investments (continued)

b) Investment in subsidiary undertakings

	2001 \$	2000 \$
Cost		
Beginning and end of year	<u>9,993,721</u>	<u>9,993,721</u>
Amounts written off		
Beginning of year	-	-
Amounts written off in relation to permanent impairment	<u>9,993,721</u>	<u>-</u>
End of year	<u>9,993,721</u>	<u>-</u>
Net book value	<u>-</u>	<u>9,993,721</u>

11 Debtors: amounts falling due within one year

	2000 \$	1999 \$
Trade debtors	5,746,657	4,797,481
Amounts owed by group undertakings	2,337,605	235,359
Other debtors	997,484	338,490
Prepayments and accrued income	<u>4,267,463</u>	<u>6,893,446</u>
	<u>13,349,209</u>	<u>12,264,776</u>

12 Creditors: amounts falling due within one year

	2000 \$	1999 \$
Bank overdraft	221,737	453,396
Trade creditors	472,353	722,910
Amounts owed to group undertakings	8,300,716	4,793,940
Other creditors including taxation and social security	602,444	1,184,881
Accruals and deferred income	<u>10,602,835</u>	<u>8,315,982</u>
	<u>20,200,085</u>	<u>15,471,109</u>

The bank overdraft facility is secured by the parent undertakings.

13 Creditors: amounts falling due after more than one year

	2000 \$	1999 \$
Amounts owed to group undertakings	<u>-</u>	<u>16,695,642</u>

Notes to the financial statements (continued)

14 Provisions for liabilities and charges

	2000 \$	1999 \$
Provision for royalties payable	12,450,623	9,284,385
Other provisions	391,907	491,908
	<u>12,842,530</u>	<u>9,776,293</u>

The movement on provisions in the year is as follows:

	1 January 2000 \$'000	Charge \$'000	Usage \$'000	31 December 2000 \$'000
Royalties payable	9,284,385	4,645,765	(1,479,527)	12,450,623
Other	491,908	-	(100,001)	391,907
	<u>9,776,293</u>	<u>4,645,765</u>	<u>(1,579,528)</u>	<u>12,842,530</u>

Deferred taxation:

There is no potential deferred tax liability at 31 December 2000 (1999-nil).

15 Called-up share capital

	2000 \$	1999 \$
Authorised		
100 ordinary shares of £1 each	<u>180</u>	<u>180</u>
Allotted, called up and fully paid		
87 ordinary shares of £1 each	<u>146</u>	<u>146</u>

Notes to the financial statements (continued)

16 Reserves

	Share premium account \$	Profit and loss account \$	Total \$
At 1 January 2000	26,499,854	(18,620,416)	7,879,438
Loss for the year	-	(2,893,890)	(2,442,119)
At 31 December 2000	<u>26,499,854</u>	<u>(21,514,306)</u>	<u>5,437,319</u>

17 Reconciliation of movement in shareholders' funds

	2000 \$	1999 \$
(Loss)/Profit for the year	(2,893,890)	8,031,342
Opening shareholders' funds	<u>7,879,584</u>	<u>(151,758)</u>
Closing shareholders' funds	<u>4,985,694</u>	<u>7,879,584</u>

18 Financial commitments

Lease commitments

The minimum annual rentals under operating leases are as follows:

	Property		Motor vehicles	
	2000 \$	1999 \$	2000 \$	1999 \$
Operating leases which expire:				
- within 2 to 5 years	<u>296,596</u>	<u>334,837</u>	<u>13,085</u>	<u>23,537</u>

19 Holding companies

The company's immediate parent company is Lumiere SA incorporated in France. Lumiere SA does not prepare consolidated financial statements.

The ultimate parent company is Studio Canal SA, a company incorporated in France.

The largest and smallest group of which the company is a member and for which consolidated financial statements are drawn up is headed by the smallest Studio Canal SA. These consolidated financial statements are available to the public at 6 Boulevard de la République, Quai Ouest, 92100, Boulogne, France.

After the year end the company's ultimate parent company became Vivendi Universal SA, a company incorporated in France.

The company has taken advantage of the exemption in Finance Reporting Standard No 8 not to disclose transactions with companies within the group headed by Studio Canal SA.