

REGISTRAR OF COMPANIES

Anchor Bay Entertainment UK Limited

Annual report and audited financial statements

31 December 2011

Company Registration Number
04088359 (England and Wales)

TUESDAY



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COMPANIES HOUSE

Directors	G E Curtis C Lomax B Clark C P Albrecht
Secretary	J S Beabout
Registered office	6 Heddon Street London W1B 4BT
Registered number	04088359 (England and Wales)
Auditors	Buzzacott LLP 130 Wood Street London EC2V 6DL
Business address	6 Heddon Street London W1B 4BT
Bankers	Coutts & Co 440 Strand London WC2R 0QS

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part of the statutory financial statements

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Directors' report 31 December 2011

The directors present their report with the financial statements of the company for the year ended 31 December 2011

Principal activity

The principal activity of the company in the year under review was the acquisition of film rights through DVD, theatrical, television and other channels

Review of business and future developments

The profit and loss account is shown on page 7 of the financial statements

The business environment in 2011 has seen another difficult year with higher inflation, increase in VAT, negative growth in the UK GDP in Q4 2011 and a rise in unemployment. This has led to a drop in disposable income, consumer confidence, consumer spending and lower retail sales.

In the home entertainment market, 2011 has once again shown an overall decline in value and volume year on year of 4.9% and 7.2% respectively. DVD and Blu-ray discs are still one of the most popular ways to watch home entertainment with sales of over 207 million units with a value of £1.75 billion.

2011 has been a challenging year but Anchor Bay has seen a significant growth, when compared to last year, in its net revenue increasing by 41% to £9 million (2010 - £6.4 million) which is a pleasing outcome in the current marketplace. This good performance is attributable to the success of key titles such as

- ◆ Spartacus: Blood and Sand
- ◆ Spartacus: Gods of the Arena
- ◆ The Adventures of Tintin
- ◆ 10 Minute Solution range
- ◆ I Spit on your Grave

Anchor Bay continues to license products locally and benefit from the production and acquisition of its US group companies.

Dividends

The directors do not recommend payment of an ordinary dividend and the retained profit for the year is transferred to reserves.

Directors' report 31 December 2011

Financial instruments and risk management

The principal financial instruments of the company comprise bank balances, trade debtors, trade creditors and inter-company loans. The main purpose of these instruments is to raise funds for the company's operation and to reduce financial costs from external party borrowings.

The company's activities expose it to a number of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit risk

The company's maximum exposure to credit risk in relation to financial assets is represented by bank balances, trade and other receivables. The company has no significant concentration of credit risk except for loans to other companies within the group.

Liquidity risk

The company's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing operations. The company's ultimate controlling entity follows a policy of loaning money within the group to maximise liquidity benefits. Loans to the company are not subject to interest and are not repayable at short notice. The loan and cash balances are regularly reviewed to ensure the company has adequate funds to meet future working capital requirements.

Interest rate risk

The company's borrowings do not attract interest, and therefore exposure to interest rate risk is limited.

Foreign currency risk

The company's principal foreign currency exposure arises from transactions in foreign currencies. The company does not have a formal hedging policy but monitors its exposure to these currencies.

Directors

The directors in office during the year were as follows

G E Curtis
C Lomax
B Clark
C P Albrecht

Directors' report 31 December 2011

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements 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 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.

Each of the directors 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 ought to have taken as a director in order to make himself 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 the provisions of s418 of the Companies Act 2006.

Directors' report 31 December 2011

Statement of directors' responsibilities (continued)

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board of directors



C Lomax
Director

Approved by the board on

21/9/12

Independent auditor's report 31 December 2011

Independent auditor's report to the shareholders of Anchor Bay Entertainment UK Limited

We have audited the financial statements of Anchor Bay Entertainment UK Limited for the year ended 31 December 2011, which comprise the profit and loss account, the balance sheet, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 auditors

As explained more fully in the statement of directors' responsibilities set out in the directors' report, 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 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 profit for the year then ended,
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report 31 December 2011

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure made on page 9 concerning the company's ability to continue as a going concern. At 31 December 2011, the company had net liabilities of £3,838,346. This indicates the existence of a material uncertainty which may cast doubt over the company's ability to continue as a going concern.

In the opinion of the directors, the company will be able to secure continuing support to enable it to trade for the foreseeable future. The financial statements do not include any adjustments that would result if sufficient funding was not obtained by the company.

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.

Buzzacott LLP 21/9/12

Simon Wax, Senior statutory auditor
for and on behalf of Buzzacott LLP,
Statutory Auditor, Chartered Accountants
130 Wood Street
London
EC2V 6DL

Profit and loss account Year ended 31 December 2011

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Turnover	1	9,000,502	6,390,381
Cost of sales		(4,102,788)	(3,298,606)
Gross profit		4,897,714	3,091,775
Selling and distribution costs		(2,929,958)	(2,821,463)
Administrative expenses		(1,073,160)	(970,918)
Operating profit/(loss)	2	894,596	(700,606)
Interest receivable and similar income		1,794	2,915
Profit/(loss) on ordinary activities before taxation		896,390	(697,691)
Tax on profit/(loss) on ordinary activities	5	—	—
Retained profit/(loss) for the financial year		896,390	(697,691)

All of the company's activities in the current and preceding periods are derived from continuing operations

The company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the results stated above and their historical cost equivalents

The notes on pages 9 to 16 form part of the audited financial statements

Balance sheet 31 December 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	6		353,553		493,241
			353,553		493,241
Current assets					
Stocks	7	600,505		317,798	
Debtors	8	4,134,051		5,312,044	
Cash at bank and in hand		1,048,208		1,312,426	
		5,782,764		6,942,268	
Creditors amounts falling due within one year	9	(2,746,698)		(2,933,820)	
Net current assets			3,036,066		4,008,448
Total assets less current liabilities			3,389,619		4,501,689
Creditors amounts falling due after more than one year	10		(6,344,860)		(8,605,878)
Provision for liabilities					
Other provisions	11		(883,105)		(630,547)
			(3,838,346)		(4,734,736)
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		(3,838,446)		(4,734,836)
Shareholder's (deficit)	15		(3,838,346)		(4,734,736)

Approved on behalf of the board of directors and authorised for issue by



C Lomax
Director

Approved on

21/9/12

Anchor Bay Entertainment UK Limited

Company Registration Number: 04088359 (England and Wales)

The notes on pages 9 to 16 form part of the audited financial statements

Principal accounting policies Year ended 31 December 2011

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards

Going concern

At 31 December 2011, the company had net liabilities of £3,838,346 (2010 - £4,734,736). The directors have received assurances from Starz Media, LLC that it will continue to support the company by not recalling amounts due to it until such time that the company is in a position to effect payment and will provide further sums if required to allow the company to continue trading for the foreseeable future.

On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

However, should this support be withdrawn or future funding not be available, the going concern basis used in preparing the company's financial statements may be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise. The financial statements do not include any adjustment to the company's assets or liabilities that might be necessary should this basis not continue to be appropriate.

Cash flow

The financial statements do not include a cash flow statement because the company is a wholly owned subsidiary and the consolidated financial statements of its ultimate parent undertaking, in which the company is included, are publicly available. It is therefore exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 'Cash flow statements'.

Turnover

Turnover consists of sales of goods, theatrical income, film sales and film sales commission at invoiced value excluding VAT and discounts. Turnover is recognised as earned when and to the extent that the company obtains right to consideration in exchange for goods and services. Full value is taken for contracted sales when all conditions have been met.

Principal accounting policies Year ended 31 December 2011

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at the following rates in order to write off each asset over its estimated useful life

- | | |
|---------------------|-------------------------------|
| ♦ Office equipment | 33% per annum on cost |
| ♦ Master film costs | Over 4 years reducing balance |

Stocks

Stocks of raw materials and finished goods are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Stock values are computed using the first in, first out method. Costs included are those incurred in bringing the product to its present location and condition, including purchase price and other directly attributable costs less trade discounts and subsidies.

The estimation technique used for the calculation of provisions against cost for obsolete and slow moving items uses historic sales as a basis for future stock level requirements.

Royalty reserves

Royalty reserves included in prepayments consist of amounts paid by the company in advance of royalties due on sales of film titles. Royalty reserves are not recoverable if sales do not achieve the required level and therefore a provision is made based on projected future sales.

Pensions

The pension cost charge in respect of defined contribution personal pension schemes is comprised of the contributions payable for the period.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Principal accounting policies Year ended 31 December 2011

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Provision for sales returns

The company operates a four months return policy on sales as standard. Certain supermarket sales have an extended returns policy. The company has therefore provided for sales returns based on an average of previous returns experience.

Notes to the financial statements 31 December 2011

1 Turnover

Turnover and the result before taxation arise solely from the company's principal activity, which was carried out wholly within the United Kingdom and the Republic of Ireland

2 Operating profit/(loss)

Operating profit/(loss) is stated after charging

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Depreciation of tangible fixed assets	376,023	396,625
Auditor's remuneration for audit services	20,000	20,000
for taxation services	2,660	2,660
for other services	7,050	7,050
Operating lease charges		
Land and buildings	79,000	77,569
Foreign exchange loss/(gain)	6,332	(16,256)

3 Staff costs and average number of employees

Staff costs were as follows

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Wages and salaries	672,333	598,762
Social security costs	81,209	69,717
Pension contributions	25,561	24,804
	779,103	693,283

The average monthly number of employees during the year was as follows

	Year ended 31 December 2011	Year ended 31 December 2010
Office staff	8	8
Sales staff	1	1
	9	9

Notes to the financial statements 31 December 2011

4 Directors' remuneration

Remuneration paid to directors during the year for management services was as follows

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Emoluments	205,767	198,316
Contributions to money purchase pension schemes	7,192	6,982
	212,959	205,298

Only one director received remuneration during the period, so the above also represents the remuneration of the highest paid director. The company made payments on behalf of one (2010: one) director to a nominated pension scheme.

5 Taxation

The tax credit on the loss on ordinary activities for the period was as follows

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Current tax	—	—
Corporation tax charge at 26.5% (2010: 28%)	—	—

The tax assessed for the period differs from the standard rate of corporation tax of 26.5%. The differences are explained below:

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Profit/(loss) on ordinary activities before tax	896,390	(697,691)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	237,543	(195,353)
Effects of:		
Expenses not deductible for tax purposes	2,203	3,054
Difference between capital allowances for the period and depreciation	(2,984)	(3,588)
Other short term timing differences	1,183	—
Unrelieved tax losses and other deductions	(237,945)	195,803
Qualifying charitable donations not utilised	—	84
Current tax charge for year	—	—

Notes to the financial statements 31 December 2011

6 Tangible fixed assets

	Master film costs £	Office equipment £	Total £
Cost			
At 1 January 2011	4,634,905	15,533	4,650,438
Additions	236,335	—	236,335
At 31 December 2011	<u>4,871,240</u>	<u>15,533</u>	<u>4,886,773</u>
Accumulated depreciation			
At 1 January 2011	4,142,035	15,162	4,157,197
Charge for year	375,652	371	376,023
At 31 December 2011	<u>4,517,687</u>	<u>15,533</u>	<u>4,533,220</u>
Net book value			
At 31 December 2011	<u>353,553</u>	<u>—</u>	<u>353,553</u>
At 31 December 2010	<u>492,870</u>	<u>371</u>	<u>493,241</u>

7 Stocks

	2011 £	2010 £
Finished goods	600,505	317,798
	<u>600,505</u>	<u>317,798</u>

8 Debtors

	2011 £	2010 £
Trade debtors	3,014,435	3,928,836
Prepayments and accrued income	1,096,410	1,360,002
Other debtors	23,206	23,206
	<u>4,134,051</u>	<u>5,312,044</u>

9 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	1,224,451	1,279,048
Social security and other taxes	420,039	310,973
Accruals and deferred income	1,096,787	1,343,799
Other creditors	5,421	—
	<u>2,746,698</u>	<u>2,933,820</u>

10 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts owed to group undertakings	6,344,860	8,605,878

Amounts due to group undertakings are unsecured, interest free and not payable within 12 months from the date of approval of the financial statements

Notes to the financial statements 31 December 2011

11 Provision for liabilities

	2011 £	2010 £
Other provisions		
At 1 January 2011	630,547	255,163
Movement in the period	252,558	375,384
At 31 December 2011	883,105	630,547

Other provisions represent an estimate of the value of future returns of DVDs sold as the majority of sales are made on a sale or return basis

12 Deferred tax

	Unprovided	
	2011 £	2010 £
Deferred tax asset unprovided		
Trading losses	(1,217,024)	(1,536,590)
Short term timing differences	(1,184)	—
Accelerated capital allowances	(12,221)	(16,066)
	(1,230,429)	(1,552,656)

The directors have not provided for deferred tax due to uncertainty over future trading profits

13 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

14 Statement of movements on profit and loss account

	2011 £	2010 £
Accumulated loss at start of period	(4,734,836)	(4,037,145)
Profit/(loss) for the financial year	896,390	(697,691)
Accumulated loss at end of period	(3,838,446)	(4,734,836)

15 Reconciliation of movements in shareholder's deficit

	2011 £	2010 £
Profit/(loss) for the financial year after taxation	896,390	(697,691)
Opening shareholder's deficit at 1 January 2011	(4,734,736)	(4,037,045)
Closing shareholder's deficit at 31 December 2011	(3,838,346)	(4,734,736)

Notes to the financial statements 31 December 2011

16 Leasing commitments

Operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2011	2010
	£	£
Operating leases which expire		
Within one year	39,500	39,500

17 Pension costs

The company makes payments to employees' personal pension schemes. The assets of these schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid by the company and amounted to £25,561 (2010 - £24,804).

18 Related party transactions

The financial statements do not include disclosure of transactions between the company and entities that are part of the Liberty Media Corporation Group. This is because as a subsidiary whose shares are 100% controlled within the group the company is exempt from the requirement to disclose such transactions under Financial Reporting Standard 8 "Related Party Disclosures".

19 Ultimate parent undertaking and control

In the period from 1 January 2011 to 20 December 2011, the immediate parent undertaking was Starz UK Holding Limited. From 20 December 2011, following a group restructure, the immediate parent undertaking was Starz Media, LLC. From 6 January 2012, following a further group restructure, the immediate parent undertaking was Anchor Bay Entertainment, LLC. The ultimate parent undertaking in the two years under review is Liberty Media Corporation, a company registered in the USA.

The largest and smallest group in which the results of the company are consolidated is that headed by Liberty Media Corporation. The consolidated accounts, which are available to the public, may be requested from 12300 Liberty Boulevard, Englewood, CO 80112, USA.

The directors do not believe there was a controlling party in either of the two periods.