

**Canal + Image UK Limited**

**Directors' report and financial  
statements**

**Registered number 02668459**

**31 December 2010**

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## **Officers**

### **Directors**

S Legrand

R Bess1

### **Registered office**

50 Marshall Street

London

W1F 9BQ

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

### Principal activity and review of the business

In 2010, the main activities of the company continued to be the licensing of film and television rights. Nevertheless, the company has been and will be more and more involved in the UK production of films.

The revenues for the year amounted to \$21.2m (2009: \$22.1m). Revenues in 2010 showed a slight decrease compared to 2009; new production revenues have partially compensated the decrease of TV and video sales.

After taking into account a \$0.2m foreign exchange loss (2009: \$0.2m foreign exchange gain), the operating profit for the year amounted to \$3.5m (2009: \$6.4m). This variation is mainly explained by the increase in cost of sales. This is due to the amortisation of investments in film licensing rights generated through the Company's involvement in the UK production of film.

The directors do not recommend a dividend for the year ended 31 December 2010 (2009: \$nil).

### Future developments

The directors expect continued further development of the company's business in the forthcoming year in the licensing and in the production of films.

"Brighton rock" directed by Rowan Joffe is the first movie coming from Canal + Image UK production and was released after the year end on 4 February 2011.

### Financial risk management

The company's operations expose it to financial risks that include the effects of changes in exchange rates and interest rates. The policies set by StudioCanal SA, the company's parent undertaking to prevent those risks are implemented by the directors of the company.

### Directors

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

S Legrand  
R Bessi

### Political and charitable contributions

The company made no political contributions during the year (2009: \$nil). Donations to UK charities amounted to \$nil (2009: \$nil).

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Directors' report (*continued*)**

### **Auditors**

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



**R Bessi**  
*Director*

09 September 2011

Company number 02668459

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
15 Canada Square  
London E14 5GL  
United Kingdom

## **Independent auditors' report to the members of Canal + Image UK Limited**

We have audited the financial statements of Canal + Image UK Limited for the year ended 31 December 2010 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 [www.frc.org.uk/apb/scope/private.cfm](http://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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, 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.

**Independent auditors' report to the members of Canal + Image UK Limited**  
*(continued)*

**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



**Avtar Jalif**  
**(Senior Statutory Auditor) for and on behalf of**  
**KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

22 September 2011



**Profit and Loss Account**  
*for the year ended 31 December 2010*

	Notes	2010 \$	2009 \$
<b>Turnover</b>	<i>1</i>	<b>21,237,191</b>	22,114,575
Cost of sales		(16,023,522)	(13,390,707)
<b>Gross profit</b>		<b>5,213,669</b>	8,723,868
Administrative expenses		(1,700,178)	(2,281,003)
<b>Operating profit</b>		<b>3,513,491</b>	6,442,865
Other interest receivable and similar income	<i>3</i>	265,962	296,572
Interest payable and similar charges	<i>4</i>	(209,141)	(28,886)
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>3,570,312</b>	6,710,551
Tax on profit on ordinary activities	<i>7</i>	(979,245)	(1,824,284)
<b>Profit for the financial year</b>		<b>2,591,067</b>	4,886,267

The results shown above are derived from continuing activities

There were no recognised gains and losses in either the current or prior year except as shown above. Consequently a statement of total recognised gains and losses has not been presented.

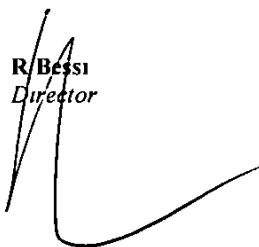
The notes on pages 9 to 17 form part of these financial statements.

**Balance Sheet**  
*at 31 December 2010*

	Notes	2010	2009
		\$	\$
<b>Fixed assets</b>			
Intangible assets	8	26,115,356	7 806 718
Tangible assets	9	3,190,532	3,043,948
Investments	10	-	-
		<u>29,305,888</u>	<u>10,850,666</u>
<b>Current assets</b>			
Debtors	11	78,475,154	54,294,126
Cash at bank and in hand		<u>89,527</u>	<u>3,099,866</u>
		78,564,681	57,393,992
<b>Creditors amounts falling due within one year</b>	12	<u>(71,829,717)</u>	<u>(34,794,873)</u>
<b>Net current assets</b>		<u>6,734,964</u>	<u>22,599,119</u>
<b>Total assets less current liabilities</b>		<u>36,040,852</u>	<u>33,449,785</u>
<b>Net assets</b>		<u>36,040,852</u>	<u>33,449,785</u>
<b>Capital and reserves</b>			
Called up share capital	13	146	146
Share premium account	14	26,499,854	26,499,854
Profit and loss account	14	<u>9,540,852</u>	<u>6 949 785</u>
<b>Equity shareholders' funds</b>	15	<u>36,040,852</u>	<u>33,449,785</u>

These financial statements were approved by the board of directors on 09 September 2011 and were signed on its behalf by

**R/Bessi**  
Director



Company number 02668459

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below

#### *Basis of preparation*

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

The company is exempt by virtue of s 400 of the Companies Act 2006 from the requirement to prepare group accounts as the company is included in the consolidated accounts of a larger group headed by Vivendi S A , a parent undertaking established under the law of a member state of the European Union These financial statements present information about the company as an individual undertaking and not about its group

Under Financial Reporting Standard ("FRS") 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Vivendi S A which includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Vivendi S A , the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Vivendi S A , within which this company is included, can be obtained from the address given in note 17

#### *Going Concern*

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries StudioCanal S A , the company's immediate parent undertaking, has formally confirmed that it will provide financial support to the company for the foreseeable future and for a period of not less than the next twelve months from the date of approval of these accounts

As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### *Turnover*

Turnover comprises the value of sales (excluding VAT and trade discounts) in the normal course of business Turnover from direct sales of licenses to customers is recognised on the later of delivery of rights or the start of the license period Turnover from sales through distributors is recognised upon notification of amounts receivable

Turnover also comprises revenues from the production of films, including from the sale of distribution rights, public agency subsidies and financing presales, recognised when the company has the right to the income

The directors have not disclosed the segmental analysis of turnover on the grounds that it would be seriously prejudicial against the interests of the company

## Notes (continued)

### 1 Accounting policies (continued)

#### *Intangible fixed assets*

The cost of acquired film licensing rights is capitalised and amortised on a straight line basis over their expected useful economic life, not exceeding 20 years. The cost of film licensing rights generated through the Company's involvement in the UK production of films is capitalised and amortised in accordance with the revenue generated in the period in proportion to the total expected revenue. Amortisation charges are expensed as a cost of sale.

#### *Tangible fixed assets*

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, 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 permanent diminution in value.

#### *Taxation*

The charge/(credit) for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Timing differences are differences between the company's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### *Operating leases*

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease period.

#### *Foreign currency*

These financial statements are prepared in US dollars which is the functional currency of the company.

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

#### *Pension*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of an independently administered fund. The amount charged to the profit and loss account represents contributions payable to the scheme in respect of the accounting period.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2010	2009
	\$	\$
<b>Profit on ordinary activities before taxation is stated after charging/(crediting)</b>		
Amortisation, depreciation and amounts written off		
Intangible fixed assets	5,196,756	167,636
Tangible fixed assets	1,237,999	1,223,565
Operating lease rentals	35,192	108,129
Foreign exchange loss / (gain)	<u>248,783</u>	<u>(227,225)</u>
	2010	2009
	\$	\$
<b>Auditors' remuneration :</b>		
Audit of these financial statements	68,001	68,001

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent undertaking

### 3 Other interest receivable and similar income

	2010	2009
	\$	\$
Interest receivable from group companies	265,795	223,264
Interest on tax repayments	53	72,492
Interest receivable from bank deposits	<u>114</u>	<u>816</u>
	<u>265,962</u>	<u>296,572</u>

### 4 Interest payable and similar charges

	2010	2009
	\$	\$
Interest payable to group undertakings	208,988	28,222
Interest payable on loans	<u>153</u>	<u>664</u>
	<u>209,141</u>	<u>28,886</u>

### 5 Staff costs

	2010	2009
	\$	\$
Employee costs during the year comprised		
Wages and salaries	-	67,426
Social security costs	-	6,731
Compensation for loss of office	-	56,348
	<u>-</u>	<u>130,505</u>

## Notes (continued)

### 5 Staff costs (continued)

	2010 Number	2009 Number
Administration	-	-
	<u>-</u>	<u>-</u>

The Company no longer employs staff since September 2009. Activities are handled by staff of another group company.

Moreover, the directors are employed by another group company.

### 6 Remuneration of directors

Directors' remuneration is borne by another group company. Directors' emoluments for the year were \$nil (2009 \$nil). No directors serving during the year were members of the pension scheme.

### 7 Tax on profit on ordinary activities

#### (a) Analysis of tax (charge)/credit in the year

	2010 \$	2009 \$
<b>Current tax on income for the year</b>		
UK Corporation tax on income for the year	27,834	1,871,855
Adjustments in respect of prior years	(3,705)	(54,713)
Group relief payable for losses claimed from other group undertakings	947,468	-
Foreign tax suffered	27,834	-
Double tax relief	(27,834)	-
Total current tax (note 7b)	<u>971,597</u>	<u>1,817,142</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	7,648	7,142
Total deferred tax (charge)/credit (note 7c)	<u>7,648</u>	<u>7,142</u>
Tax on profit on ordinary activities	<u>979,245</u>	<u>1,824,284</u>

## Notes (continued)

### 7 Tax on profit on ordinary activities (continued)

#### (b) Factors affecting the tax (charge)/credit for the current year

The tax assessed on the profit on ordinary activities for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%)

	2010 \$	2009 \$
Profit on ordinary activities before tax	3,570,312	6,710,551
Current tax at 28 % (2009 28%) thereon	999,687	1,878,954
Effects of		
Expenses not deductible for tax purposes	510	1,066
Movement in timing differences	(5,714)	(7,142)
Adjustments in respect of prior periods	(3,705)	(54,713)
Impact of group relief claimed for no consideration	(19,181)	(1,023)
Foreign tax suffered in the period	27,834	-
Double tax relief	(27,834)	-
Current tax charge for the year	971,597	1,817,142

#### (c) Factors that may affect future tax charges

##### Deferred taxation asset /(liability) movements

	2010		2009	
	Provided	Not Provided	Provided	Not Provided
	\$	\$	\$	\$
Excess of depreciation over capital allowances on fixed assets	22,243	-	28,569	-
Other timing differences	48,053	-	49,375	-
	70,296	-	77,944	-
			2010	2009
			\$	\$
Asset at the start of year			77,944	85,086
Deferred tax charge in profit & loss account			(7,648)	(7,142)
Asset at end of the year			70,296	77,944

The UK Government has announced a phased reduction in the main UK corporation tax rate from 28% to 23%, with the first 1% reduction taking effect from 1 April 2011 (and substantively enacted on 20 July 2010). A further 2% has been substantively enacted during 2011 to date. Deferred tax assets and liabilities are measured at the rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date. Therefore, at 31 December 2010, deferred tax assets and liabilities have been calculated based on a rate of 27%, where the temporary difference is expected to reverse after 1 April 2011.

**Notes (continued)**

<b>8</b>	<b>Intangible fixed assets</b>	<b>Film rights</b>
	<b>Cost</b>	<b>\$</b>
	1 January 2010	68,477,630
	Additions	23,505,394
	<b>31 December 2010</b>	<b>91,983,024</b>
	<b>Amortisation</b>	
	1 January 2010	60,670,912
	Charge for the year	5,196,756
	<b>31 December 2010</b>	<b>65,867,668</b>
	<b>Net book value</b>	
	<b>31 December 2010</b>	<b>26,115,356</b>
	31 December 2009	7,806,718

**9**      **Tangible fixed assets**

	<b>Film masters</b>	<b>Plant and machinery</b>	<b>Fixture &amp; fittings</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
1 January 2010	11,477,754	79,654	10,920	11,568,328
Additions	1,384,583	-	-	1,384,583
<b>31 December 2010</b>	<b>12,862,337</b>	<b>79,654</b>	<b>10,920</b>	<b>12,952,911</b>
<b>Depreciation</b>				
1 January 2010	8,433,806	79,654	10,920	8,524,380
Charge for the year	1,237,999	-	-	1,237,999
<b>31 December 2010</b>	<b>9,671,805</b>	<b>79,654</b>	<b>10,920</b>	<b>9,762,379</b>
<b>Net book value</b>				
<b>31 December 2010</b>	<b>3,190,532</b>	<b>-</b>	<b>-</b>	<b>3,190,532</b>
31 December 2009	3,043,948	-	-	3,043,948



**Notes (continued)**

**10 Fixed asset investments**

	Shares in group undertakings \$
<b>Cost</b>	
At beginning and end of year	253,362
Amounts written off at beginning and end of year	<u>(253,362)</u>
<b>Net book value at beginning and end of year</b>	<u><u>-</u></u>

The principal companies in which the company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held
<b><i>Subsidiary undertakings</i></b>			
Springscreen Entertainment Inc	USA	Dormant	Ordinary 100%

**11 Debtors' amounts falling due within one year**

	2010 \$	2009 \$
Trade debtors	5,968,984	4,333,527
Amounts owed by other group undertakings	59,486,957	43,707,823
Other debtors	797,370	1,401,808
Deferred tax asset (note 7c)	70,296	77,944
Prepayments and accrued income	<u>12,151,547</u>	<u>4,773,024</u>
	<u><u>78,475,154</u></u>	<u><u>54,294,126</u></u>

**Notes (continued)**

**12 Creditors amounts falling due within one year**

	2010	2009
	\$	\$
Bank loans and overdraft	959,610	38,330
Trade creditors	163,305	430,204
Amounts owed to subsidiary undertakings	253,362	253,362
Amounts owed to other group undertakings	27,529,680	3,353,251
Taxation and social security	471,419	1,731,464
Accruals for royalty payments	23,579,492	20,557,800
Accruals and deferred income	18,872,849	8,430,462
	<u>71,829,717</u>	<u>34,794,873</u>

**13 Called up share capital**

	2010	2009
	\$	\$
Allotted, called up and fully paid		
87 ordinary shares of £1 each	<u>146</u>	<u>146</u>

**14 Share premium and reserves**

	Share premium account	Profit and loss account
	\$	\$
At 1 January 2010	26,499,854	6,949,785
Profit for the year	-	2,591,067
<b>At 31 December 2010</b>	<u><b>26,499,854</b></u>	<u><b>9,540,852</b></u>

## Notes (continued)

### 15 Reconciliation of movement in shareholders' funds

	2010	2009
	\$	\$
Profit for the year	2,591,067	4,886,267
<b>Net addition to shareholders' funds</b>	<b>2,591,067</b>	<b>4,886,267</b>
Opening shareholders' funds	33,449,785	28,563,518
<b>Closing shareholders' funds</b>	<b>36,040,852</b>	<b>33,449,785</b>

### 16 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	Land & buildings		Other	
	2010	2009	2010	2009
	\$	\$	\$	\$
Operating leases which expire				
- within 2 to 5 years	13,977	85,512	21,215	22,618

The Company has no capital commitments at the end of the financial year for which no provision has been made (2009 nil)

### 17 Parent undertaking and controlling party

The company's immediate parent undertaking is Studio Canal S A , incorporated in France Studio Canal S A does not prepare consolidated financial statements

The ultimate parent company and controlling party is Vivendi S A , 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 that headed by Vivendi S A These consolidated financial statements are available at 42 Avenue Friedland, 75380 Paris, Cedex 08, France

### 18 Defined contribution pension scheme

There were no outstanding or prepaid contributions at either the beginning or end of the financial year