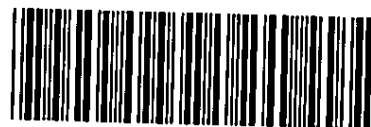


Company Registration No 1792633 (England and Wales)

CANNON FILM FINANCE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

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CANNON FILM FINANCE LIMITED

COMPANY INFORMATION

Directors	S Hendry	(Appointed 20 April 2005)
	D Clapham	(Appointed 7 September 2005)
	S Packman	(Appointed 6 September 2005)
	B C Yell	(Resigned 7 September 2005)
	W A Jones	(Resigned 20 April 2005)
Secretary	United Artists Corporation Limited	
Company number	1792633	
Registered office	5 Kew Road Richmond Surrey TW9 2PR	
Auditors	KPMG LLP PO Box 695 8 Salisbury Square London EC4Y 8BB	
Business address	5 Kew Road Richmond Surrey TW9 2PR	

CANNON FILM FINANCE LIMITED

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CANNON FILM FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and financial statements for the year ended 31 March 2006

Principal activities and review of the business

The principal activity of the company continued to be that of exploitation of film rights

Results and dividends

The results for the year are set out on page 5

Directors

The following directors have held office since 1 April 2005

S Hendry	(Appointed 20 April 2005)
D Clapham	(Appointed 7 September 2005)
S Packman	(Appointed 6 September 2005)
B C Yell	(Resigned 7 September 2005)
W A Jones	(Resigned 20 April 2005)

Directors' interests

None of the directors who held office at 31 March 2006 had any interest in the shares of the company or any group company throughout the year then ended

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the year

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that KPMG LLP be reappointed as auditors of the company will be put to the Annual General Meeting

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 steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the board



S Hendry
Director

8 October 2007

CANNON FILM FINANCE LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2006

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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,
- 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 proper accounting records that 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 1985. They have a 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

CANNON FILM FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CANNON FILM FINANCE LIMITED

We have audited the financial statements of Cannon Film Finance Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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. However, the evidence available to us was limited because the turnover and cost of sales figures were generated from Metro-Goldwyn Mayer Inc ("MGM"), the company's ultimate parent company, the underlying records for which we had no access to for the purpose of our audit. There were no other satisfactory audit procedures that we could adopt to confirm that turnover and cost of sales were properly recorded. We qualified our audit report on the financial statements of the previous financial period with regard to this same limitation in scope.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

CANNON FILM FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF CANNON FILM FINANCE LIMITED

Qualified opinion arising from limitation in audit scope

Except for the financial effect of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient audit evidence concerning turnover and cost of sales, in our opinion the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs, as at 31 March 2006

Because of the possible financial effect of the limitation in evidence available to us, we were unable to form an opinion as to whether the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the profit of the company for the year ended 31 March 2006, and
- have been properly prepared in accordance with the Companies Act 1985

In respect solely of the limitation on our work relating to turnover and cost of sales

- we have not obtained all the information and explanations that we consider necessary for the purpose of our audit, and
- we are unable to determine whether proper accounting records have been maintained

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the directors' report is consistent with the financial statements

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

PO BOX 695

8 Salisbury Square

EC4Y 8BB

18 October 2007

CANNON FILM FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2006

		Year ended 31 March 2006 £'000	15 months ended 31 March 2005 £'000
	Notes		
Turnover	2	174	167
Cost of sales		(96)	(150)
Gross profit		78	17
Administrative expenses		(33)	(31)
Profit/(loss) on ordinary activities before taxation	3	45	(14)
Tax on profit/(loss) on ordinary activities	6	-	-
Profit/(loss) for the year	10	45	(14)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

A note on historical cost profits and losses has not been included as part of these financial statements as the results disclosed in the profit and loss account are prepared on a modified historical cost basis

CANNON FILM FINANCE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2006

		2006		2005	
	Notes	£'000	£'000	£'000	£'000
Current assets					
Debtors	7	15,431		15,401	
Cash at bank and in hand		16		4	
		<u>15,447</u>		<u>15,405</u>	
Creditors amounts falling due within one year	8	<u>(11)</u>		<u>(14)</u>	
Total assets less current liabilities			<u>15,436</u>		<u>15,391</u>
Capital and reserves					
Called up share capital	9		28,920		28,920
Profit and loss account	10		<u>(13,484)</u>		<u>(13,529)</u>
Shareholders' funds	11		<u>15,436</u>		<u>15,391</u>

Approved by the Board and authorised for issue on 8 October 2007



S Hendry
Director

CANNON FILM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents the amounts derived from the distribution of films for which the company holds certain distribution rights and is stated net of value added tax

1.4 Deferred taxation

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, except as otherwise required by FRS19

2 Analysis of Turnover and Cost of Sales

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

Turnover is derived from the distribution of films within the United Kingdom. The distribution of films including the relevant record keeping is carried out by MGM on behalf of the company. Cost of sales represents distribution fees and all direct expenses charged by MGM for the distribution of the films

3 Operating profit/(loss)

	2006	2005
	£'000	£'000
Operating profit/(loss) is stated after charging		
Auditors' remuneration	12	30

During the period ended 31 March 2005 the company paid the audit charge for the current and prior period on behalf of its parent and fellow subsidiary undertakings

4 Directors' emoluments

No directors received emoluments from the company during the year (2005 £Nil) in respect of their services to the company

CANNON FILM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2006

5 Employees

The company had no employees at any time during the year (2005 Nil)

6 Taxation	2006 £'000	2005 £'000
Current tax charge	-	-
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	45	(14)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	14	(4)
Effects of		
Utilisation of tax losses carried forward	(14)	-
Tax losses carried forward	-	4
	(14)	4
Current tax charge	-	-

7 Debtors	2006 £'000	2005 £'000
Amounts owed by parent and fellow subsidiary undertakings	15,431	15,398
Other debtors	-	3
	15,431	15,401

8 Creditors amounts falling due within one year	2006 £'000	2005 £'000
Accruals	11	14
	11	14

The company has no contingent liabilities

CANNON FILM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2006

9	Share capital	2006 £	2005 £
	Authorised		
	28,800,030 Ordinary Shares of £1 each	28,800,030	28,800,030
	3,600 'A' Ordinary Shares of 1p each	36	36
	3,600 'B' Ordinary Shares of 1p each	36	36
	120,000 Cumulative Preference Shares of £1 each	120,000	120,000
		<u>28,920,102</u>	<u>28,920,102</u>
	Allotted, called up and fully paid		
	28,800 Ordinary Shares of £1 each	28,800,030	28,800,030
	120 Cumulative Preference Shares of £1 each	120,000	120,000
		<u>28,920,030</u>	<u>28,920,030</u>

Effective 22 October 2003 the sole shareholder waived its right to receive any dividends presently due or due at any time in the future on the preference shares until the company has sufficient retained earnings to pay such dividends

10	Statement of movements on profit and loss account	Profit and loss account £'000
	Balance at 1 April 2005	(13,529)
	Profit for the period	45
	Balance at 31 March 2006	<u>(13,484)</u>

11	Reconciliation of movements in shareholders' funds	2006 £'000	2005 £'000
	Profit/(Loss) for the financial year	45	(14)
	Opening shareholders' funds	15,391	15,405
	Closing shareholders' funds	<u>15,436</u>	<u>15,391</u>

CANNON FILM FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2006

12 Control

The company's ultimate holding company is Metro-Goldwyn-Mayer Inc ("MGM"), a company incorporated in the United States of America. The largest and smallest group in which the results of the company are consolidated is that headed by MGM. The consolidated accounts of MGM are available from the Chief Financial Officer, Metro-Goldwyn-Mayer Inc, 2500 Broadway Street, Santa Monica, California 90404, USA.

Effective 8 April 2005 MGM was acquired by a consortium comprising of Sony Corporation of America, Providence Equity Partners, Texas Pacific Group, Comcast Corporation and DLJ Merchant Banking Partners resulting in a new ultimate parent company for the company.

13 Related party transactions

As the company is a wholly owned subsidiary of Metro-Goldwyn-Mayer Inc ("MGM"), the company has taken advantage of the exemption contained in FRS8 for entities where more than 90% of the voting rights are contained within the group and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of MGM within which this company is included can be obtained from the address set out in note 12.